COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 437
LOS ANGELES, CA 90012

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

48 November 15, 2011

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

November 15, 2011

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

Dear Supervisors:

ISSUANCE AND SALE OF
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 SERIES A
(ALL DISTRICTS) (3 VOTES)

SUBJECT

The Los Angeles County Capital Asset Leasing Corporation, a California nonprofit public benefit corporation (the "Corporation"), previously issued Bond Anticipation Notes (the "BANs") to provide temporary financing for the purchase of capital equipment for participating County departments. The Corporation will issue 2011 Series A Lease Revenue Bonds (the "Bonds") in an aggregate principal amount not to exceed $70,000,000, the proceeds of which will be used to pay off the outstanding BANs.

IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the Resolution authorizing the County to lease certain capital equipment from the Corporation, and to execute a Lease Agreement and Continuing Disclosure Certificate in connection with the issuance and sale of Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 Series A (the "Bonds") in an aggregate principal amount not to exceed $70,000,000.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The LACCAL Equipment Program (the "Equipment Program") has been in place for over 20 years, and has provided a cost-effective method for the County to finance the purchase of capital equipment. Under the terms of a Lease Agreement, the Corporation leases the equipment to the County, with the repayment of the Bonds secured by monthly base rental payments from the participating County departments. The proceeds generated from the sale of the Bonds, when combined with cash on hand from the base rental payments collected from County departments, will be applied towards the redemption of $80.5 million of outstanding BANs. The issuance of the BANs and the related equipment purchases have been previously authorized by your Board in connection with your approval of the annual Debt Management Guidelines. It has been your Board's policy to redeem outstanding BANs through the issuance and sale of tax-exempt lease revenue bonds or certificates of participation.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #1: Operational Effectiveness by providing a cost effective program to finance the purchase of capital equipment for County departments.

FISCAL IMPACT/FINANCING

There will be no fiscal impact to the County Budget. The Appropriations for lease payments from County departments related to the Equipment Program are included in the Budget on an annual basis.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Bonds will be issued as fixed-rated obligations with a maximum true interest cost of 5.0% and a final maturity of not to exceed seven (7) years. In no event will the principal amount of the Bonds exceed the maximum authorization of $70,000,000.

Consistent with previous bond transactions for the Equipment Program, the Treasurer and Tax Collector is recommending that the sale of the bonds be conducted through a competitive bid process. The basic structure and terms of this financing, and the market's familiarity with the Equipment Program, support this recommendation. The Treasurer and Tax Collector will award the Bonds based on the lowest cost bid received by Parity, the electronic bidding service to be used for this bond sale.

Fieldman Rolapp & Associates has been selected as the financial advisors for this transaction, and Squire, Sanders & Dempsey (US) LLP will serve as bond counsel.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services or projects.

CONCLUSION

Upon approval, it is requested that the Executive Officer-Clerk of the Board of Supervisors return two originally executed copies of the adopted resolution to the Treasurer and Tax Collector (Office of Public Finance).

Respectfully submitted,

MARK J. SALADINO

Treasurer and Tax Collector

MJS:GB:DB
JP:JW:pab
Pb/brdltr/2011
LACCALeuip

Enclosures

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors
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 $70,000,000 AGGREGATE PRINCIPAL AMOUNT OF LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION LEASE REVENUE BONDS, 2011 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 March 9, 2010, April 1, 2010, September 2, 2010, October 27, 2010, December 9, 2010, February 18, 2011, March 4, 2011, May 10, 2011, June 17, 2011, and September 27, 2011, all of which are presently outstanding in the aggregate principal amount of $80,500,000.00 (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 ("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 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") and Notice of Intention to Sell Bonds 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 2. 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 3. 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 4. 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 5. The Authorized Representatives 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 Authorized Representatives 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 Authorized Representatives 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 an Authorized Representative or by Squire, Sanders & Dempsey (US) 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, 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 Authorized Representatives are hereby authorized and directed to deliver copies of the final Official Statement to all actual purchasers of the Bonds.

SECTION 6. The forms of the Official Notice Inviting Bids and Notice of Intention to Sell Bonds on file with this Board are approved, including such changes therein as may be in the best interests of the County, such approval to be evidenced conclusively by the publication and dissemination thereof by the Corporation. 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 Ipreo LLC’s Parity® electronic bid submission system, the approved electronic bidding service, provided that the true interest cost of the Bonds shall not exceed 5.0%.

SECTION 7. 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 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 8. The County hereby authorizes the execution of the Bonds by the Corporation 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 9. 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 documents 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 Authorized Representatives, to effectuate the issuance and sale of the Bonds in more than one series.

SECTION 10. Any Authorized Representative and the Executive Officer - Clerk of the Board are 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 11. This Resolution shall take effect immediately upon its passage.

[Remainder of this page left blank intentionally]

The foregoing resolution was on the 15th day of November 2011, 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:

ANDREA SHERIDAN ORDIN
County Counsel

By: ______________________
Principal Deputy County Counsel

[Signature Page to County Resolution]

INDENTURE OF TRUST

Dated as of December 1, 2011

by and between

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION,
as Lessor

and

[TRUSTEE],
as Trustee

Relating to the

$[PAR]
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 SERIES A
(LAC-CAL EQUIPMENT PROGRAM)

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INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture"), dated as of December 1, 2011, 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, as trustee (the "Trustee"):

WITNESSETH:

WHEREAS, the Lessor has issued and sold certain bond anticipation notes on March 9, 2010, April 1, 2010, September 2, 2010, October 27, 2010, December 9, 2010, February 18, 2011, March 4, 2011, May 10, 2011, June 17, 2011, and September 27, 2011, all of which are presently outstanding in the aggregate principal amount of $80,500,000.00 (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 Squire, Sanders & Dempsey (US) 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.

"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 $[21,039,972.75] 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.

"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.

"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 June 1, 2012, 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 investments of the type described in clause (A) of the definition of Qualified Investments 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 11.01 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 11.03 of this Indenture except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

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

(a) For all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the of the United States of America, including: (i) United States of America treasury obligations; (ii) all direct or fully guaranteed obligations of the United States of America; (iii) Farmers Home Administration; (iv) General Services Administration; (v) Guaranteed Title XI financing; (vi) Government National Mortgage Association ("GNMA"); and (vii) State and Local Government Series;

Any security used for defeasance pursuant to Section 11.01 hereof must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(b) For all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Rural Economic Community Development Administration; (iii) U.S. Maritime Administration; (iv) Small Business Administration; (v) U.S. Department of Housing and Urban Development; (vi) Federal Housing Administration; and (vii) Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) senior debt obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; (ii) obligations of the Resolution Funding Corporation; (iii) senior debt obligations of the Federal Home Loan Bank System; and (iv) senior debt obligations of other Government Sponsored Agencies;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" by S&P and maturing not more than 270 calendar days after the date of purchase (ratings on holding companies are not considered as the ratings of the banks);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1" by S&P, and which mature not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and, (i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest long-term rating category of Moody's or S&P; or (ii)(A) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting of cash or securities as described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate, and

(B) which escrow is sufficient, as verified by an Accountant's Certificate, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate;

(7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

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

(10) The Los Angeles County Treasury Pool; and

(11) 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 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, as of any date of calculation, the lesser of (i) $2,000,000.00 or (ii) the total remaining unpaid principal and interest on the Bonds.

"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, 2011 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 $[PAR] 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

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 [_____________], 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 on the applicable Interest Payment Date, 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 or by wire 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 2.06 and of the expenses which may be incurred by the Trustee in carrying out its duties under this Section 2.06. Any Bond executed by the Lessor and authenticated and delivered by the Trustee under the provisions of this Section 2.06 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 2.06, 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 Lessee cause notice to be mailed to the Bondowner, by first class mail, postage prepaid not less than 30 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) If 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.

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 net proceeds of the sale of the Bonds in the amount of $[___________] shall be applied as follows:

(a) The Trustee shall deposit into the Reserve Fund the sum of $[___________], representing 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 $[___________] (inclusive of the $[___________] bid security deposit) .

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. Such amounts, together with the County Contribution in the amount of $[___________], 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 $80,500,000.00 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 3.03. 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 and Principal Account; and (c) 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 3.04. 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 3.04.

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 and the Lessee 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 and the Lessee 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 such excess in the Reserve Fund (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, 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 and Lessee of such fact. Upon receipt of such notice, the Lessor shall cause the Lessee to 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, provided that amounts in the Reserve Fund shall be invested in Qualified Investments that 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 (5) of the Qualified Investments definition set forth in Section 1.01 hereof. The Lessor agrees that it will give direction to invest 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 3.11 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. 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 at no additional cost, 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.

The Trustee shall be without liability to the Lessor or any other person if any investment made in accordance with the written instructions of the Lessor or in any Qualified Investment shall cause any or all of the Bonds to become arbitrage bonds within the meaning of section 148 of the Code or shall cause any person to incur any liability or rebates or other monies payable pursuant to the Code.

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 depreciation in the value of any investment or for any loss (direct or indirect) 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 11.01 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 Lessee, 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. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers set forth therein or on the Bonds.

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 Lessee, 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 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, national banking consortium 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, national banking consortium 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, national banking consortium 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 or following its removal of the Trustee, the retiring 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, facsimile, 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 action taken by it in good faith and reasonably believed by it to be within the discretion or powers conferred upon it, in good faith omitted to be taken by it and reasonably believed to be beyond the discretion or powers conferred upon it, taken by it pursuant to any direction or instruction by which it is governed hereunder, or omitted to be taken by it by reason of the lack of direction or instruction required hereby for such action; nor shall it be responsible for the consequences of any error of judgment reasonably made by it. The duties of the Trustee are those expressly set forth in this Indenture, and no additional duties shall be implied or inferred. When any payment, consent or other action by it is called for hereby, it may defer such action pending receipt of such evidence, if any, as it may require in support thereof. The Trustee shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person, firm, corporation, except its own directors, officers and employees. No recourse shall be had by the Lessor or the Lessee or any Bondowner for any claim based on this Indenture or any Bond against any director, officer employee or agent of the Trustee alleging personal liability on the part of such person, unless such claim is based on the negligence, fraud or deceit of such person. The Trustee has no responsibility for the validity or sufficiency of this Indenture or the Bonds or any security therefor. A permissive right or power to act hereunder shall not be construed as a requirement to act.

The Trustee or any affiliate of the Trustee may become the owner of Bonds with the same rights as if it were not Trustee.

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 indemnity reasonably satisfactory to it 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.

The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

Before taking any action under Article VIII or this Article at the request of the Bondowners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons (each, a "Listed Person"), which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If (i) the Lessor elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method), (ii) the Trustee reasonably determines such instructions have been delivered by a Listed Person and (iii) the Trustee in its discretion elects to act upon such instructions, then the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Lessor agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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 national banking association 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, 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. The Trustee may in its discretion, but shall not be obligated to, enter into any such amendment which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture.

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 B 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, 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 7.03.

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 Covenants.

(a) When used in this Section, the following terms have the following meanings:

"Code" means the Internal Revenue Code of 1986.

"Computation Date" has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

"Gross Proceeds" means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the Bonds.

"Investment" has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and that is not acquired to carry out the governmental purposes of that series of Bonds.

"Rebate Amount", has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

"Tax Regulations" means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code, or section 103 of the 1954 Code, as applicable.

"Yield" of any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and of any issue of governmental obligations has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) <u>Not to Cause Interest to Become Taxable</u>. The Lessor covenants that it shall not use, and shall not permit the use of, and shall not omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Bond to fail to be excluded pursuant to Section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Trustee receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect such exclusion of the interest on any Bond from the gross income of the owner thereof for federal income tax purposes, the Lessor shall comply with each of the specific covenants in this Section.

(c) <u>Private Use and Private Payments</u>. Except as would not cause any Bond to become a "private activity bond" within the meaning of section 141 of the Code and the Tax Regulations, the Lessor shall take all actions necessary to assure that the County at all times prior to the final cancellation of the last of the Bonds to be retired:

(i) exclusively owns, operates and possesses all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds and not use or permit the use of such Gross Proceeds (including through any contractual arrangement with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) does not directly or indirectly impose or accept any charge or other payment by any person or entity (other than a state or local government) who is treated as using any Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds.

(d) No Private Loan. Except as would not cause any Bond to become a "private activity bond" within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Lessor shall not use or permit the use of Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause the Bonds to become "arbitrage bonds" within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Lessor shall not (and shall not permit any person to), at any time prior to the final cancellation of the last Bond to be retired, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the Bonds within the meaning of said section 148.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Lessor shall not take or omit to take (and shall not permit any person to take or omit to take) any action that would cause any Bond to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The Lessor shall timely file, or cause the County to timely file, any information required by section 149(e) of the Code with respect to Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations:

(i) The Lessor shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Bond is discharged. However, to the extent permitted by law, the County may commingle Gross Proceeds of Bonds with its other monies, provided that it separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Lessor shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Lessor shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date. The Trustee may rely conclusively upon the Lessor's determinations, calculations and certifications. The

Trustee shall have no responsibility to independently make any calculation or determination or to review the Lessor's calculations hereunder.

(iii) In order to assure the excludability pursuant to section 103(a) of the Code of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, the Lessor shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of the Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. Upon the Request of the Lessor or the County, the Trustee shall pay over to the County amounts in the Rebate Account solely and exclusively for such purpose (and the County shall hold such funds until remitted to the United States as a trustee of such funds for this purpose). In all cases, such rebate payments shall be made by the County at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T prepared by the Lessor or the County or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the County.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the Lessor shall not and shall not permit any person to, at any time prior to the final cancellation of the last of the Bonds to be retired, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yields on the Bonds not been relevant to either party.

(j) Bonds Not Hedge Bonds.

(i) The Lessor represents that none of the Bonds will become a "hedge bond" within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (i) above: the Lessor believes (upon appropriate investigation) (A) that on the date of issuance of the Bonds the County reasonably expected that at least 85% of the spendable proceeds of the Bonds would be expended within the three-year period commencing on such date of issuance, and (B) no more than 50% of the proceeds of the Bonds would be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(k) Elections. The Lessor hereby directs and authorizes any County Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(l) Closing Certificate. The Lessor agrees to execute and deliver in connection with the issuance of the Bonds a *Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986*, or similar document containing additional representations and covenants pertaining to the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein.

The Lessor shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Lessor agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds.

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 8.02 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 8.03 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. Subject to Section 8.08 hereof and 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) incurred in and about the performance of its powers and duties under this Indenture, 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, deposited in the separate fund to be established for Additional Rental pursuant to this Indenture and used to pay 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 and regardless of any agreement to maintain insurance, 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 (which includes legal fees and expenses), 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 (including the offering, issuance, sale or resale thereof) 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. This Section 9.05 shall survive the termination of this Indenture and the earlier removal or resignation of the Trustee.

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

RESERVED.

ARTICLE XI

MISCELLANEOUS

Section 11.01 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 investments of the type described in clause (A) of the definition of Qualified Investments which, in the written opinion of a certified public accountant, is in an amount sufficient, together with the earnings to accrue thereon 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 11.01, 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 11.02 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 11.03 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: Assistant Treasurer & Tax Collector;

(b) if to the Trustee, to [TRUSTEE], 700 South Flower Street, Suite 500, Los Angeles, CA 90017;

(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, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Attention: MSPG Surveillance;

(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 11.03.

Section 11.04 Benefits of the Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Lessor, the Trustee and the Bondowners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Lessor or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Lessor, the Trustee and the Bondowners.

Section 11.05 Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 11.06 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 11.07 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.

[Remainder of page intentionally left blank.]

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

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

By: ________________________________
[________________]
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, 2011 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 December 1, 2011 (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, 2011 Series A (LAC-CAL Equipment Program) (the "Bonds") in an aggregate principal amount of $[PAR] executed by the Lessor and authenticated and delivered by Deutsche Bank National Trust Company (together with any successors thereto, the "Trustee") under the terms of an Indenture, dated as of December 1, 2011 (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 l, commencing June 1, 2012 (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 May 15, 2012, 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.

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: ____________________

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: ____________________________

[TRUSTEE], as Trustee

By: __
Authorized Officer

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 or such other program acceptable to the Trustee.

Exhibit B
[Letterhead of County of Los Angeles]

FORM OF REQUISITION
(Costs of Issuance Account)

[TRUSTEE]
700 South Flower Street, Suite 500
Los Angeles, CA 90017

PAYMENT REQUEST NO. _____

Attention: Corporate Trust

Re: $[PAR] Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 Series A (LAC-CAL Equipment Program)

Pursuant to Section 3.02(b) of the Indenture, dated as of [________] 1, 2011 (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

77713

LEASE AGREEMENT

Dated as of December 1, 2011

between the

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
as Lessor

and the

COUNTY OF LOS ANGELES, CALIFORNIA
as Lessee

relating to

$55,475,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 SERIES A
(LAC-CAL Equipment Program)

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EXHIBIT A BASE RENTAL SCHEDULE

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease"), dated as of December 1, 2011, 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 March 9, 2010, April 1, 2010, September 2, 2010, October 27, 2010, December 9, 2010, February 18, 2011, March 4, 2011, May 10, 2011, June 17, 2011, and September 27, 2011, all of which are presently outstanding in the aggregate principal amount of $80,500,000.00 (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 that certain Indenture of Trust, dated as of December 1, 2011 (the "Indenture"), by and between the Lessor and The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), 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 $55,475,000 aggregate principal amount of Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 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" has the meaning set in Section 4.3(a)(i) hereof.

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

"Term" or "Term of this Lease" 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 November 15, 2011, 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 this 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, 2012, 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 fulfill 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 this 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) 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 this Lease, or (2) December 1, 2016 unless such Term is otherwise terminated or extended as hereinafter provided. If on December 1, 2016, 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, 2016, 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.

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 this 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 this 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 Lessee; *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 investments of the type described in clause (A) of the definition of Permitted Investments 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 (prepared by or on behalf of the Lessee or Lessor), 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 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. The Lessee further represents that it will take all steps necessary to facilitate compliance by the Lessor with its covenants under Section 7.06 of the Indenture.

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 (subject to the Trustee's rights and protections under the Indenture). 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 this 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.

(a) 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.

(b) 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.

(c) 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 rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture. The Trustee is hereby designated a third party beneficiary hereunder for the purpose of enforcing any of the rights and remedies assigned to the Trustee hereunder.

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: Assistant Treasurer and Tax Collector
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: The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, CA 90017

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.

[Remainder of page intentionally left blank.]

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: ______________________
Zev Yaroslavsky
Chairman, Board of Supervisors

Attest:

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

I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made.

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

By: ______________________
Deputy

DEC 19 2011

By: ______________________
Deputy

DEC 19 2011

77713

Approved as to form:

ANDREA SHERIDAN ORDIN
County Counsel

By: ______________________
Principal Deputy County Counsel

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

By: ______________________
Judith Frank
President

Attest:

By: ______________________
Assistant Secretary

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

48 NOV 15 2011

SACHI A. HAMAI
EXECUTIVE OFFICER

LOSANGELES/331836

EXHIBIT A

BASE RENTAL SCHEDULE

Lease Payment Date[(1)]	Principal Component	Interest Component	Base Rental Payment
06/01/2012	$8,245,000	$813,044.44	$9,058,044.44
12/01/2012	8,025,000	852,837.50	8,877,837.50
06/01/2013	7,145,000	792,650.00	7,937,650.00
12/01/2013	6,710,000	685,475.00	7,395,475.00
06/01/2014	5,100,000	584,825.00	5,684,825.00
12/01/2014	4,685,000	482,825.00	5,167,825.00
06/01/2015	4,595,000	389,125.00	4,984,125.00
12/01/2015	4,195,000	274,250.00	4,469,250.00
06/01/2016	3,830,000	169,375.00	3,999,375.00
12/01/2016	2,945,000	73,625.00	3,018.625.00

(1) Due on or before each Interest Payment Date.

EXHIBIT B

GENERAL DESCRIPTION OF EQUIPMENT COMPONENTS

County of Los Angeles
Equipment Listing

EXHIBIT B

GENERAL DESCRIPTION OF EQUIPMENT COMPONENTS

County of Los Angeles
Equipment Listing

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER ___, 2011

In the opinion of Squire, Sanders & Dempsey (US) LLP, Bond Counsel, Los Angeles, California, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

NEW ISSUE - BOOK-ENTRY-ONLY

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

$[PAR]*
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION LEASE REVENUE BONDS, 2011 SERIES A (LAC-CAL Equipment Program)

Dated: Date of Delivery **Due: June 1 and December 1, as shown on the inside cover hereto**

The Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 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 December 1, 2011 (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" herein.

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 June 1, 2012. 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" herein and APPENDIX F—"BOOK-ENTRY ONLY 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" herein.

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.

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 Squire, Sanders & Dempsey (US) 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 [December 21], 2011.

Dated: [_______________], 2011

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* Preliminary, subject to change.

MATURITY SCHEDULE

$[PAR]
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 SERIES A
(LAC-CAL Equipment Program)

Maturity	Principal Amount	Interest Rate	Yield	CUSIP†

† Copyright 2011, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the County or the Corporation and are included solely for the convenience of the holders of the Bonds. The County and the Corporation assume no responsibility for the accuracy of such numbers.

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 SERIES A
(LAC-CAL Equipment Program)

Board of Supervisors

Michael D. Antonovich
Fifth District, Mayor

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Sachi A. Hamai
Executive Officer-Clerk
Board of Supervisors

County Officials

William T Fujioka
Chief Executive Officer

Andrea Sheridan Ordin
County Counsel

Wendy L. Watanabe
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

Fieldman, Rolapp & Associates, Inc.
Financial Advisor

[TRUSTEE]
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. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. All estimates, projections, forecasts or matters of opinion are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future.

Certain of the information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of 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.

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$[PAR]*
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 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, 2011 Series A (LAC-CAL Equipment Program) (the "Bonds") in the aggregate principal amount of $[PAR]*. 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, dated as of December 1, 2011 (the "Indenture"), 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 (as more fully described herein, 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" herein. The Equipment will be leased pursuant to the Lease Agreement, dated as of November 1, 2011 (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 June 1, 2012 (each, an "Interest Payment Date"). The Bonds will be issued in denominations of $5,000 and any integral multiple thereof. 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 York ("DTC"), which will act as securities depository for the Bonds. The Bonds are not subject to optional redemption prior to maturity, but are subject to mandatory redemption as described herein. See "THE BONDS" 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

* Preliminary, subject to change.

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" herein.

The County

The County is located in the southern coastal portion of the State of California (the "State") and covers 4,084 square miles. The County was established under an act of the State Legislature on February, 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 43 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, 2011."

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 the Municipal Securities Rulemaking Board (the "MSRB"), for purposes of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission ("Rule 15c2-12"), certain annual financial information and operating data and notice of certain material events in a timely manner. These covenants have been made in order to assist the underwriters of the Bonds in complying with Rule 15c2-12. See "CONTINUING DISCLOSURE" herein and APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

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	$[PAR].00
Original Issue Premium	
County Contribution	
TOTAL SOURCES	**$**
USES:	
Redemption of BANs	
Debt Service Reserve Fund	
Costs of Issuance Account(1)	
Underwriter's Discount	
TOTAL USES	**$**

(1) Includes rating agency fees, certain legal fees, financial advisory fees, trustee 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 inside 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 each Interest Payment Date, commencing on June 1, 2012. The Bonds will be delivered in book-entry form only and when issued, authenticated and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. 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 its Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX F—"BOOK-ENTRY ONLY 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 to the redemption date, without premium, from amounts deposited in the Redemption Account of the Bond Fund pursuant to the Indenture 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 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, as determined by the County.

Selection of Bonds for Redemption. Whenever provision is made in the 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.

Notice of Redemption. When redemption is required pursuant to the Indenture, the Trustee shall give notice 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. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers set forth therein or on the Bonds.

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.

Such redemption notice shall also 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 DTC and 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.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Trustee shall execute and deliver to the owner thereof 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.

Effect of Notice of Redemption. Notice having been given as prescribed by the Indenture, 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 the Indenture, 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.

SECURITY AND SOURCES OF PAYMENT OF 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. "Lease Payment Date" under the Lease means a date on or before each Interest 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

[1] Due on or before each Interest Payment Date.

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 $2,000,000.00. The Reserve Requirement means, as of any date of calculation, the lesser of (i) $2,000,000.00 or (ii) the total remaining unpaid principal and interest on the Bonds. 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. 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. 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 and Lessee of such fact. Upon receipt of such notice, the Lessor shall cause the Lessee to 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. 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" and RISK FACTORS - "Abatement."

Insurance

Pursuant to the Lease, the County has agreed to obtain certain types of insurance, including not less than two years of 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 Department of Beaches and Harbors, the Department of Health Services, the Internal Services Department, the Department of Coroner, the Department of Probation, and the Sheriff Department. Such property consists of more than one thousand individual items and includes motor vehicles, medical equipment, and computer systems. 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 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 in February 1983 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" herein and "-Abatement" below.

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.

State Budget

On-going weak economic conditions have resulted in significant revenue shortfalls to the State, upon which the County relies for a substantial portion of its revenues. The Governor declared a "fiscal emergency" and called special sessions of the Legislature to consider budget actions to address the problems. As of the date hereof, a budget balancing agreement has been reached between the Governor and leaders of the State legislature. This agreement incorporates certain reductions in County revenues. Given the current state of the State's economy, the County cannot fully anticipate the resolution of the State's budget challenges and its impact on the revenues or expenditures of the County. Decreases in County revenues from the State and increases in required County expenditures from the levels assumed by the County may require the County to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A-"THE COUNTY OF LOS ANGELES INFORMATION STATEMENT".

General. The County receives a significant portion of its funding from the State. Changes in the financial situation of the State can affect the amount of funding received for numerous County programs, including various health, social services and public safety programs. There can be no assurances that the Fiscal Year 2011-12 State Budget (the "2011-12 State Budget") will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. The County cannot reliably predict the ultimate impact of the 2011-12 State Budget on the County's financial outlook. In the event the 2011-12 State Budget requires decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A — "COUNTY OF LOS ANGELES INFORMATION STATEMENT — BUDGETARY INFORMATION – Federal and State Funding."

2011-12 State Budget. The State's 2011 Budget Act, enacted on June 30, 2011, projected that the State would end fiscal year 2011-12 with a $543 million General Fund reserve. General Fund revenues and transfers for fiscal year 2011-12 were projected at $88.5 billion, a reduction of $6.3 billion compared with fiscal year 2010-11. General Fund expenditures for fiscal year 2011-12 were projected at $85.9 billion – a reduction of $5.5 billion compared to the prior year.

The State's 2011 Budget Act projected an additional $4 billion in fiscal year 2011-12 General Fund revenues since the May Revision to the Governor's Proposed 2011-12 Budget ("May Revision"), based on better-than-projected revenues in May and the first part of June. This amount was estimated on an aggregate basis, and was not allocated to specific tax sources. The 2011 Budget Act recognized the potential risk to the State's fiscal condition if the higher revenues did not materialize by including a "trigger mechanism" to provide certain automatic expenditure reductions described below if projections of the fiscal year 2011-12 revenues to be updated in November/December 2011 are at least $1 billion lower than projected under the 2011 Budget Act.

The first step in this process will be a determination by the State's Director of Finance by December 15, 2011 forecasting whether revenues will meet the projections. This determination will use the higher of the Department of Finance's own updated revenue projections which are prepared every fall, and the revenue projections of the Legislative Analyst's Office, which will be released in mid-November 2011. If revenues are projected to fall short of expectations by an amount between $1 billion and $2 billion (first "tier"), a fixed amount of $600 million in cuts to higher education, health and human services, and public safety would be implemented by the Director of Finance beginning in January 2012. If revenues are projected to fall short by more than $2 billion (second "tier"), additional cuts would occur. A fixed amount totaling $320 million in cuts would come from eliminating the home-to-school transportation program and reducing community college apportionments. Up to an additional $1.5 billion in cuts would come from shortening the school year by up to seven days, but this cut would be done on a proportionate scale of approximately seventy-five cents in reduction for every dollar of revenue that does not materialize past the $2 billion threshold, up to a maximum of approximately $1.5 billion in reductions. As noted, once the $1 billion or $2 billion dollar shortfall tiers are reached, the entire trigger reduction for each tier is made (not proportionate), except for shortening of the school year.

Impact of Fiscal Year 2011-12 State Budget on the County. The estimated impact to the County of the State budget cuts identified in the State's 2011 Budget Act and the May Revision in Fiscal Year 2011-12 is approximately $366.28 million. Most of the State budget actions will result in funding reductions to County administered health and social services programs. Given the County's policy to not backfill cuts to State programs, the estimated $366.28 million of funding reductions will be passed through to local constituents. The actual cash flow impact to the County General Fund is projected to be a positive $51.99 million. The positive cash flow effect is primarily driven by administrative cost savings resulting from the reductions in the health and social services programs. The estimated impact to the County of the implementation of additional cuts due to State revenue shortfalls are an overall impact of $0.4 million for first tier shortfalls. For State shortfalls over $2 billion, the impact is estimated at $___ million. See APPENDIX A — "COUNTY OF LOS ANGELES INFORMATION STATEMENT —2011-12 Proposed Budget."

Information about the State Budget is regularly available at various State-maintained websites. Text of the State 2011-12 State Budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County, and the County takes no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

TAX MATTERS

General

The following describes certain federal income and state tax matters relating to the Bonds. The following does not describe any federal income or state tax matters relating to the Taxable Bonds. In the opinion of Squire, Sanders & Dempsey (US) LLP, Bond Counsel, Los Angeles, California, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the County or the Corporation may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Corporation and, subject to certain limitations, the County have each covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market value of the Bonds.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, on September 13, 2011, legislation proposed by President Obama called the American Jobs Act of 2011 was introduced into the Senate that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt obligations, including the Bonds, if they have incomes above certain thresholds.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County, the Corporation, or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Original Issue Discount and Original Issue Premium

Certain of the Bonds ("Discount Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, 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 that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

CERTAIN LEGAL MATTERS

Legal matters incident to the issuance of the Bonds by the Corporation are subject to the approval of Squire, Sanders & Dempsey (US) 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

Fieldman, Rolapp & Associates, Inc. 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 also Note 17 of "Notes to the Basic Financial

Statements" included in APPENDIX B, which discusses this liability as of June 30, 2010. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

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 rating agencies at: Fitch, Inc., One State Street Plaza, New York, New York 10004, telephone number (212) 908-0500; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, telephone number (212) 553-0300; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone number (212) 438-2124. In order to obtain such ratings, the County furnished certain information and materials to the rating agencies, some of which has not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and their own investigation, studies and assumptions. There is no assurance that any of the ratings will be maintained for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. The County undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained or other actions by a rating agency relating to its rating may have an adverse effect on the market price of the Bonds.

The County expects to furnish to each rating agency such information and materials as it may request. The County, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "Disclosure Certificate"), the County has covenanted for the benefit of Bondowners to provide certain financial information and operating data relating to the County by not later than February 1st of each year, commencing February 1, 2012, for the prior fiscal year, in the form of an annual report (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the County to be material. The Annual Report and notices of material events will be filed by the County with the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). Information about and filing made with EMMA can be found at http://emma.msrb.org. The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the County's continuing disclosure obligations are set forth in Appendix E — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the underwriters in complying with Rule 15c2-12. In the last five years, the County has not failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events.

In addition, the County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Any owner of a Bond may obtain a copy of such report, as available, from the County. Such reports are not incorporated by this reference.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from 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
ASSISTANT TREASURER AND TAX COLLECTOR
COUNTY OF LOS ANGELES
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
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THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles (the “County”) was established by an act of the California State Legislature on February 18, 1850 as one of California’s original 27 counties. Located in the southern coastal portion of the State, the County covers 4,084 square miles and includes 88 incorporated cities as well as many unincorporated communities. With a population of over 9.8 million in 2010, the County is the most populous of the 58 counties in California and has a larger population than 43 states. As required by the County Charter, County ordinances, and State or Federal mandates, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes.

The County provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also provides municipal services to unincorporated areas of the County and operates recreational and cultural facilities in these locations.

COUNTY GOVERNMENT

The County of Los Angeles is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts. Supervisors serve four-year alternating terms with elections held every two years. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving three consecutive terms commencing as of December 2002. On September 27, 2011, the Board of Supervisors adopted a final Supervisorial District Boundary Plan based on the results of the 2010 census. The redistricting plan, which took effect on October 27, 2011, reduced the total variance in population among the five districts from 9.97% to 1.59% and moved approximately 277,600 residents to new supervisorial districts.

In March 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance. This new governance structure delegates to the Chief Executive Office (the “CEO”) additional responsibilities for the administration of the County, including the oversight, evaluation and recommendation for appointment and removal of specific Department Heads and County Officers. The five departments that continued to report directly to the Board of Supervisors were the Fire Department, Auditor-Controller, County Counsel, Executive Office of the Board of Supervisors, and the CEO. The change in administrative structure was designed to improve the operational efficiency of County governance. The Board of Supervisors has retained the exclusive responsibility for establishing County policy, regulations, and organizational directions. In May 2011, the Board of Supervisors revised the governance structure by directing the Department of Children and Family Services and the Probation Department to report directly to the Board.

COUNTY SERVICES

The vast majority of the County population resides in the 88 incorporated cities located within its boundaries. The County provides some municipal services to these cities on a contract basis under the Contract Services Plan. Established in 1954, this plan is designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and facilities. Under the Contract Services Plan, the County will provide various municipal services to a city on a cost recovery basis at the same level of service as provided in unincorporated areas, or at any higher level the city may choose.

Over one million people live in the unincorporated areas of the County of Los Angeles. For the residents of these areas, the County Board of Supervisors is their “City Council,” and County departments provide all of their municipal services, including law enforcement, fire protection, land use and zoning, building and business permits, road maintenance, animal care and control, and public libraries. Beyond the unincorporated areas, the County of Los Angeles provides a wide range of services to all citizens who live within its boundaries.

Many of the County’s core service functions are required by the County Charter, County ordinances, or by State or Federal mandate. State and Federal mandated programs, primarily in the social services and health care areas, are required to be maintained at certain minimum levels, which can limit the County’s flexibility in these areas.

Health and Welfare

Under State Law, the County is required to administer Federal and State health and welfare programs, and to fund a portion of the program costs with local revenues, such as sales and property taxes. Health care services are provided through a network of County hospitals and comprehensive health centers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the county-wide emergency trauma network, which includes two medical centers operated by the County. The County also has responsibility for providing and partially funding mental health, drug and alcohol prevention, and various other treatment programs. These services are provided through County facilities and a network of contract providers.

While many of the patients receiving services at County facilities are indigent or covered by Medi-Cal (a State health insurance program), the County health care delivery system has been designed with the objective of providing quality health care services to the entire population. Through its affiliation with two medical schools and by operating its own school of nursing, the County Department of Health Services (“DHS”) is a major supplier of health care professionals throughout California.

Disaster Services

The County operates and coordinates an entire disaster recovery network that is responsible for providing critical services in response to floods, fires, storms, earthquakes, and other emergency events. Centralized command centers can be established at any Sheriff station or in mobile trailers throughout the County. To prevent floods and conserve water, the County maintains and operates a system of 15 major dams, 131 debris basins, 86,500 catch basins, 42 sediment placement sites, and over 2,825 miles of storm drains and channels. County lifeguards monitor 31 miles of beachfront and County rescue boats patrol 75 miles of coastline, including the Catalina Channel.

Public Safety

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily population of over 17,000 inmates.

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, community redevelopment agencies, special districts, and local school districts. Another essential general government service is the County's voter registration and election system, which provides services to an estimated 4.1 million registered voters and maintains 5,000 voting precincts for countywide elections.

Culture and Recreation

Through a partnership with community leaders, non-profit organizations, volunteers and the private sector, the County operates the Music Center complex, which includes the Dorothy Chandler Pavilion, Mark Taper Forum, Ahmanson Theater, and the Walt Disney Concert Hall. The County also functions as the operator of the Hollywood Bowl, the John Anson Ford Theater, the Los Angeles County Museum of Art, the Museum of Natural History, and the George C. Page Museum.

The County's botanical centers, including the Arboretum, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Estate, provide County residents with a valuable educational resource. The County also manages over 63,000 acres of parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 7 major regional parks, 90 local and community regional parks and 19 golf courses.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 85% of the County workforce is represented by certified employee organizations. These organizations include sixty (60) collective bargaining units, which are represented either by the Services Employees International Union ("SEIU") Local 721, which covers the vast majority of County employees, the Coalition of County Unions ("CCU"), which represents nine (9) unions, or one of eight (8) Independent Unions. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division negotiates sixty (60) individual collective bargaining agreements for wages and salaries and two fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

In March 2009, the Board of Supervisors approved amendments to eight (8) Memoranda of Understanding ("MOU") covering wages, salaries and special pay practices with the Independent Unions representing fire fighters, peace officers, public defender investigators, beach lifeguards and deputy probation officers (the "Public Safety Unions"). The amendments extended the terms and conditions of the existing MOUs for an additional two-year period through December 31, 2010 or January 31, 2011, depending on the specific bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

In December 2009, the Board of Supervisors approved successor fringe benefit agreements with most of the collective bargaining units represented by SEIU Local 721, the CCU and the Independent Unions. Under the terms of the new fringe benefit agreements, which expire on September 30, 2011, County employees agreed to forego any cost of living increases through the 2-year contract term; and the County has agreed to increase its contribution for employee health care by 8% in Fiscal Year 2009-10 and 7.2% in Fiscal Year 2010-11.

On February 1, 2011, the Board of Supervisors approved amendments to eight (8) MOUs covering wages, salaries and special pay practices for the Public Safety Unions. The amendments extended the terms and conditions of the existing MOUs for an additional one-year period through December 31, 2011 or January 31, 2012, depending on the specific bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

On March 15, 2011, the Board of Supervisors approved amendments to forty-eight (48) MOUs covering wages, salaries and special pay practices with most of the collective bargaining units represented by SEIU Local 721, the CCU and the Independent Unions representing non public safety personnel. The amendments extended the terms and conditions of the existing MOUs for an additional one-year period through September 30, 2012, and provided for the continuation of existing salaries with no cost-of-living adjustments.

RETIREMENT PROGRAM

General Information

All permanent County employees of three-quarter time or more are eligible for membership in the Los Angeles County Employees Retirement Association ("LACERA"). LACERA was established in accordance with the County Employees Retirement Law of 1937 (the "Retirement Law") to administer the County's Employee Retirement Trust Fund (the "Retirement Fund"). LACERA operates as a cost-sharing multi-employer defined benefit plan for the County of Los Angeles and four minor participating agencies. The four non-County agencies account for less than one percent (1%) of LACERA's membership. Through the Retirement Fund and various benefit plans, LACERA provides retirement benefits to all general and safety (sheriff, fire and lifeguard) members.

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service, age and membership classification (*i.e.*, law enforcement officers, firefighters, foresters and lifeguard classifications are included as "safety" employees and all other occupational classifications are included as "general" employees). County employees have the option to participate in a contribution based defined benefit plan or a non-contribution based defined benefit plan. In the contribution based plans (Plans A, B, C & D), employees contribute a fixed percentage of their monthly earnings to LACERA based on rates determined by LACERA's independent actuary. The contribution rates depend upon age, the date of entry into the plan and the type of membership (general or safety). County employees who began their employment after January 4, 1982 also have the option to participate in Plan E, which is a non-contribution based plan. The contribution based plans (A through D) have higher monthly benefit payments for retirees compared to Plan E.

LACERA's total membership as of June 30, 2010 was 160,604, consisting of 66,074 active vested members, 28,336 non-vested active members, 54,196 retired members and 11,998 terminated vested (deferred) members. Of the 94,410 active members (vested and non-vested), 81,413 are general members in General Plans A through E, and 12,997 are safety members in Safety Plans A or B. Beginning in 1977, both the General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of the Plan A options. The Plan A retirement benefits are considerably more generous than other plan options currently available to County employees.

As of March 31, 2011, approximately 65% of general members were enrolled in General Plan D, and 99% of all safety members were enrolled in Safety Plan B. The basic benefit structure of General Plan D is a "2.0% at 61" funding formula that provides for annual 2.0% increases in benefits and no retirement penalty following 61 years of age. For the Safety Plan B, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no retirement penalty beginning at age 50. As a result, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary. A Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

In an internal survey completed by the CEO, it was determined that the benefit structures of other public retirement plans in California differ considerably from the County's two primary contribution-based plans (General Plan D and Safety Plan B). For example, the CEO found that six of the ten largest counties in the State, and nine of the ten largest cities in the State, provide their general employees with at least 2.0% annual increases, with no reduction in benefits for those employees who retire at age 55 or younger. In addition, seven of the ten largest counties, and seven of the ten largest cities, provide their public safety personnel with annual benefit increases of 3.0%, with no reduction in benefits for employees who retire at age 50 or younger.

Contributions

Employers and members contribute to LACERA based on unisex rates recommended by the independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates. The annual contribution rates are based on the results of investments and various other factors set forth in the actuarial valuations and investigations of experience described below.

Investment Policy

The investment board of LACERA (the "Board of Investments") has exclusive control of all Retirement Fund investments and has adopted an Investment Policy Statement. The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Investment Policy Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

Actuarial Valuation

The Retirement Law requires the County to contribute to the Retirement Fund on behalf of employees using rates determined by the plan's independent actuary, which is currently Milliman Consultants and Actuaries ("Milliman"). Such rates are required under the Retirement Law to be calculated at least once every three years. LACERA presently conducts annual valuations to assess changes in the Retirement Fund's portfolio.

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement (the "2002 Agreement") to enhance certain retirement benefits in response to certain changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. However, unlike other local governments in California, the County did not agree to major increases in pension benefits as part of its 2002 Agreement. The 2002 Agreement, which expired in July 2010, provided for a 30-year rolling amortization period for any unfunded actuarial accrued liability ("UAAL"). UAAL is defined as the actuarial accrued liability minus the actuarial value of the assets of LACERA at a particular valuation date.

When measuring assets to determine the UAAL, the County has elected to "smooth" gains and losses to reduce the potential volatility of its funding requirements. If in any year, the actual investment return on the Retirement Fund's assets is lower or higher than the current actuarial assumed rate of return, then the shortfall or excess is smoothed, or spread, over a multi-year time period. The impact of this valuation method will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss.

Beginning with Fiscal Year 2006-07, the Board of Investments adopted a revised series of economic and demographic assumptions to be used in LACERA's actuarial valuations. The economic assumptions for the investment return rate, wage growth rate and price inflation were set at 7.75%, 3.75% and 3.50%, respectively. Changes to the demographic assumptions included higher merit salary increases for safety members with 20 or more years of service, an increase in retirement rates and lower mortality rates for disabled retirees. The net effect of the change in actuarial assumptions was to increase both the actuarial accrued liability ("AAL") for the Plan and the total County contribution rate. In Fiscal Year 2007-08, the assumed wage growth rate was increased from 3.75% to 4.00%. The economic and demographic assumptions were unchanged for the actuarial analysis completed for Fiscal Year 2008-09.

In December 2009, the Board of Investments adopted a new Retirement Benefit Funding Policy (the "2009 Funding Policy"), which amended the terms of the 2002 Agreement. The impact of the 2009 Funding Policy on the LACERA plans was reflected in the June 30, 2009 Actuarial Valuation prepared by Milliman (the "2009 Actuarial Valuation"). The two most significant changes in the 2009 Funding Policy are described as follows:

- Asset Smoothing Period: The smoothing period to account for asset gains and losses increased from three years to five years. This is the most significant change and resulted in a higher Funded Ratio (as determined by dividing the valuation assets by the AAL), and a lower contribution rate than would have been calculated under the previous three-year smoothing period.

- Amortization Period: The UAAL is now amortized over a closed thirty-year layered period, compared to an open thirty-year period under the 2002 Agreement. If LACERA achieves a Funded Ratio in excess of 100%, the surplus funding position will be amortized over a thirty-year open period.

In addition to annual actuarial valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the Investigation of Experience, is accomplished by comparing actual results during the preceding three years to what was expected to occur according to the actuarial assumptions. On the basis of this review, the actuary recommends whether any changes in the assumptions or methodology would allow a more accurate projection of total benefit liabilities and asset growth. Based on the Investigation of Experience for the three-year period ended June 30, 2010, Milliman recommended that the Board of Investments consider the adoption of some key changes to the economic assumptions related to inflation and investment return, and some changes to the demographic assumptions.

For the June 30, 2010 actuarial valuation (the "2010 Actuarial Valuation"), Milliman recommended a decrease in the assumed rate of inflation from 3.5% to a range of 3.00% to 3.25%, and a decrease in the assumed investment rate of return from 7.75% to a range of 7.25% to 7.5%. In December 2010, the Board of Investments decided to leave the assumed rate of inflation and the assumed investment rate of return unchanged at 3.5% and 7.75%, respectively. However, the Board of Investments voted to adopt Milliman's recommendations regarding changes to the demographic assumptions, which are reflected in the 2010 Actuarial Valuation.

On October 12, 2011, the Board of Investments decided to lower the assumed investment rate of return from 7.75% to 7.5%, and to phase in the reduction over a three-year period commencing as of June 30, 2011. The assumed rates of return will be 7.7%, 7.6% and 7.5% for the June 30th year-end actuarial valuations in 2011, 2012 and 2013, respectively. The lower assumed rates of return are projected to increase the County's required contribution to LACERA by $13.4 million in Fiscal Year 2012-13, $53.4 million in Fiscal Year 2013-14, and $88.8 million in Fiscal Year 2014-15. The cumulative impact of the lower assumed rates of return is projected to be $155.6 million for the three-year period ended June 30, 2015.

UAAL and Deferred Investment Returns

The 2009 Actuarial Valuation reported a rate of return on Retirement Fund assets of negative 18.3% for the Fiscal Year ended June 30, 2009, which corresponds to an $8.226 billion reduction in the market value of assets from June 30, 2008. Under the 2009 Funding Policy, the actuarial value of Retirement Fund assets decreased by $120 million to $39.542 billion as of June 30, 2009, and the Funded Ratio decreased by 5.6% from 94.5% to 88.9% as of June 30, 2009. The actuarial value does not include $9.819 billion of deferred investment losses that will be recognized over the next four fiscal years.

The 2009 Actuarial Valuation reported that the AAL increased by $2.494 billion to $44.469 billion, and the UAAL increased from $2.313 billion on June 30, 2008 to $4.927 billion as of June 30, 2009. The $2.614 billion increase in the UAAL was primarily the result of the significant investment losses in Fiscal Year 2008-09. A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio") on page A-9.

The 2009 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2010. In Fiscal Year 2010-11, the County's required contribution rate increased by 2.14% to 14.22% of covered payroll. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 1.99% to 4.12%, and an increase in the normal cost contribution rate from 10.09% to 10.10%. The increase in the contribution rate to fund the UAAL was primarily driven by the recognition of significant actuarial investment losses, which account for 3.91% of the 14.22% total contribution rate. The impact of the actuarial investment losses on the required contribution rate was partially offset by the transition to a five-year smoothing period (-1.16%) as a result of the 2009 Funding Policy.

The 2010 Actuarial Valuation reported a rate of return on Retirement Fund assets of 11.6% for the Fiscal Year ended June 30, 2010, which corresponds to a $2.935 billion or 9.6% increase in the market value of assets from June 30, 2009. The market rate of return compares favorably to the 7.75% assumed rate of return, but was more than offset by large deferred asset losses from prior years that were partially recognized in the current actuarial valuation. The actuarial value of Retirement Fund assets decreased by $703 million to $38.839 billion as of June 30, 2010, and the Funded Ratio decreased by 5.6% from 88.9% to 83.3% as of June 30, 2010. The actuarial value does not include $6.211 billion of net deferred investment losses that will be recognized over the next three fiscal years.

The large deferred loss is primarily due to the fact that the 5-year asset smoothing method has recognized only two-fifths of the substantial investment losses that occurred in the Fiscal Year ended June 30, 2009. To demonstrate the impact of utilizing an asset smoothing period, the actuary estimates that the Funded Ratio would have been 69.9% as of June 30, 2010, and the required County contribution rate would be 20.9% for Fiscal Year 2011-12, if the actual market value of Retirement Fund assets was used as the basis for the actuarial calculations.

The 2010 Actuarial Valuation reported that the AAL increased by $2.177 billion to $46.646 billion, and the UAAL increased from $4.927 billion on June 30, 2009 to $7.807 billion as of June 30, 2010. The $2.88 billion increase in the UAAL was primarily the result of the significant investment losses in Fiscal Year 2008-09. A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio") on page A-9.

Based on the 2010 Actuarial Valuation, the County's required contribution rate will increase by 2.09% to 16.31% of covered payroll in Fiscal Year 2011-12. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 4.12% to 6.47%, and a decrease in the normal cost contribution rate from 10.10% to 9.84%. The increase in the contribution rate to fund the UAAL was primarily driven by the recognition of the significant actuarial investment losses from prior years, which caused an increase in the required contribution rate of 2.51%. The impact of the actuarial investment losses on the required contribution rate was partially offset by strong investment returns in Fiscal Year 2009-10 and other positive variances from the economic and demographic assumptions. The changes in the demographic assumptions adopted by LACERA from the 2010 Investigation of Experience resulted in a .27% reduction in the required contribution rate.

The strong performance of the equity markets has continued in Fiscal Year 2010-11, with LACERA reporting a 20.4% return on Retirement Fund assets for the Fiscal Year ended June 30, 2011. The asset allocation percentages for the Retirement Fund as of June 30, 2011 were 23.2% domestic equity, 28.7% international equity, 25.1% fixed income, 8.5% real estate, 10.0% private equity, 2.7% commodities and 1.8% cash.

A summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-9

Pension Funding

The County has funded 100% or more of its annual required contribution to LACERA in each of the last twelve years. In Fiscal Years 2009-10 and 2010-11, the County's total contributions to the Retirement Fund were $802.5 million and $898.8 million, respectively. For Fiscal Year 2011-12, the County's required contribution payments are estimated to increase by $122.1 million to $1.021 billion.

A summary of employer contributions for the seven years ended June 30, 2011 is presented in Table 3 ("County Pension Related Payments") on page A-9.

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. The County's excess earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, however, the County embarked on a multi-year plan to lessen its reliance on excess earnings by systematically increasing its net County cost to the Retirement Plan. The required contribution for Fiscal Year 2007-08 represented the first year that excess earnings were not used to fund the County's required contribution. The remaining balance of excess earnings maintained with LACERA (the "County Contribution Credit Reserve") that can be used by the County to fund retirement program costs is $470.71 million as of June 30, 2010. The future use of these funds will not be affected by the 2009 Funding Policy and have never been included in the actuarial valuation of Retirement Fund assets.

With a strong cash position at the beginning of Fiscal Years 2007-08 and 2008-09, the County decided to prepay $400 million of its annual required contribution to LACERA. The payments were made in July of each year and served to reduce monthly transfers during the second half of the fiscal year. In Fiscal Year 2009-10, the County returned to its historical practice of making payments to LACERA for the required contribution on a monthly basis throughout the fiscal year.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2010, $614 million was available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve was included in the Retirement Fund's valuation assets. However, there is no corresponding liability for any STAR Program benefits that may be granted in the future in the 2010 Actuarial Valuation. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would increase by .52% to 16.83%, and the Funded Ratio would decrease by 1.4% to 81.9% in Fiscal Year 2011-12. At the October 12, 2011 meeting, the Board of Investments also decided to continue including the entire STAR Program Reserve as a valuation asset of the Retirement Fund. The exclusion of the STAR Program Reserve from the valuation assets would have required the County to increase its required contribution to LACERA by approximately $34 million in Fiscal Year 2012-13.

Pension Obligation Securities

In California, the obligation of the County to fund the UAAL by making actuarially required contributions is an obligation imposed by State Law. The County has previously issued pension obligation bonds and certificates and transferred the proceeds to LACERA to reduce its UAAL. In July 2010, the County deposited an advance payment in the amount of $372.13 million with the trustee for its 1994 Pension Obligation Certificates, representing the final payment of its outstanding pension obligations. The final payment to investors was made on June 30, 2011.

An eight-year history of the County's debt service payments on its pension obligations is also presented in Table 3 on page A-9.

Postemployment Health Care Benefits

LACERA administers a health care benefits program for retirees under an agreement with the County. The program includes medical, dental, vision and life insurance benefit plans for over 88,000 retirees or survivors and their eligible dependents. Retirement plan net assets are not held in trust for such postemployment benefits and LACERA's Board of Retirement reserves the right to amend or revise the medical plans and programs under the retiree health program at any time. County payments are calculated based on the employment service credit of retirees, survivors, and dependents. For eligible members with 10 years of service credit, the County pays 40% of the health care plan premium. For each year of service credit beyond 10 years, the County pays an additional 4% of the plan premium, up to a maximum of 100% for a member with 25 years of service credit.

For Fiscal Year 2007-08, total payments from the County to LACERA for retiree health care were $352.0 million, including a $9.0 million transfer from excess earnings. Total payments for Fiscal Years 2008-09, 2009-10, and 2010-11 were $365.7 million, $384.0 million, and $375.6 million, respectively. For Fiscal Year 2011-12, the County is estimating $378.4 million in payments to LACERA for retiree health care. Since Fiscal Year 2006-07, the County has discontinued its practice of using supplemental contributions from the County Contribution Credit Reserve with LACERA to fund its postemployment health care benefit obligations.

Financial Reporting for Other Postemployment Benefits

The Governmental Accounting Standards Board ("GASB") has issued two statements that address other postemployment benefits ("OPEB"), which are defined to include many post retirement benefits other than pension-related benefits. Health care and disability benefits are the most significant of these benefits provided by the County.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("GASB 43"), established financial reporting standards for OPEBs in a manner similar to those currently in effect for pension benefits. GASB 43 is focused on the entity that administers such benefits (which, in the case of the County, is LACERA) and requires an actuarial valuation to determine the funded status of accrued benefits. LACERA has complied with GASB 43 requirements for all annual reporting periods beginning with the fiscal year ended June 30, 2008.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"), establishes financial reporting standards designed to measure, recognize, and disclose OPEB costs. GASB 45 is focused on the County's financial statements, and related note disclosures, and is intended to associate the costs of the OPEB with the periods in which employee services are rendered in exchange for the OPEB. Starting with the June 30, 2008 Comprehensive Annual Financial Report ("CAFR"), the County has implemented the requirements of GASB 45 in its financial reporting process.

The core requirement of GASB 45 is that an actuarial analysis must be prepared at least once every two-year period with respect to projected benefits ("Plan Liabilities"), which would be measured against the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, the difference could be amortized over a period not to exceed 30 years. The method of financial reporting for OPEB costs would be similar to that used for pension plan normal costs and the UAAL thereof.

OPEB Actuarial Valuation

In order to comply with the requirements of GASB 43 and GASB 45, LACERA engaged Milliman to complete the initial actuarial valuation of OPEB liabilities for the LACERA plans as of July 1, 2006 (the "2006 OPEB Valuation"). In May 2007, Milliman presented the first actuarial calculation of the County's unfunded accrued liability for post retirement health care and life insurance benefits paid to its employees.

In the 2006 OPEB Valuation, Milliman provided a determination of the AAL for LACERA's health, dental, vision and life insurance benefits plan. The County's members comprise approximately 95% of LACERA's retiree population and the County is responsible for such percentage of OPEB costs. The 5% of LACERA retirees who do not contribute to the County's OPEB liability are predominantly members of the Los Angeles Superior Court. The demographic and economic assumptions in the 2006 OPEB Valuation were modeled on the assumptions used by LACERA for its pension program in Fiscal Year 2007-08, which assumed a 3.75% general wage increase for County employees and a 3.5% implied inflation rate. The healthcare cost assumptions in the 2006 OPEB Valuation were based on discussions with other consultants and actuaries used by the County, LACERA and labor groups.

The 2006 OPEB Valuation determined the AAL for LACERA's healthcare and life insurance benefits using a 5% discount rate and the Projected Unit Credit actuarial cost method. Using this methodology, the AAL for LACERA's OPEB program (including employees of the Los Angeles Superior Court) was $21.215 billion as of July 1, 2006, of which $20.301 billion was the County's share of the liability. The total annual required contribution for the County to fund its OPEB liability (referred to in GASB 45 as the "ARC") was estimated to be $1.55 billion as of July 1, 2006, which represented approximately 31.2% of the County's annual payroll costs.

The standards set forth under GASB 45 affect the County's financial statements. However, GASB 45 does not impose requirements on the funding of any OPEB liability and there is no mandatory payment associated with the implementation of this standard. GASB 45 provides that OPEB costs, if not funded on an actuarial accrual basis, will be recognized as a liability in the County's financial statements. Accordingly, for the Fiscal Year ended June 30, 2008, the County reported a total OPEB ARC of $1.615 billion, which also includes the unfunded liability for the County's long-term disability benefits. The total OPEB ARC, when reduced by the $381 million "pay-as-you-go" County contribution, resulted in an initial Net OPEB liability of $1.234 billion for retiree health care and long-term disability benefits as of June 30, 2008. The $381 million County contribution represented 23.6% of the OPEB ARC.

In accordance with the requirements of GASB 43, LACERA engaged Milliman to complete its second OPEB actuarial valuation as of July 1, 2008 (the "2008 OPEB Valuation"), which was issued in June 2009. In the 2008 OPEB Valuation, Milliman reported an AAL of $21.864 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability, $20.902 billion represented a 3% increase from the 2006 OPEB Valuation. The OPEB ARC as of July 1, 2008 was estimated to be $1.66 billion, which represents approximately 28% of the County's payroll costs, and a 7% increase from the 2006 OPEB Valuation.

The 2008 OPEB Valuation utilized the Projected Unit Credit actuarial cost method and a 5% discount rate. The increase in the OPEB AAL from 2006 to 2008 was caused by several offsetting factors, which include changes to retirement benefit assumptions, cost increases due to the passage of time, demographic changes, and claim cost experience gains, including lower than expected increases in health insurance premiums. However, as a result of an increase in the assumed total wage growth from 3.75% to 4% in 2008, the OPEB ARC as a percentage of annual payroll costs was reduced to 28% from 31% in 2006.

In accordance with the requirements of GASB 45, the County reported an OPEB ARC of $1.628 billion and a net increase in the OPEB liability $1.231 billion for the Fiscal Year ended June 30, 2009. With a $397 million "pay-as-you-go" contribution, the County funded 24.4% of its OPEB ARC, representing a slight increase from the 23.6% funding level in the previous Fiscal Year. As of June 30, 2009, the County reported an unfunded net OPEB obligation of $2.465 billion.

For the Fiscal Year ended June 30, 2010, the County reported an OPEB ARC of $1.75 billion and a net increase in the OPEB liability of $1.333 billion. The $417 million "pay-as-you-go" contribution equals 23.9% of the County's OPEB ARC, representing a slight decrease from the 24.4% funding level in Fiscal Year 2008-09. As of June 30, 2010, the County is reporting an unfunded Net OPEB obligation of $3.798 billion.

In March 2011, Milliman issued the third OPEB actuarial valuation as of July 1, 2010 (the "2010 OPEB Valuation"). In the 2010 OPEB Valuation, Milliman reported an AAL of $24.031 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability is $22.94 billion, which represents a 9.8% increase from the 2008 OPEB Valuation. The OPEB ARC as of July 1, 2010 was estimated to be $1.86 billion, which represents approximately

29% of the County's payroll costs, and a 12% increase from the 2008 OPEB Valuation.

The 2010 OPEB Valuation continued to utilize the Projected Unit Credit actuarial cost method and a 5% discount rate. The economic and demographic assumptions used in the 2010 OPEB Valuation were derived from the retirement benefit assumptions from the 2010 Actuarial Valuation and the results of the 2010 OPEB Investigation of Experience. The increase in the OPEB AAL from 2008 to 2010 was caused by several offsetting factors, which include changes to retirement benefit assumptions, cost increases due to the passage of time, demographic changes, lower than expected payroll growth, and claim cost experience gains, including lower than expected increases in health insurance premiums as of July 1, 2010 and July 1, 2011.

Funding for Other Postemployment Benefits

The County is considering several funding options to reduce its OPEB AAL, including the establishment of a tax-exempt trust to pre-fund the County's OPEB liability. The authority to establish a tax-exempt trust is provided by California Government Code Sections 31694.3 and 31694.4. Under the provisions contained therein, the County will seek to create either a Section 115 Trust or an Integral Part Entity Trust. With each of these options, it is the intention of the County to contract with LACERA for the administrative and investment services related to the trust. Prior to the establishment of the trust, , the County must secure the support of its employee organizations , as required by Government Code Section 31694.4.

In Fiscal Year 2006-07, the Board of Supervisors gave its support to the development of a specific fiscal policy to pre-fund retiree health benefits. The County is planning to use the remaining $470.71 million of County Contribution Credit Reserve with LACERA to fund an initial deposit to an OPEB trust. In April 2010, the Board of Supervisors instructed the CEO to resume work with LACERA and the County labor unions to establish an OPEB trust fund and to take the necessary steps to fund the OPEB trust with the remaining balance in the County Contribution Credit Reserve. Beyond these measures, the County may also consider applying general fund revenues to supplement an initial trust fund deposit.

The County is also evaluating various cost-reduction options in relation to its retiree health benefits. For new hires to the County, certain potential changes include the following: 1) changing the benchmark health insurance; 2) requiring retirees to enroll in Medicare at age 65; 3) reducing dependent coverage; 4) reducing the annual County contribution; and 5) requiring employees to contribute up to 2.0% of their salaries towards retiree health. Furthermore, the County is also considering a requirement that both active employees and new hires enroll in Medicare at age 65. Under this scenario, the County would pay only the Medicare Part B premium for all future retirees. If this requirement were established for the County, it is estimated that the OPEB liability would be reduced by more than 22% over the next thirty years.

Long-Term Disability Benefits

In addition to its Retirement Plan, the County administers a Disability Benefits Plan ("DBP") that is separate from LACERA. The DBP covers employees who become disabled as a direct result of an injury or disease while performing assigned duties. Generally, the long term disability plans included in the DBP provide employees with a basic monthly benefit of between 40% and 60% of such employee's monthly compensation, commencing after 6 months of disability. The benefits under these plans normally terminate when the employee is no longer totally disabled or turns age 65, whichever occurs first. The health plans included in the DBP generally cover qualified employees who are sick or disabled and provide for the payment of a portion of the medical premiums for these individuals.

Following completion of the 2006 OPEB Valuation, the County engaged Buck Consultants to prepare an actuarial valuation of the long-term disability portion of its DBP. As of July 1, 2007, the AAL of the County's long-term DBP was $929.3 million. The County determined that this liability is an additional OPEB obligation and included the ARC for long-term DBP obligations as a component of the $1.615 billion OPEB ARC reported on the June 30, 2008 CAFR. As of July 1, 2009, the most recent actuarial valuation of the County's long-term DBP reported an AAL of $951.8 million, which represents a 2.4% increase from the previous valuation. In Fiscal Years 2007-08, 2008-09 and 2009-10, the County made $29 million, $32 million and $33 in DBP payments, respectively. The $951 million AAL for the County's long-term DBP is reported as a component of the $3.798 net OPEB obligation as of June 30, 2010. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the County's OPEB obligation.

LITIGATION

The County is a party to numerous cases. The following are summaries of the most significant pending legal proceedings, as reported by the Office of the County Counsel. A further discussion of legal matters that directly affect the budget and the revenue generating powers of the County is provided in the Budgetary Information section of Appendix A.

Wage and Hour Cases

In 2007 and 2008, several collective action lawsuits were filed against the County by Deputy Sheriffs, the Association for Los Angeles Deputy Sheriffs ("ALADS") and the Los Angeles County Professional Peace Officers Association (the "PPOA"). In 2010, the County was able to successfully defeat the "class certification" in the PPOA lawsuit based on the recent decision from the Ninth Circuit in *Bamonte v. City of Mesa,* which held that the time police officers spend before and after their paid shifts donning and doffing their police uniforms and related protective gear is not compensable under the Federal Fair Labor Standards Act ("FLSA") as long as the officers have the option and ability to don and doff their uniform and gear off of the employer's premises. Following the Bamonte decision, both ALADS and PPOA have filed "class action grievances" under their respective Memorandums of Understanding against the County. These collective action lawsuits and grievances seek to recover compensation for overtime related to performing pre-shift and post-shift employment activities such preparing patrol cars, preparing reports, working through meal times and other such activities which occurred "off the clock." Taken together, there is the potential that the number of claimants to the collective actions may include as many as 9,000 public safety personnel. While the PPOA class action lawsuit will most likely settle for a nominal amount, the two remaining class actions and all the class grievances are still in the early litigation stages and extensive discovery must still occur.

Various lawsuits have been filed against the County alleging that certain classes of employees were not compensated for overtime worked in excess of forty hours per week, as required by the FLSA. These lawsuits seek overtime pay for a three-year period, liquidated damages (double damages), attorneys' fees and costs. In 2008, two lawsuits entitled *Ellerd v. County of Los*

Angeles and Ali v. County of Los Angeles were filed by 104 adult protective services social workers in the Department of Community and Senior Services and by 242 children's social workers in the Department of Children and Family Services. The plaintiffs in both suits allege that they worked extra unrecorded hours for which they should have been paid overtime at time and one-half. In *Ellerd v. County of Los Angeles*, the County's collective action decertification motion was granted on February 17, 2011. The 104 adult protective services social workers who were the plaintiffs must now decide whether to pursue their overtime pay litigation on an individual basis. In 2011, *Ali v. County of Los Angeles* was settled for a maximum amount of $2.5 million, if all 242 plaintiffs choose to participate. The period for plaintiffs to individually elect to settle will end in May 2011, unless it is extended.

Other Litigation

In 1999, a lawsuit entitled *Roger E. Bacon v. Alan T. Sasaki* was filed against the County challenging the Auditor-Controller's method of calculating interest on property tax refunds. A bench trial was held on January 9, 2006 regarding two test claims, and the trial court only partially sustained the Auditor-Controller's position. On August 11, 2009, the Board of Supervisors approved a settlement of the case. The trial court has preliminarily approved the proposed settlement, which provides for a total maximum payout amount, including all fees and costs, of $45 million. It is anticipated that a final fairness hearing prior to entry of final judgment will be held in June 2011. The County has reserved $35 million for the expected fees and costs to settle this lawsuit.

In March, 2008, a lawsuit entitled *Natural Resources Defense Counsel v. County of Los Angeles, et al.*, was filed against the County and the Los Angeles County Flood Control District (the "Flood Control District") under the citizen suit provision of the Federal Clean Water Act. The case was bifurcated to first determine liability, and if liability was found, then to determine the penalties and remedies. The trial judge has issued rulings on cross-motions for summary judgment that disposed of most of the liability issues. The County and the Flood Control District were found to have violated water quality standards at one location in Malibu. Part of the summary judgment granted to the County and Flood Control District was appealed to the Ninth Circuit, which upheld the trial court's ruling with the exception of deciding that the Flood Control District was liable for violations in two additional watersheds. If the Court does not correct what the Flood Control District believes to be a judgment based on a factual error, the Flood Control District may be liable for these additional watersheds. If the Ninth Circuit does not correct this error, it is likely the Flood Control District will seek review in the U.S. Supreme Court. The plaintiffs will be entitled to attorneys fees and costs to the extent they prevail on the liability issues. The cost of the injunctive relief sought has yet to be determined, in the event that such relief is ordered. In March 2009, the County and Flood Control District filed administrative claims under the Government Tort Claims Act against 64 cities and public entities for equitable indemnity and contribution. If the only liability found is for the Malibu site, the complaint for indemnity against those entities will be dismissed. No trial dates have been set in either the federal action or the state lawsuit.

In 2008, in *Los Angeles Unified School District v. County of Los Angeles, et. al.*, the school district alleged that the Auditor-Controller improperly calculated statutory payments due to LAUSD under redevelopment law. The Court of Appeal reversed a trial court decision in favor of the County, and the County's Petition for Review was denied by the California Supreme Court. The County's actual liability is still undergoing review, but is expected to be in the range of $24 to $38 million.

In 2008, the City of Alhambra, along with 46 other plaintiff cities, filed a *Petition for Writ of Mandate* against the County alleging that the County and its Auditor-Controller deducted excessive administrative fees from the property tax allocations of the 88 incorporated cities within Los Angeles County. In June 2009, a judgment denying the writ was entered in favor of the County. The plaintiffs filed a notice of appeal in August 2009, and in July 2010, the Court of Appeal reversed the trial court ruling. In October 2010, the County's Petition for Review with the California Supreme Court was granted. The case has been fully briefed and is awaiting a hearing date.

In 1997, the County sued insurance companies to obtain policy benefits arising out of damage to the County's buildings caused by the Northridge Earthquake. At trial, the County failed to realize a net recovery and the insurers were awarded $5.9 million, plus interest, in litigation costs and fees. Both the County and the insurer appealed the decision. The Court of Appeal ruled against the County on all grounds. The County filed a petition to the California Supreme Court to contest the award of litigation costs. In July 2011, the California Supreme Court denied the County's petition for review. The County paid the defendant insurers the judgment amount of $7.96 million, inclusive of accrued post-judgment interest and appellate costs from reserves that were previously set-aside to cover any potential liability related to this case.

In November 2010, the County was named, along with various State entities and three local school districts, as a defendant in a class action lawsuit brought in federal district court by a number of non-profit legal advocacy groups on behalf special education students. The suit alleged that defendants were denying these students their federal right to a free and appropriate public education. The suit followed the Governor's October 8, 2010 veto of $133 million in funding appropriated by the Legislature for State mandated educationally related mental health services, commonly known as AB 3632 services. The County took the position that the State's failure to fund these services operated to suspend the mandate on counties to provide them; and further, as a consequence of federal law, responsibility to pay for or provide these services rested with the school districts. To this end, the County engaged in efforts with numerous local school districts to enter into MOUs related to the continuing provision of these services. Under the terms of the MOUs, the school districts agree to reimburse the County for continuing to provide mental health services, with the County agreeing to repay the districts if a binding legal decision determines that the mandate is not suspended.

In addition, the County, along with a number of other counties, filed an action against the State in Sacramento Superior Court seeking a judgment to declare declaring that the counties are relieved from this service mandate. On February 25, 2011, in a third legal action stemming from the Governor's veto, the Court of Appeal published an opinion concluding that the Governor properly exercised his veto authority and that it had the legal effect of suspending operation of the AB 3632 mandate. This finding permits the County to seek compensation from the districts for continuing to provide mental health services. Thereafter, the County settled the federal lawsuit, and the suit was dismissed. On March 25, 2011, the Sacramento Superior Court provided the counties with declaratory relief, finding that the counties were relieved from the AB 3632 mandate. Nonetheless, a handful of school districts have asserted the position that the County remains fiscally responsible for these services.

Subsequently, the California Legislature enacted legislation clarifying that counties no longer have a mandate to provide educationally related mental health services and that this mandate belongs to local school districts. The County is in the process of transferring these services to the local districts. The districts also will have the option of continuing to obtain the services from the County, and to pay for them under negotiated MOUs.

Pending Litigation

There are a number of other 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 impair the ability of the County to make debt service payments or otherwise meet its outstanding lease or debt service obligations.

TABLE 1: RETIREMENT PLAN UAAL AND FUNDED RATIO
(in thousands)

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2005	$32,026,105	$29,497,485	$34,375,949	$4,878,464	85.81%
06/30/2006	35,185,589	32,819,725	36,258,929	3,439,204	90.51%
06/30/2007	40,908,106	37,041,832	39,502,456	2,460,624	93.77%
06/30/2008	38,724,671	39,662,361	41,975,631	2,313,270	94.49%
06/30/2009	30,498,981	39,541,865	44,468,636	4,926,771	88.92%
06/30/2010	33,433,888	38,839,392	46,646,838	7,807,446	83.26%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2010.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return
2004-2005	$32,026,105	11.0%
2005-2006	35,185,589	13.0%
2006-2007	40,908,106	19.1%
2007-2008	38,724,671	-1.5%
2008-2009	30,498,981	-18.3%
2009-2010	33,433,888	11.6%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2010.

Fiscal Year	Cash Payment to LACERA	Transfer From Excess Earnings	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
2004-05	$527,810	$222,542	$336,329	$1,086,681	-
2005-06	676,667	179,368	356,883	1,212,918	11.6%
2006-07	751,851	111,775	381,235	1,244,861	2.6%
2007-08	827,789	-	381,603	1,209,392	-2.8%
2008-09	805,300	-	320,339	1,125,639	-6.9%
2009-10	802,500	-	358,165	1,160,665	3.1%
2010-11	898,803	-	372,130	1,270,933	9.5%
2011-12	1,020,530 *	-	-	1,020,530	-19.7%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2010 and County of Los Angeles Chief Executive Office.

* Estimated

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by October 2nd of each year. Upon release of the Governor's Proposed State Budget in January, the CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the Governor's budget, and other projected revenue and expenditure trends. Expanding on this forecast, a target County budget for the ensuing fiscal year, beginning July 1st, is developed, and projected resources are tentatively allocated to the various County programs and services.

The CEO normally presents the Recommended County Budget to the Board of Supervisors in April. The Board of Supervisors is required by County Code to adopt a Recommended Budget no later than June 30th. If a Final County Budget is not adopted by June 30th, the appropriations approved in the Recommended Budget, with certain exceptions, become effective for the new fiscal year until the final budget is approved.

The CEO generally recommends revisions to the County Budget after adoption of the final State budget to align County expenditures with approved State funding. After conducting public hearings and deliberating on the details of the budget, the Board of Supervisors adopts the Final County Budget by August 1st.

Throughout the balance of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The annual revenues from the State and Federal governments are generally allocated pursuant to formulas specified in State and Federal statutes. For budgetary or other reasons, such statutes are often subject to change which may affect the level of County revenues and budgetary appropriations.

COUNTY BUDGET OVERVIEW

The County Budget is comprised of seven fund groups through which the County's resources are allocated and controlled. These groups include the General and Hospital Enterprise (which represents the General County Budget), Special, Special District, Other Enterprise, Other Proprietary, and Other Funds.

The General County Budget accounts for approximately 76.0% of the 2011-12 Final Adopted Budget and funds programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Funds represent approximately 12.0% of the 2011-12 Final Adopted Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, courthouse construction programs and operations, and specific automation projects.

Special District Funds account for approximately 8.6% of the 2011-12 Final Adopted Budget and are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Other Proprietary and Other Funds account for 3.4% of the 2011-12 Final Adopted Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment."

The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed 2%, or a reduction as shown in the consumer price index (or comparable local data), or a decline in property value caused by damage, destruction or other factors. The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on certain types of indebtedness approved by the voters.

Article XIIIB of the California Constitution limits the amount of appropriations of local governments for "proceeds of taxes." The County's appropriation limit for "proceeds of taxes" for 2011-12 is $16,707,944,966. The 2011-12 Final Adopted Budget includes proceeds from taxes of $6,376,512,000, which is well below the allowable limit.

Proposition 62

Proposition 62, a 1986 initiative that amended the California Constitution, requires voter approval of all new taxes or any increases to local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected beginning one year before a claim is filed. Such a claim is a necessary prerequisite to the filing of a lawsuit against a public entity in California.

In February 2005 a claim was filed, and it was followed in May 2005 by a lawsuit entitled *Oronoz v County of Los Angeles* that contends the County's Utility User Tax ("UUT") did not meet the requirements of Proposition 62 and is therefore invalid. In November 2006, the trial court certified the case as a class action. In July 2008, the parties agreed to a tentative settlement of the case, which was finally approved by the court in

March 2009. The settlement, which is currently in the process of being implemented, calls for a total expenditure by the County of $75 million to be used for tax refunds to class members and enhanced services within the areas of the County from which the tax was collected. Claim processing is expected to be finalized in the summer of 2011. At the outset of this lawsuit, the County established a separate reserve account to fund any liabilities resulting from the litigation, with the reserve more than sufficient to fully fund the entire $75 million settlement. The claim processing for the settlement is now completed and all refunds have been issued. In November 2008, the County's utility user tax was approved by the voters in conformity with Proposition 62. Plaintiffs have filed a motion alleging that the 2008 election was improperly conducted.

On August 11, 2009, a lawsuit, *Patrick Owens and Patricia Munoz v. County of Los Angeles* was filed in Los Angeles Superior Court, challenging the imposition of the County's UUT after its passage at the election held on November 4, 2008. The complaint alleges that the impartial analysis prepared by County Counsel failed to inform the voters that: 1) the material provisions of the prior UUT were being rescinded regardless of the outcome of the election; and 2) it was not a "continuation" of an existing tax, but rather was the enactment of a completely new UUT. The County filed a demurrer and motion to strike plaintiffs' complaint on October 16, 2009. A hearing was held on April 15, 2010 in which the Court denied the County's demurrer in light of the early phase of the litigation process. The County then filed a motion on November 12, 2010 to dispose of the issues challenging the legality of the election. A hearing was held on February 16, 2011 in which the Court denied the County's motion as the plaintiff's raised a constitutional question, which the Court determined must be ruled on together with the election issue. The case has proceeded with the discovery phase and it is anticipated that the matter will be set for a bench trial to take place in the Spring of 2012. Issues regarding a potential class certification will be deferred until after the trial. Since the November 4, 2008 election, the County estimates that $163 million in UUT revenue has been collected and continues to be collected at an average rate of $5 million per month.

On March 4, 2011, a new lawsuit filed as a class action alleges that the County's 2% increase to the Transient Occupancy Tax ("TOT") violated Proposition 62 by not receiving voter approval. The County demurred to the complaint on all theories on October 12, 2011. The court sustained the County's demurrer as to all theories except for one. The Court ruled that the alleged Prop 62 violation survived demurrer and could proceed on a class basis. The County anticipates that it will defend the action on the grounds that a class claim in this matter is barred from local ordinance, and that the increase in the TOT does not impose a new tax subject to Proposition 62.

Proposition 218

Proposition 218, a 1996 initiative that added Articles XIIIC and XIIID to the California Constitution, established the following requirements on all taxes and property-related assessments, fees, and charges:

- precluded special purpose districts or agencies, including school districts, from levying general taxes;
- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;
- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate; and
- ensured that voters may reduce or repeal local taxes, assessments, or fees through the initiative process.

An appellate court decision determined that Proposition 218 did not supersede Proposition 62. Consequently, voter approval alone may not be sufficient to validate the imposition of general taxes adopted, increased or extended after January 1, 1995.

Proposition 218 also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees, and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. SB 919, the Proposition Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Proposition 218, states that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

In the 2006 case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)*, the State Supreme Court suggested that the initiative power under Proposition 218 is not free of all limitations, and could be subject to restrictions imposed by the contract clause of the United States Constitution. No assurance can be given, however, that voters in the County will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges that are deposited into the County's General Fund. In addition, "fees" and "charges" are not defined by Article XIIIC or SB 919, and the scope of the initiative power under Article XIIIC could include all sources of General Fund revenue not received from or imposed by the Federal or State government or derived from investment income.

Proposition 1A 2004

Proposition 1A 2004, approved by the voters in November 2004, amended the State Constitution by limiting the State's authority to reduce local sales tax rates or alter their method of allocation, shift property tax revenues from local governments to schools or community college districts, or decrease VLF revenues without providing replacement funding. Proposition 1A 2004 further amended the State Constitution by requiring the State to suspend State laws that create unfunded mandates in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. Pursuant to Proposition 1A 2004, the State can no longer reallocate local property tax revenues without triggering a constitutional obligation to repay the local taxing agencies within three years, and is further prohibited from a reallocation of local property tax revenues on more than two occasions within a ten-year period.

Proposition 1A Securitization

In July 2009, the State adopted legislation pursuant to the requirements of Proposition 1A that authorized the State to borrow eight percent of the property tax revenues apportioned to cities, counties, special districts and affiliated public agencies. The State is required to repay the property tax revenue by June 30, 2013. Under the terms of the borrowing, the California Statewide Communities Development Authority was authorized to issue bonds that were secured by the State's obligation to repay the property tax revenue to the affected public agencies (the "Proposition 1A Securitization"). The participating local governments and affiliated agencies received their share of the borrowed property tax apportionment in a timely manner from the bond proceeds. All of the costs related to the Proposition 1A Securitization, including interest costs were paid by the State.

The total exposure to the County and all of its affiliated public agencies from the eight percent loss in property tax revenue was $365.6 million. The County, the Consolidated Fire Protection District and the Flood Control District participated in the Proposition 1A Securitization, accounting for $363.3 million or 99.37% of the County's total property tax revenue borrowed by the State. The County and its affiliated districts received their $363.3 million share of the bond proceeds in two installments, with fifty percent paid on January 15, 2010 and the balance remitted on May 3, 2010. The remaining 37 dependant districts and public agencies in the County, which account for less than 1% or $2.3 million of the lost property tax revenue, will be paid in full by the State on June 30, 2013.

Proposition 26

On November 2, 2010, voters approved Proposition 26, which amended the State Constitution to expand the definition of a tax so that certain fees and charges imposed by the State and local governments will now be subject to approval by two thirds of each house of the State Legislature or approval by local voters, as applicable. Proposition 26 requires a two-thirds approval by each house of the State Legislature to enact new laws that increase taxes on any taxpayer, and repeals recent State laws that are in conflict with the measure, unless they are approved again by two-thirds of each house of the State Legislature. The State Legislative Analyst's Office asserts that Proposition 26 will make it more difficult for State and local governments to pass new laws that raise revenues and could reduce government revenues and spending statewide by billions of dollars annually.

In terms of its direct fiscal impact on the County, Proposition 26 is likely to result in the loss of approximately $61 million in annual State tax revenue to County road districts, which are separate legal entities responsible for the operation and maintenance of streets and roads in the unincorporated areas of the County. Since the County is unlikely to backfill any reduction in State revenue to the road districts, there is no projected fiscal impact to the County General Fund. Additional effects of Proposition 26 on the future financial condition of the County are unknown at this time.

Future Initiatives

Propositions 13, 62, 218, 1A 2004 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting County revenues or the County's ability to expend revenues.

FEDERAL AND STATE FUNDING

A significant portion of the County budget is comprised of revenues received from the federal and State governments. As indicated in the table "Historical Funding Requirements and Revenue Sources" on page A-21 of this Appendix A, $4.5 billion of the $18.0 billion 2011-12 Recommended General County Budget is received from the Federal government and $4.6 billion is funded by the State. The remaining $8.9 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 51% of General County funding is provided by the State and Federal governments underscores the County's significant reliance on outside funding sources.

Federal Budget Update

On August 2, 2011, the Budget Control Act (BCA) of 2011, which increased the Federal debt limit and included provisions aimed at reducing the Federal deficit by at least $2.1 trillion over the next 10 years, was signed into law. The BCA established annual discretionary spending caps for Federal Fiscal Years (FFY) 2012 through 2021, which would reduce the deficit by an estimated $917 billion, and also established a Joint Select Committee on Deficit Reduction (the "Joint Committee"), which will be responsible for drafting legislation to reduce the deficit by at least $1.2 trillion over 10 years. If the $1.2 trillion in deficit reduction legislation is not enacted, annual across-the-board budget reductions, divided equally between defense and non-defense spending, would be triggered beginning in FFY 2013 and spread evenly over nine years through FFY 2021.

The fiscal impacts to the County from the BCA and any future Federal deficit reduction measures are unknown at this time, and will ultimately depend on the process and composition of any deficit reduction initiatives. If the Joint Committee is unable to achieve the $1.2 trillion in budgetary savings through new legislation, the impact on Net County Cost (NCC) would be minimal. The County receives most of its Federal revenue to fund low-income entitlement programs, such as Medicaid, Title IV-E Foster Care and Adoption Assistance, and Temporary Assistance for Needy Families, and such programs are exempt from across-the-board budget cuts. Furthermore, Federal discretionary programs generally do not fund services that, otherwise, would have to be financed by County-generated revenues.

State Budget Process

Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to the challenging and uncertain economic environment. Over the past twenty years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in that decade, the 2001 recession and recovery, and the current economic downturn. The State's budgetary decisions during the current economic downturn will have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

In Fiscal Year (FY) 1991-92, the State and county governments collectively developed a program realignment system (the

"1991-92 Realignment Program") that removed State funding for certain health and welfare programs, and provided counties with additional flexibility in the administration of such programs. Under the 1991-92 Realignment Program, certain health and welfare services are funded by a 0.5% increase in sales taxes and increased vehicle license fees. Since counties receive their share of the funding for health and welfare programs under a fixed formula prescribed by State law, the flow of funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will still maintain responsibility for the management and cost of such programs.

Property Tax Shift

In response to the 1993-94 recession, the State shifted $2.1 billion in property taxes from counties and $500 million from cities, special districts and redevelopment agencies to school and community college districts. This action reduced the County's primary source of discretionary revenue. The reduction in State funding has been partially offset by revenues from the County's share of the Proposition 172 one-half cent public safety sales tax. The Proposition 172 public safety tax, which was approved in 1993, was the State's response to help lessen the impact of the shift in property tax revenue to education.

2011-12 STATE BUDGET

On January 10, 2011, Governor Brown released his 2011-12 Proposed Budget (the "Proposed State Budget"), which projected an estimated $8.2 billion budget deficit for FY 2010-11 and a $17.2 billion budget deficit in FY 2011-12 absent corrective action.

The Proposed State Budget included proposals to (i) reduce expenditures by approximately $12.5 billion; (ii) generate an additional $3.0 billion in revenues for FY 2010-11 and $12.0 billion in revenues for FY 2011-12 by extending certain temporary tax increases, subject to voter approval, and shifting funding and responsibility for certain services to local governments; and (iii) to borrow $1.9 billion from special funds and other sources. The Proposed State Budget estimated a carryover FY 2010-11 budget deficit of $4.1 billion, projected State General Fund revenues and transfers for FY 2011-12 of $89.7 billion (a decrease of approximately 4.8 percent from the projected revenues and transfers in FY 2010-11) and State General Fund expenditures of $84.6 billion (a decrease of approximately 8.2 percent from the projected expenditures in FY 2010-11), and a deposit to the Reserve for Economic Uncertainties of approximately $1 billion.

Approximately $12 billion of the additional revenue included in the Proposed State Budget was dependent upon voter approval at a June 2011 special election of a constitutional measure to extend certain temporary tax increases for sales tax, personal income tax and the Vehicle License Fee ("VLF") for an additional five-year period. The Governor proposed that revenue from the sales tax and the VLF be transferred directly to local governments to finance the first phase of a major realignment plan. The Governor was unable to generate the required two-thirds support to authorize a June 2011 ballot initiative.

The Proposed State Budget included a plan to realign government services (the "Realignment Plan"), which transfers the authority and funding responsibility for certain State programs to counties, cities, special districts and school districts. The first phase of the Realignment Plan was expected to restructure over $5.9 billion in public services in FY 2011-12, including a realignment of specific public safety, fire protection and mental health service programs; and a transfer of the funding responsibility for court security, low-level and juvenile offender and adult parole programs to the counties. The Proposed State Budget also included a plan to eliminate redevelopment agencies effective July 1, 2011, remove the State's financial commitment to such programs, and to provide for new local authority to allocate resources to local projects. The Governor estimated that, after payment of redevelopment agency debts and contractual obligations, $3 billion in tax increments would be available for statutory pass-through payments to local governments.

In March 2011, the Legislature passed the Governor's proposed package of bills that authorized $13.4 billion in budgetary solutions, including an estimated $10.0 billion in expenditure reductions, increased revenues of $500 million and $2.9 billion of other budgetary solutions. Health and human service programs incurred the largest share of the budget cuts ($5.5 billion), with significant expenditure reductions to Medi-Cal, CalWORKS, Proposition 10 health services, Proposition 63 mental health services, developmental services and the In-home Support Services (IHSS) program.

On May 16, 2011, Governor Brown released his May revision to the Proposed State Budget (the "May Revision"). After accounting for budgetary actions adopted by the State Legislature, higher than expected tax revenues and updated expenditure projections, the May Revision projected a significantly lower budget deficit of $9.6 billion through FY2011 12, consisting of a $4.8 billion deficit for FY 2010-11 and a $4.8 billion deficit for FY 2011-12. The May Revision proposed a $1.2 billion reserve, which would require an estimated $10.8 billion of additional solutions to balance the State budget through June 30, 2012.

The May Revision estimated that the State would end FY 2010 11 with revenues and transfers of $95.740 billion, total expenditures of $91.566 billion and a year-end deficit of $2.776 billion, which includes a $6.950 billion State General Fund deficit from FY 2009-10. The May Revision projected FY 2011 12 revenues and transfers of $93.623 billion, total expenditures of $88.803 billion and a year-end surplus of $2.044 billion (net of the $2.776 billion deficit from FY 2010-11), of which $770 million would be reserved for the liquidation of encumbrances and $1.274 billion will be deposited in a reserve for economic uncertainties.

The May Revision emphasized the need for the State Legislature to authorize a ballot measure for California voters to consider the continuation of temporary tax extensions, fund a modified Realignment Plan for the delivery of government services, and to provide increased funding for K-12 Education consistent with Proposition 98 requirements. The Governor's proposal to eliminate redevelopment agencies as of July 1, 2011 was unchanged in the May Revision.

The May Revision proposed a revised ballot initiative for voters to consider a constitutional amendment to extend the temporary increases for the sales tax and the VLF for a five-year period commencing in FY 2011-12 and a reinstatement of the increase in the personal income tax for the 2012 through 2015 tax years. The revised ballot initiative proposal did not include an extension of the personal income tax for the 2011 tax year, and did not provide a specific timeframe for voters to consider the ballot proposition.

The May Revision included a modified Realignment Plan, in which the State would shift $5.6 billion in program responsibilities to the counties in FY 2011-12, compared to the $5.9 billion outlined in the Proposed State Budget. The modified Realignment Plan would be funded for a five-year period from the proposed extension of the sales tax increase and the increase in the VLF. After the five-year extension period, the State would resume responsibility for providing funding to the counties in an amount equal to the increased revenue from the sales tax and VLF extensions.

The financial impact to the County budget in FY 2011-12 from the May Revision was an estimated funding reduction of $366.3 million, which was relatively unchanged from the $366.4 million in estimated reductions from the Proposed State Budget.

On June 30, 2011, the Governor signed the FY 2011-12 State Budget Act (the "State Budget Act"). After accounting for budgetary actions adopted by the State Legislature, higher than expected revenues and updated expenditure projections, the FY 2011-12 State Budget estimates revenues and transfers of $88.456 billion, total expenditures of $85.937 billion and a year-end surplus of $1.313 billion (net of the negative $1.206 billion prior-year State General Fund balance). The FY 2011-12 State Budget allocates the projected surplus to the reserve for the liquidation of encumbrances ($770 million) and the special fund for economic uncertainties ($543 million).

The financial impact to the County from the State Budget Act is an estimated funding reduction of $363.3 million in FY 2011-12. The major elements of the cuts would reduce Medi-Cal, redirect Mental Health Services Act Funds, reduce CalWORKS grants and provide program reductions to the IHSS. Although the financial impact was estimated at $363.3 million, the 2011-12 Final Adopted County Budget (the "2011-12 Final Adopted Budget") included funding reductions of only $141.5 million. This difference is primarily related to the redirection of Mental Health Services Act funding that would have been available to the County for Proposition 63 mental health services but had not yet been programmed into the County budget.

If the State's Director of Finance estimates that the State's revenues for FY 2011-12 will be less than $87,452,500,000, but will be at least $86,452,500,000, the State Budget Act authorizes approximately $601.0 million in funding reductions in the areas of higher education, health and human services and public safety, beginning in January 2012. If the State's Director of Finance estimates that revenues for FY 2011-12 will be less than $86,452,500,000, the FY 2011-12 State Budget authorizes an additional $1.86 billion in education reductions. The State's Director of Finance will make a determination whether the State's revenues meet or exceed such levels by December 15, 2011.

The State funding reductions would be implemented in three tiers, with the majority of the cuts impacting K-12 education, community colleges and higher education. The following table provides an estimate of the potential budgetary effect on County programs if Tier I budget cuts are enacted. Any Tier 2 or Tier 3 State budget cuts, if enacted, are not expected to have an impact on the County budget.

Program Description	Budget Cost/(Savings)
Medi-Cal Managed Care Plan	$1.0 million
IHSS Anti-Fraud Initiatives	(1.5) million
Reduction to IHSS Service Hours	(20.1) million
Youthful Offenders Placements	20.0 million
Vertical Prosecution Grants	0.7 million
Public Library Grants	0.3 million
Overall Estimated Impact	**$0.4 million**

The Governor and the State Legislature also approved Assembly Bills 109 and 117 related to the Realignment Plan ("Public Safety Realignment"), which transferred responsibility for supervising specific low-level inmates and parolees, from the California Department of Corrections and Rehabilitation (CDCR) to counties. The State Budget Act provides $5.5 billion to fund Public Safety Realignment and is financed by redirecting 1.06% of the existing State sales tax ($5.1 billion) and a portion of Vehicle License Fee (VLF) revenues ($453.0 million) from the State to counties. The Public Safety Realignment legislation provides $500.0 million of funding for local public safety programs previously funded by the additional 0.15% increase to the VLF that expired on June 30, 2011. Although the State budget plan does not provide constitutional funding protections to counties for the Public Safety Realignment, the Governor has proposed a November 2012 ballot initiative to seek voter approval for a constitutional amendment to provide such funding protection.

On August 30, 2011, the County adopted the Los Angeles County Public Safety Realignment Implementation Plan and on October 11, 2011 the County approved a portion of the budget and staffing plan from October to December of 2011, which added 497 budget positions and increased the revenue and appropriation by $33.7. Until constitutional funding protection is established by the State for Public Safety Realignment, all required staff will be hired either as temporary, monthly positions or existing departmental staff will be offered "temporary promotions" pursuant to County Code. The County has decided to develop and approve the Public Safety Realignment budget on a quarterly basis to better implement and manage this transfer of responsibilities from the State.

As a result of the current economic conditions and the continuing fiscal crisis in California, the financial condition of the State remains highly uncertain. Many future events will affect the amount of funding that is actually received by the County from the State and Federal governments. As a result, the information in this Official Statement (including this Appendix A) relating to State and Federal funding is based upon the County's current expectations and is subject to change due to the occurrence of future events.

RECENT COUNTY BUDGETS

Recent General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. County budgets have improved stability due to the passage of Proposition 1A 2004, which secured long-term financial protection from a State reallocation of property tax revenues during times of State fiscal crisis. Proposition 1A 2004 provides the County with a more reliable funding source by substituting VLF revenue with property taxes, which have historically been one of the least volatile sources of revenue.

The reliability of property tax revenues is due in large part to Proposition 13, which helps to insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that has not been reflected on the property tax rolls and has helped to offset a significant decrease in property values during the current economic downturn. To illustrate this point, average median home prices in the County declined by 45% from their peak in August 2007 ($562,346) to a cyclical low in January 2011 ($308,173), but the value of the property tax roll (the "Net Local Roll") decreased by only 0.5% and 1.9% in FY 2009-10 and 2010-11, respectively. In FY 2011-12, the Assessor is reporting an increase in the Net Local Roll of 1.36% or $14.153 billion from the previous fiscal year. In the FY 2010-11 tax roll, the County Assessor estimates that approximately 14.6% of all residential parcels and 17.5% of commercial-industrial parcels are 1975 base-year parcels, indicating a significant amount of stored value that can be realized on future tax rolls when these parcels are sold.

The largest factors contributing to the increase in assessed valuation in FY 2011-12 are transfers in ownership ($12.8 billion), new construction ($3.9 billion) and an increase in the consumer price index ($6.1 billion). These increases are partially offset by the reassessment of properties under Proposition 8, a constitutional amendment that allows a temporary reduction in assessed value when a property suffers a decline in value. Decline in value adjustments contributed $4.9 billion in reductions to the projected Net Local Roll in FY 2011-12.

A significant factor contributing to the decline in value adjustments is the County Assessor's decision to initiate Proposition 8 reviews of all homes sold between July 2003 and June 2009. Since the Assessor initiated the Proposition 8 review process in 2008, the Net Local Roll for FY 2011-12 reflects the cumulative impact of $84.7 billion of decline in value adjustments since FY 2008-09. With the Assessor's proactive approach to Proposition 8 reviews, the assessed value of properties sold during the height of the real estate market were adjusted downward to reflect current market values, which will help insulate the County from future reductions in the Net Local Roll if these properties are re-sold at lower market values.

The economic downturn has had a significant impact on recent County budgets, and has resulted in net County cost ("NCC") budget gaps beginning in FY 2009-10. NCC is the portion of the County's budget that is financed with County discretionary funding (also known as locally generated revenues). In order to manage the budget gaps, the County has used a balanced approach of curtailing departmental budgets, achieving savings through efficiencies, and using reserves and capital funding appropriations to achieve a balanced budget. If the County had relied solely on curtailments, the impact to County services and its residents would have been much more severe and most likely would have resulted in the reduction of critical services and the layoff of large numbers of County employees. The County believes that the effects of the economic downturn on the County budget (declines in revenues and increases in assistance caseloads) are a cyclical consequence of the recession. Since revenues and caseload will not return to pre-recessionary levels in the short-term, the County has implemented structural changes to the budget through departmental curtailments of approximately $360.5 million over the last four years. The measured approach to managing budgetary challenges, including the use of one-time funding sources, has enabled the County to more strategically achieve a balanced budget and maintain critical core services.

2009-10 FINAL ADOPTED COUNTY BUDGET

The 2009-10 Final Adopted County Budget (the "2009-10 Final Adopted Budget"), which was approved by the Board of Supervisors on September 22, 2009, appropriated $23.6 billion, representing a 1.7% increase from the previous fiscal year. For General County purposes (General Fund and Hospital Enterprise Funds), the 2009-10 Final Adopted Budget appropriated $18.5 billion, which represented a 1.8% increase from the 2008-09 Final Adopted Budget. The 2009-10 Final Adopted Budget included a net decrease of 1,345 budgeted positions from the previous fiscal year.

The 2009-10 Final Adopted Budget contained a NCC budget gap of $360.6 million. As illustrated below, the budget gap was driven primarily by decreases in revenue and increases in assistance caseloads.

Fiscal Year 2009-10 NCC Budget Gap

Revenue Reductions	$191.9 million
Assistance Caseload Increases	85.3 million
Net Program Changes	11.7 million
Unavoidable Cost Increases	57.2 million
Indigent Defense Cost Increases	14.4 million
Total Budget Gap	**$360.5 million**

To close this budget gap the County utilized a combination of ongoing structural solutions from departmental budget curtailments and one-time solutions from the appropriation of capital project funds and Federal stimulus funding. The major components of the FY 2009-10 NCC budget gap solutions are described in the following table:

Fiscal Year 2009-10 NCC Budget Gap Solutions

Ongoing Departmental Budget Curtailments	$162.9 million
Capital Program Designations	115.5 million
Federal Stimulus Funding	77.7 million
Other Savings Initiatives	4.4 million
Total Budget Gap Solutions	**$360.5 million**

In connection with the 2009-10 Final Adopted Budget, the Board of Supervisors approved the CEO's mid-year budget adjustment to eliminate $153.5 million in appropriations as a result of State budget cuts. Due to curtailments in State programs, the County made the decision not to backfill certain administrative costs in relation to both the CalWORKs and Medi-Cal Programs.

2010-11 FINAL ADOPTED COUNTY BUDGET

In the 2010-11 Final Adopted Budget, the County projected a $491.6 million General Fund NCC budget gap. The major components of the FY 2010-11 NCC budget gap are described in the following table:

Fiscal Year 2010-11 NCC Budget Gap

Revenue Reductions	
Property Taxes	$113.1 million
Public Safety Sales Tax	18.2 million
Realignment Sales Tax	10.3 million
Registrar-Recorder Shortfall	19.0 million
Various Revenue Changes	(4.4) million
Assistance Caseload Increases	
General Relief	82.4 million
In-Home Support Services	16.0 million
Other Caseload Changes	8.7 million
Expiration of FMAP Extension	38.8 million
Unavoidable Cost Increases	
Pension Costs	80.5 million
Health Insurance Premiums	50.4 million
Net Program Changes	30.3 million
Supplement Reserves	28.3 million
Total Projected Budget Gap	**$491.6 million**

To close this budget gap, the County utilized excess fund balance from FY 2009-10, and a combination of ongoing structural solutions and various one-time funding solutions, including the use of County reserves. The major components of the FY 2010-11 NCC budget gap solutions are described in the following table:

Fiscal Year 2010-11 NCC Budget Gap Solutions

Excess Fund Balance (Fiscal Year 2009-10)	$61.2 million
Ongoing Departmental Budget Curtailment	175.0 million
Ongoing Revenue Solutions	11.0 million
Capital Program Designations	76.7 million
Federal Stimulus Funding	26.2 million
Labor-Management Savings	51.0 million
Reserve for Rainy Day Fund	27.8 million
Budgetary Reserves	52.1 million
Other Solutions	10.6 million
Total Budget Gap Solutions	**$491.6 million**

2011-12 FINAL ADOPTED COUNTY BUDGET

Similar to recent County budgets, the 2011-12 Final Adopted Budget continues to be affected by the economic downturn and its negative impact on the financial condition of the County. However, as an indication of the improving economic trends, the County is forecasting its smallest NCC budget gap in three years. The primary factors contributing to the projected $175.4 million budget gap are outlined below.

The 2011-12 Final Adopted Budget, which was approved by the Board of Supervisors on October 4, 2011, appropriates $24.3 billion, representing a 0.4% increase from the prior fiscal year. For General County purposes (General Fund and Hospital Enterprise Fund), the 2011-12 Recommended Budget appropriates $18.5 billion, which represents a 0.1% decrease from the 2010-11 Final Adopted Budget. The 2011-12 Final Adopted Budget reflects a net increase of 129 budgeted positions from the Final Adopted Budget in FY 2010-11.

Expiration of Prior Year One-Time Budget Solutions

As discussed above, the County has utilized one-time funding solutions to help balance the budget during the economic crisis. The impact on the 2011-12 Final Adopted Budget from the expiration of the one-time funding solutions utilized in FY 2010 11 is projected to be a negative $262.0 million.

Expiration of Federal Stimulus Funding

The American Recovery and Reinvestment Act of 2009 ("ARRA"), in addition to other factors, temporarily increased Federal Medical Assistance Percentage ("FMAP") funding, which is the federal match rate for non-administrative costs. The FMAP change temporarily decreased the County's contribution to the IHSS program. A change in the FMAP percentage also affected other County administered programs. With the temporary increase in FMAP funding ending in June 2011, the County's share of the IHSS program will increase by $63.9 million in FY 2011-12.

Unavoidable Cost Increase

The primary components of the unavoidable cost increases are higher costs related to pension funding requirements and employee health insurance. The County's required retirement contributions will increase by almost fifteen percent (15%) in FY 2011-12, primarily due to the losses sustained by LACERA in FY 2008-09 as a result of the global financial crisis. Health insurance premiums for County employees will increase by approximately seven percent (7%) in FY 2011-12.

Assistance Caseload Increases

The high unemployment rate has caused many residents to seek public assistance from the County, which has resulted in a significant increase in assistance caseloads and expenditures since FY 2006-07. The cost of providing General Relief ("GR") assistance accounts for a large portion of the increase in caseload expenditures, since the County bears the entire cost of this assistance program.

Fiscal Year	Average Caseload	
2006-07	58,599	
2007-08	62,897	
2008-09	74,763	
2009-10	91,499	
2010-11	106,348	
2011-12	114,874	(Projected)

In FY 2010-11, GR caseloads averaged 106,348per month and has continued to grow in FY 2011-12 to a projected average monthly caseload of over 114,000. The projected GR caseload for FY 2011-12 is nearly double the average monthly caseload of 58,599 in FY 2006-07. Consistent with economic forecasts of unemployment, the County budget assumes that GR caseloads will peak in December 2011 and gradually decline through the remainder of the Fiscal Year.

Revenue Increases

As the local economy has stabilized and started to improve, the County is forecasting increases in a variety of locally generated revenues along with an increase in statewide sales tax revenue. After two (2) years of declines in assessed valuation, the Assessor reported a 1.36%, or $14.153 billion increase in the value of the Net Local Roll, which will generate an estimated $74.6 million of additional property tax revenue in FY 2011-12.

For the first time since FY 2006-07, the County is starting to see a year-over-year increase in Proposition 172 Sales Tax and Realignment Sales Tax revenue. Based on current trends and a survey of local economic forecasts, the County has assumed a five percent (5%) growth rate for all sales tax projections in the 2011-12 Final Adopted Budget. In addition, the County is forecasting a three percent (3%) increase in VLF revenue in FY 2011-12.

Retirement of Pension Obligation Bonds

In October 1994, the County issued pension obligation bonds to finance an unfunded actuarial accrued liability with LACERA. Since FY 2010-11 was the final year of debt service on the bonds, the County was able to redirect $106.6 million in NCC savings to help close the General Fund budget gap in FY 2011 12. Other non-General Fund County departments also benefited from the retirement of the pension obligation bonds, as the County estimates that these departments will realize $141.5 million in savings that can be used to resolve their budgetary challenges in FY 2011-12.

Labor-Management Savings

On December 7, 2010, the Board of Supervisors approved amendments to collective bargaining agreements that included a partial suspension of the County's matching contributions to the deferred compensation plans in FY 2010-11 and 2011-12. The reduction in the matching contribution benefit is projected to generate $42.1 million in NCC savings to the General Fund budget in FY 2011-12, and an additional $33.6 million in savings for non-General Fund County departments.

Fiscal Year 2011-12 NCC Budget Gap

2010-11 One-Time Budget Solutions	$262.0 million
Expiration of Federal Stimulus Funding	63.9 million
Unavoidable Cost Increases	
Pensions Costs	47.3 million
Health Insurance Subsidy	28.7 million
Net Program Changes	29.1 million
Assistance Caseload Changes	
General Relief	49.9 million
In-Home Support Services	(17.2) million
Revenue Increases	
Property Tax	(74.6) million
Various Revenue Changes	(28.8) million
Public Safety Sales Tax	(27.7) million
Realignment Sales Tax	(24.0) million
Retirement of Pension Obligation Bonds	(106.6) million
Labor-Management Savings	(42.1) million
State Budget Changes	(8.4) million
Various One-time Programs/Projects	23.9 million
Total Projected Budget Gap	**$175.4 million**

The County intends to utilize the following combination of ongoing structural solutions and one-time solutions to close the projected budget gap in FY 2011-12.

Fiscal Year 2011-12 NCC Budget Gap Solutions

Ongoing Curtailments/Consolidations	$35.7 million
Restored Public Safety Curtailments	(45.5) million
Capital Program Designations	116.7 million
Retiree Health Insurance Premium Refund	36.1 million
Other One-time Solutions	32.4 million
Total Budget Gap Solutions	**$175.4 million**

Departmental Budget Reductions/Consolidations

In FY 2008-09, the County initiated departmental budget curtailments, which has resulted in total savings of $360.5 million through FY 2011-12.

Budget Year	NCC Curtailment
2008-09	$33.0 million
2009-10	162.9 million
2010-11	175.0 million
2011-12	(10.4) million
Total Curtailments	$360.5 million

Throughout this period, many departments have lost over twenty percent (20%) of their NCC budget, while some departments' curtailments have been as high as thirty-eight percent (38%). Over this same period, County departments have sustained an average curtailment of fifteen percent (15%), with 2,445 budgeted positions eliminated countywide. For FY 2011-12, each County department was asked to submit an initial budget request that included a seven-percent (7%) NCC reduction. After reviewing departmental budget submissions, analyzing the potential impact on services, and considering the history of curtailments that departments have endured, most of the departmental reductions were revised downward.

One-Time Bridge Funding

Over the past decade, the County was able to set aside funds for capital projects and for a "rainy day" reserve fund. In light of the improving economic conditions, the County intends to utilize various one-time funding solutions and to modify the funding structure of the capital construction program to help close the budget gap. The two primary long-term reserves for the County, the Reserve for Rainy Day Fund ($93.2 million) and the Provisional Financing Uses-Economic Reserve ($83.6 million), will not be used to close the FY 2011-12 budget gap. These reserves remain intact and available to address future budgetary challenges and uncertainties. In accordance with County budget policy, the County intends to increase these reserve funds once the economy returns to historical levels of growth and the budget situation improves.

In May 2011, the United States Supreme Court, in a narrow 5-4 decision, upheld an injunction by a three-judge panel of the Ninth Circuit ordering California to release about 46,00 inmates, approximately one-fourth of the State's prison population, over the next two years to relieve overcrowding. In 2009, the Ninth Circuit ruled that inmates in the State prison system were being denied adequate medical care as required by the Constitution. Because overcrowding was determined to be the primary cause of the constitutional violation, the State was ordered to cap its prison population at 137% of capacity. The pending release of inmates is expected to have a significant impact on the Governor's Realignment Plan. However, the impact on the 2011-12 Recommended Budget and future County budgets is unknown at this time.

Health Services Budget

The Department of Health Services ("DHS") provides vital inpatient acute care and outpatient services in four hospitals, one of which is a rehabilitation center, and outpatient services at two Multi-Service Ambulatory Care Centers, six comprehensive health centers, 11 health centers, and over 100 Community Partners clinics throughout the County. DHS operates a health plan, the Community Health Plan, which serves more than 200,000 members. DHS is currently involved in discussions to transition the administrative operations of the Community Health Plan to another provider in order to focus solely on providing care for its members. DHS also manages emergency medical services for the entire County, and trains approximately 1,360 physician residents annually.

As a safety net provider, the County is the provider of last resort for millions of medically indigent patients in the County. Historically, the cost of providing health services has exceeded the combined total of health service revenues and the County general fund health subsidy, which has resulted in an ongoing structural deficit for DHS. By developing new revenue sources, implementing efficiencies, hiring freezes, and using one-time reserve funds, DHS has been able to cover the structural deficits of prior years.

For FY 2011-12, the DHS budget outlook has improved, largely due to the approval by the Centers for Medicare and Medicaid Services ("CMS") of a new Section 1115 Hospital Financing Waiver (the "Waiver") for public hospitals in California. Under the authority of Section 1115 of the Social Security Act, the Waiver permits the Federal government to waive certain Medicaid (referred to as Medi-Cal in California) statutory requirements and allows California to receive federal matching funds for Medicaid services that would otherwise not be eligible for federal funding. The Waiver, referred to as "California's Bridge to Reform", is effective for five years beginning November 1, 2010, and is the key program that will enable the County to bridge the gap until the implementation of Federal health care reform in 2014. The enactment of Federal health care reform provides the framework for the Waiver by allowing an early implementation of some of the law's coverage expansion provisions. The expanded coverage provisions are expected to reduce the structural deficit by providing a new revenue source from some of the indigent patients that do not currently have medical coverage.

Among the many components of the Waiver is the new Medicaid Coverage Expansion ("MCE") program which will provide Medi-Cal coverage for citizen or legal resident uninsured adults, ages 19-64 years, with incomes at or below 133% of the Federal Poverty Level. These individuals are targeted for coverage when health care reform is fully implemented in 2014. DHS anticipates that the MCE program will provide the opportunity for early enrollment into Medi-Cal coverage for many of its currently uninsured patients, thereby significantly improving the payer mix. The Waiver's MCE expansion and the transfer of Seniors and Persons with Disabilities into Medi-Cal managed care will help prepare the County for the implementation of Federal health care reform, when most covered individuals are expected to be enrolled in managed care programs. In addition, the Waiver provides new funding for system improvements at public hospitals through the Delivery System Reform Incentive Pool, and by continuing to partially fund uncompensated care. Since significant components of the funding mechanisms in the Waiver are performance-based, DHS will focus its efforts toward developing and implementing the structural and operational changes necessary to maximize available Waiver funding. In addition, DHS will allocate significant resources toward a restructuring of the ambulatory care systems in order to ensure service capacity, high quality care, and the best possible outcomes for patients.

The estimated value of the Waiver funding increased by $290.1 million to $1.268 billion for FY 2011-12. A large portion of the Waiver funding is contingent on DHS meeting specific goals and outcomes. Such performance based funding will require DHS to focus its efforts on meeting the Waiver requirements to ensure receipt of all available Waiver-related revenue. Since the additional funding from the Waiver will not completely resolve the projected deficit, DHS will continue to develop and implement cost saving and revenue generating initiatives through the Financial Stabilization Plan. The 2011-12 Final Adopted Budget includes $160.0 million in savings related to these initiatives.

Based on the receipt of additional Waiver funding and successful financial stabilization initiatives, DHS is projecting a balanced budget for FY 2011-12. However, the 2011-12 Final Adopted Budget does not take into account the impact of enrolling patients into the county-operated Healthy Way LA program, whose care was previously funded through the federal Ryan White Care Act program. Similar to circumstances which have occurred in past years, the Ryan White issue demonstrates how unexpected changes in the interpretation or application of federal or state law can have wide-ranging impact on the stability of the DHS budget.

General Fund Contributions and Advances

The County maintains separate Enterprise Funds to account for hospital and ambulatory care services in various regions of the County. These funds are commonly referred to as the Hospital Funds (the "Hospital Funds"). The County's General Fund provides financial contributions and cash advances to each of the Hospital Funds. The contributions are direct cash support and are not subject to repayment. The General Fund makes cash advances to the Hospital Funds to provide for the net cash flow requirements of the hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in a manner designed to provide the Hospital Funds with a minimal daily cash position of approximately $10 million.

The State and the Federal government are the primary source of revenues for the Hospital Funds. The County Hospital Funds typically receive cash reimbursement several months after the County has delivered and paid for services. As of June 30, 2011, the amount of General Fund cash advances to the Hospital Funds was approximately $1.016 billion.

In addition to the advances described above, the County's General Fund has also advanced cash to the Hospital Funds for certain long-term accounts receivable that are owed by the State to the hospitals. The receivables are associated with a program known as Cost Based Reimbursement Clinics ("CBRC"). Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. As of June 30, 2011, the audit process was in arrears by three fiscal years. The amount of General Fund cash advances associated with long-term CBRC receivables as of June 30, 2011 was approximately $195 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable, since it is not currently available to finance County budget requirements.

Martin Luther King Jr. – Harbor Hospital

In August 2007, the CMS notified the County that Martin Luther King, Jr. – Harbor Hospital (the "MLK Hospital") had lost its Medicare and Medicaid certification. To remedy this situation, MLK Hospital was converted into a Multi-Service Ambulatory Care Center, while additional inpatient beds were opened at other County hospitals and purchased from the private sector. On October 12, 2007, Governor Schwarzenegger signed into law Senate Bill 474 to establish a $100 million annual fund, the South Los Angeles Medical Services Preservation Fund, to stabilize the health services for low-income, under-served residents of South Los Angeles.

The County and the University of California ("UC"), with the involvement of the Governor's Office, approved a plan to create a wholly independent, non-profit 501(c)(3) entity to operate a new hospital at the previous MLK Hospital site. The new MLK Hospital would serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients, be integrated with the County's existing network of specialty and primary care ambulatory clinics, and optimize public and private resources to fund the delivery of services. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010 and is proceeding with efforts to open a new private, non-profit MLK Hospital. Construction of the new MLK Hospital facility is expected to be completed in 2013.

Tobacco Settlement Revenue

In November 1998, the attorneys general of 46 states (including the State of California) and other territories reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities.

The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated $206 billion through the year 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. While the County's share of the State settlement is expected to average approximately $100 million per year, the actual amount of Tobacco Settlement Revenues ("TSRs") received by the County may fluctuate significantly from year to year. Factors that could impact the annual payments to the State include actions of the Federal government, overall declines in smoking participation rates, reduction in cigarette sales and declining market share among the participating manufacturers in the MSA, lawsuits, tobacco company bankruptcies, and various adjustments under the terms of the MSA.

To date there have been multiple legal challenges to the MSA under a variety of claims, including claims on anti-trust and Commerce Clause grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement. However, recent actions by certain participating manufacturers have reduced the settlement funding received by the State and may adversely impact future payments. Specifically, a portion of the settlement payments have been withheld or made under protest. Arbitration hearings are currently being held to resolve the issues causing the payment adjustments and protests that began in 2003. The precise amount of payment adjustments to the MSA and the future availability of withheld payments will not be determined anytime earlier than 2012.

In February 2006, the County issued $319.8 million in tax-exempt Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds"). The Tobacco Bonds are secured and payable from 25.9% of the County's TSRs beginning in 2011, which represents the initial year for the payment of debt service on the Tobacco Bonds. The proceeds from the sale of the Tobacco Bonds were used to finance a portion of the construction costs related to the LAC+USC Medical Center, as well as to partially insure against the risk of a significant reduction of the County's ongoing TSRs as a result of the various factors described above. The use of this fixed percentage of TSRs as security for the repayment of the Tobacco Bonds is not expected to materially impact the DHS programs that rely on such revenues for funding.

In accordance with the terms of the MSA, annual payments are subject to numerous adjustments, offsets and recalculation. In April 2011 payment, the County received $85.6 million in MSA payments from the participating manufacturers (including the 25.9% of the MSA payment pledged as security for the Tobacco Bonds). In a change from prior-year practices, Phillip Morris USA elected to withhold the disputed portion of their April payment obligation and deposit $267 million in the Disputed Payments Account. The net impact to the County was an estimated reduction of approximately $13 million in TSRs.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and reserved in a designation for health services. Through June 2011, the County has received $1.308 billion in tobacco settlement revenues ("TSRs") and accrued interest, with approximately $1.165 billion of the collected proceeds disbursed, and $143.1 million remaining in reserves and available for future appropriations. While DHS has identified programmatic uses for projected ongoing TSRs, it continues to develop plans to use the funds currently in reserve, primarily for one-time uses that will help to improve the operational efficiency of the health system, such as establishing the Electronic Health Record Information System.

BUDGET TABLES

The 2011-12 Final Adopted Budget is supported by $3.8 billion in property taxes, $4.7 billion in federal funding, $4.7 billion in State funding, $0.3 billion in cancelled reserves and designations, $1.6 billion in fund balance and approximately $3.4 billion in other funding sources.

The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2010-11 Final Adopted Budget with the 2011-12 Final Adopted Budget.

County of Los Angeles: General County Budget
Historical Appropriations by Fund
(in thousands)

Fund	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12
General Fund	$ 15,981,000	$ 16,273,308	$ 16,368,794	$ 16,380,905	$ 16,229,826
Hospital Enterprise Fund	1,818,990	1,897,508	2,121,468	2,127,184	2,268,712
Debt Service Fund	-	-		-	-
Total General County Budget	$ 17,799,990	$ 18,170,816	$ 18,490,262	$ 18,508,089	$ 18,498,538

County of Los Angeles: General County Budget
Historical Funding Requirements and Revenue Sources
(in thousands)

	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12
Requirements					
Social Services	$ 4,991,495	$ 5,166,283	$ 5,503,085	$ 5,707,144	$ 5,539,798
Health	5,307,606	5,322,713	5,338,390	5,424,321	5,600,822
Justice	4,499,905	4,719,253	4,693,943	4,745,700	4,697,762
Other	3,000,984	2,962,567	2,954,844	2,630,924	2,660,156
Total	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**
Revenue Sources					
Property Taxes	$ 3,628,517	$ 3,840,369	$ 3,789,308	$ 3,676,161	$ 3,750,746
State Assistance	4,963,934	4,818,285	4,554,097	4,528,710	4,670,351
Federal Assistance	3,963,490	4,104,390	4,730,605	4,868,199	4,712,400
Other	5,244,049	5,407,772	5,416,252	5,435,019	5,365,041
Total	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**

County of Los Angeles: General County Budget
Historical Summary of Funding Requirements by Budgetary Object and Available Financing
(in thousands)

	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12
Financing Requirements					
Salaries & Employee Benefits	$ 8,437,462	$ 8,792,005	$ 8,974,526	$ 9,004,826	$ 8,895,017
Services & Supplies	5,859,213	6,192,312	6,350,306	6,530,982	6,706,121
Other Charges	3,127,968	3,233,859	3,350,510	3,503,195	3,621,050
Capital Assets	1,510,033	1,436,772	1,257,509	1,077,873	890,217
Other Financing Uses	1,155,780	985,458	726,958	704,520	640,310
Residual Equity Transfers Out	278	181	295	-	-
Interbudget Transfers[1]	(1,643,528)	(1,579,769)	(1,325,677)	(1,452,816)	(1,419,532)
Gross Appropriation	$ 18,447,206	$ 19,060,818	$ 19,334,427	$ 19,368,580	$ 19,333,183
Less: Intrafund Transfers	888,376	912,753	915,868	946,497	975,236
Net Appropriation	$ 17,558,830	$ 18,148,065	$ 18,418,559	$ 18,422,083	$ 18,357,947
Reserves					
General Reserve	$ 3,000	$ 5,400	$ 3,000	$ -	$ -
Designations/Other Reserves	238,160	17,351	68,703	86,006	140,591
Total Financing Requirements	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**
Available Financing					
Fund Balance	$ 1,706,356	$ 1,808,804	$ 1,713,428	$ 1,628,644	$ 1,601,571
Cancellation of Reserve/Designation	478,323	345,500	437,653	409,097	271,027
Property Taxes: Regular Roll	3,439,292	3,735,359	3,732,264	3,654,517	3,709,801
Supplemental Roll	189,225	105,010	57,044	21,644	40,945
Revenue	11,986,794	12,176,143	12,549,873	12,794,187	12,875,194
Total Available Financing	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**

[1] This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling $1.4 billion in 2011-12, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $19.9 billion.

Source: Chief Executive Office

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COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2010-11 BUDGET TO FINAL ADOPTED 2011-12
Net Appropriation: By Function
(In thousands)

Function	2010-11 Final Budget (1)	2011-12 Final Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 887,319.0	$ 821,381.0	$ (65,938.0)	-7.43%
General Services	592,911.0	648,837.0	55,926.0	9.43%
Public Buildings	894,933.0	797,208.0	(97,725.0)	-10.92%
Total General	$ 2,375,163.0	$ 2,267,426.0	$ (107,737.0)	-4.54%
Public Protection				
Justice	$ 4,475,587.0	$ 4,405,690.0	$ (69,897.0)	-1.56%
Other Public Protection	188,832.0	263,197.0	74,365.0	39.38%
Total Public Protection	$ 4,664,419.0	$ 4,668,887.0	$ 4,468.0	0.10%
Health and Sanitation	5,394,110.0	5,586,704.0	192,594.0	3.57%
Public Assistance	5,648,852.0	5,495,787.0	(153,065.0)	-2.71%
Recreation and Cultural Services	269,845.0	271,449.0	1,604.0	0.59%
Insurance and Loss Reserve	69,694.0	67,694.0	(2,000.0)	-2.87%
Reserves/Designations	86,006.0	140,591.0	54,585.0	63.47%
Appropriation for Contingency	-	-	-	0.00%
Total Requirements	**$ 18,508,089.0**	**$ 18,498,538.0**	**$ (9,551.0)**	**-0.05%**
AVAILABLE FUNDS				
Property Taxes	$ 3,676,161.0	$ 3,750,746.0	$ 74,585.0	2.03%
Fund Balance	1,628,644.0	1,601,571.0	(27,073.0)	-1.66%
Cancelled Prior-Year Reserves	409,097.0	271,027.0	(138,070.0)	-33.75%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 430,075.0	$ 422,147.0	$ (7,928.0)	-1.84%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	1,628,614.0	1,633,512.0	4,898.0	0.30%
Other Public Assistance	495,256.0	538,857.0	43,601.0	8.80%
Public Protection	752,793.0	769,325.0	16,532.0	2.20%
Health and Mental Health	774,158.0	888,411.0	114,253.0	14.76%
Capital Projects	25,397.0	10,764.0	(14,633.0)	-57.62%
Other State Revenues	52,091.0	72,069.0	19,978.0	38.35%
Total State Revenues	$ 4,178,884.0	$ 4,355,585.0	$ 176,701.0	4.23%
Federal Revenues				
Public Assistance Subventions	$ 2,459,088.0	$ 2,285,213.0	$ (173,875.0)	-7.07%
Other Public Assistance	324,133.0	247,226.0	(76,907.0)	-23.73%
Public Protection	210,632.0	233,184.0	22,552.0	10.71%
Health and Mental Health	893,912.0	1,042,427.0	148,515.0	16.61%
Capital Projects	27,053.0	13,945.0	(13,108.0)	-48.45%
Other Federal Revenues	53,703.0	45,166.0	(8,537.0)	-15.90%
Total Federal Revenues	$ 3,968,521.0	$ 3,867,161.0	$ (101,360.0)	-2.55%
Other Governmental Agencies	141,001.0	156,443.0	15,442.0	10.95%
Total Intergovenmental Revenues	$ 8,288,406.0	$ 8,379,189.0	$ 90,783.0	
Fines, Forfeitures and Penalties	224,625.0	226,565.0	1,940.0	0.86%
Licenses, Permits and Franchises	46,064.0	46,620.0	556.0	1.21%
Charges for Services	2,971,525.0	3,005,897.0	34,372.0	1.16%
Other Taxes	167,216.0	169,431.0	2,215.0	1.32%
Use of Money and Property	117,440.0	153,481.0	36,041.0	30.69%
Miscellaneous Revenues	338,160.0	331,426.0	(6,734.0)	-1.99%
Operating Contribution from General Fund	640,751.0	562,585.0	(78,166.0)	-12.20%
Total Available Funds	**$ 18,508,089.0**	**$ 18,498,538.0**	**$ (9,551.0)**	**-0.05%**

(1) Reflects the Final Adopted 2010-11 General County Budget approved by the Board of Supervisors on September 28, 2010.
(2) Reflects the Final Adopted 2011-12 General County Budget approved by the Board of Supervisors on October 4, 2011.

COUNTY OF LOS ANGELES
FINAL ADOPTED 2010-11 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 887,319.0	$ -	$ 887,319.0
General Services	592,911.0	-	592,911.0
Public Buildings	894,933.0	-	894,933.0
Total General	$ 2,375,163.0	$ -	$ 2,375,163.0
Public Protection			
Justice	$ 4,475,587.0	$ -	$ 4,475,587.0
Other Public Protection	188,832.0	-	188,832.0
Total Public Protection	$ 4,664,419.0	$ -	$ 4,664,419.0
Health and Sanitation	$ 3,266,926.0	$ 2,127,184.0	$ 5,394,110.0
Public Assistance	5,648,852.0	-	5,648,852.0
Recreation and Cultural Services	269,845.0	-	269,845.0
Insurance and Loss Reserve	69,694.0	-	69,694.0
Reserves/Designations	86,006.0	-	86,006.0
Debt Service	-	-	-
Appropriation for Contingency	-	-	-
Total Requirements	**$ 16,380,905.0**	**$ 2,127,184.0**	**$ 18,508,089.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,676,161.0	$ -	$ 3,676,161.0
Fund Balance	1,628,644.0	-	1,628,644.0
Cancelled Prior-Year Reserves	405,168.0	3,929.0	409,097.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 430,075.0	$ -	$ 430,075.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,628,614.0	-	1,628,614.0
Other Public Assistance	495,256.0	-	495,256.0
Public Protection	752,793.0	-	752,793.0
Health and Mental Health	733,169.0	40,989.0	774,158.0
Capital Projects	25,397.0	-	25,397.0
Other State Revenues	52,091.0	-	52,091.0
Total State Revenues	4,137,895.0	40,989.0	$ 4,178,884.0
Federal Revenues			
Public Assistance Subventions	$ 2,459,088.0	$ -	$ 2,459,088.0
Other Public Assistance	324,133.0	-	324,133.0
Public Protection	210,632.0	-	210,632.0
Health and Mental Health	891,402.0	2,510.0	893,912.0
Capital Projects	27,053.0	-	27,053.0
Other Federal Revenues	53,703.0	-	53,703.0
Total Federal Revenues	$ 3,966,011.0	$ 2,510.0	$ 3,968,521.0
Other Governmental Agencies	141,001.0	-	141,001.0
Total Intergovenmental Revenues	$ 8,244,907.0	$ 43,499.0	$ 8,288,406.0
Fines, Forfeitures and Penalties	224,625.0	-	224,625.0
Licenses, Permits and Franchises	45,938.0	126.0	46,064.0
Charges for Services	1,757,331.0	1,214,194.0	2,971,525.0
Other Taxes	167,216.0	-	167,216.0
Use of Money and Property	117,267.0	173.0	117,440.0
Miscellaneous Revenues	113,648.0	224,512.0	338,160.0
Operating Contribution from General Fund	-	640,751.0	640,751.0
Total Available Funds	**$ 16,380,905.0**	**$ 2,127,184.0**	**$ 18,508,089.0**

(1) Reflects the Final Adopted 2010-11 General County Budget approved by the Board of Supervisors on September 28, 2010.

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2011-12 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 821,381.0	$ -	$ 821,381.0
General Services	648,837.0	-	648,837.0
Public Buildings	797,208.0	-	797,208.0
Total General	$ 2,267,426.0	$ -	$ 2,267,426.0
Public Protection			
Justice	$ 4,405,690.0	$ -	$ 4,405,690.0
Other Public Protection	263,197.0	-	263,197.0
Total Public Protection	$ 4,668,887.0	$ -	$ 4,668,887.0
Health and Sanitation	$ 3,317,992.0	$ 2,268,712.0	$ 5,586,704.0
Public Assistance	5,495,787.0	-	5,495,787.0
Recreation and Cultural Services	271,449.0	-	271,449.0
Insurance and Loss Reserve	67,694.0	-	67,694.0
Reserves/Designations	140,591.0	-	140,591.0
Appropriation for Contingency	-	-	-
Total Requirements	**$ 16,229,826.0**	**$ 2,268,712.0**	**$ 18,498,538.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,750,746.0	$ -	$ 3,750,746.0
Fund Balance	1,601,571.0	-	1,601,571.0
Cancelled Prior-Year Reserves	257,864.0	13,163.0	271,027.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 422,147.0	$ -	$ 422,147.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,633,512.0	-	1,633,512.0
Other Public Assistance	538,857.0	-	538,857.0
Public Protection	769,325.0	-	769,325.0
Health and Mental Health	845,876.0	42,535.0	888,411.0
Capital Projects	10,764.0	-	10,764.0
Other State Revenues	72,069.0	-	72,069.0
Total State Revenues	4,313,050.0	42,535.0	4,355,585.0
Federal Revenues			
Public Assistance Subventions	$ 2,285,213.0	$ -	$ 2,285,213.0
Other Public Assistance	247,226.0	-	247,226.0
Public Protection	233,184.0	-	233,184.0
Health and Mental Health	818,667.0	223,760.0	1,042,427.0
Capital Projects	13,945.0	-	13,945.0
Other Federal Revenues	45,166.0	-	45,166.0
Total Federal Revenues	$ 3,643,401.0	$ 223,760.0	$ 3,867,161.0
Other Governmental Agencies	156,443.0	-	156,443.0
Total Intergovenmental Revenues	$ 8,112,894.0	$ 266,295.0	$ 8,379,189.0
Fines, Forfeitures and Penalties	224,114.0	2,451.0	226,565.0
Licenses, Permits and Franchises	46,494.0	126.0	46,620.0
Charges for Services	1,807,967.0	1,197,930.0	3,005,897.0
Other Taxes	169,431.0	-	169,431.0
Use of Money and Property	153,308.0	173.0	153,481.0
Miscellaneous Revenues	105,437.0	225,989.0	331,426.0
Operating Contribution from General Fund	-	562,585.0	562,585.0
Total Available Funds	**$ 16,229,826.0**	**$ 2,268,712.0**	**$ 18,498,538.0**

(1) Reflects the Final Adopted 2011-12 General County Budget approved by the Board of Supervisors on October 4, 2011.

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied each fiscal year on taxable real and personal property located in the County as of the preceding January 1st. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured", and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County of Los Angeles levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas where the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

PAYMENT DATES AND LIENS

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, with a ten percent penalty assessed to any delinquent payments. In addition, any property on the secured roll with delinquent taxes as of July 1 is declared tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due as of the January 1st lien date and become delinquent, if unpaid, by August 31st. A ten percent penalty attaches to delinquent property taxes on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1st. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

LARGEST TAXPAYERS

The twenty largest taxpayers in the County, as shown on the Fiscal Year 2011-12 secured tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of $34,629,198,569 which constitutes only 3.42% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2011-12
Southern California Edison Co.	$ 62,962,332
Douglas Emmett Residential	38,873,633
BP West CoBP West Coast/ARCO/ Shell Oil Co.	28,933,240
Maguire Properties	27,784,940
Verizon/MCI Communications Services Inc.	23,485,147
Chevron USA Inc./Texaco	23,220,526
AT&T/Pacific Bell/SBC	21,475,350
Trizec Wilshire Center LLC	20,765,369
Exxon/Mobil Corporation	19,900,785
Southern California Gas Company	19,639,786
Conocophillips Co/Union Oil	18,184,850
Participants in Long Beach Unit	15,715,077
Universal Studios LLC	14,945,189
Archstone Smith/Tishman Speyer	14,120,867
Macerich Westside Pavilion	14,019,812
EQP/ERP Limited	13,573,193
Valero Refining Company	11,780,664
Boeing/Hughes/McDonnell Douglas Corp.	11,305,072
Tesoro Refining and Marketing Co.	10,393,626
Plains Exporation and Production Co.	10,141,260
	$ 421,220,717

Total may not add due to rounding.
Source: Los Angeles County Treasurer and Tax Collector

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the assessed cash values, property tax levies and collections since 2007-08.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2007-08 THROUGH 2011-12

Fiscal Year	Full Cash Value [1]	General Fund Secured Property Tax Levies	General Fund Secured Property Tax Collections [2]	Current Collection As a Percent of Levies %
2007-08	953,468,123,997	2,348,085,882	2,232,305,540	95.07%
2008-09	1,020,346,376,948	2,503,699,652	2,388,838,218	95.41%
2009-10	1,013,549,301,342	2,449,393,435	2,370,955,825	96.80%
2010-11	997,502,481,662	2,423,866,268	2,369,935,057	97.77%
2011-12	1,013,260,968,402	2,462,158,368 [3]	2,407,375,154 [4]	97.77%

(1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by community redevelopment agencies are excluded. See "Redevelopment Agencies".
(2) Reflects collection within the fiscal year originally levied.
(3) Preliminary estimate.
(4) Preliminary estimate based on collection rate of 97.77% in Fiscal Year 2010-11

Source: Los Angeles County Auditor-Controller and Treasurer and Tax Collector.

REDEVELOPMENT AGENCIES

The California Community Redevelopment Law authorizes the redevelopment agency of any city or county to issue bonds payable from their allocation of tax revenues resulting from increases in full cash values of properties within designated project areas. This allocation reduces the tax revenues the County and all other taxing agencies would otherwise receive.

The rate of growth in full cash values of these project areas, on an aggregate basis, is greater than the rate of growth in the balance of the County. Since these project areas are primarily in commercial and industrial areas, they have provided a significant impetus to the development and revitalization of the County's economic base. In addition, under State law, redevelopment projects must contribute a portion of the property tax funds they receive to increase the availability of housing for families with low and moderate income.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the Fiscal Years 2007-08 through 2011-12

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2007-08 THROUGH 2011-12

Fiscal Year	Full Cash Value Increments [1]	Total Tax Allocations [2]
2007-08	127,113,321,984	1,167,170,104
2008-09	142,705,432,962	1,279,129,462
2009-10	140,955,357,917	1,266,067,367
2010-11	136,964,953,487	1,208,208,191
2011-12	137,243,985,288	To be updated[3]

(1) Equals the full cash value for all redevelopment project areas above their base year valuations. This data represents growth in full cash values which generates tax revenues for use by community redevelopment agencies.
(2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid year changes and Supplemental Roll.
(3) Total CRA Tax Allocations as of _______2011

Source: Los Angeles County Auditor-Controller, Tax Division.

CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenues have followed an uneven pattern, primarily as a result of delays in payments from other governmental agencies and the final due dates for the first and second installments of secured property tax payments being due in December and April, respectively.

As a result of the uneven pattern of revenue receipts, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered in part by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution. “Interfund borrowing” is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. Because such borrowings caused disruptions in the General Fund’s management of pooled investments, beginning in 1977, the County eliminated the practice of interfund borrowing and replaced it with a program to manage its cash flow needs by issuing tax and revenue anticipation notes (TRANs) for the General Fund and by using intrafund borrowing.

The use of “intrafund borrowing” for General Fund purposes represents borrowing against funds that are held in trust by the County. Such funds, with the exception of the Hospital Enterprise Funds, are held by the County on a pre-apportionment basis until they are eventually distributed to County operating funds (such as the General Fund) or other governmental agencies. All intrafund borrowings used for General Fund purposes, and all notes issued in connection with the County’s cash management program have been repaid in accordance with their required maturity dates.

2011-12 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 17, 2011, the County issued the 2011-12 TRANs with an aggregate principal amount of $1.3 billion in three separate series: $300.0 million due February 29, 2012; $500.0 million due March 30, 2012; and $500.0 million due June 29, 2012. The TRANs are general obligations of the County attributable to the 2011-12 fiscal year and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, the County has pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2011-12 for the purpose of repaying the 2011-12 TRANs at maturity. The deposits have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2011-12 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date		Deposit Amount
December, 2011	$	480,856,000
January, 2012		390,000,000
February, 2012		130,000,000
March, 2012		65,000,000
April, 2012		260,000,000
Total	$	1,325,856,000

* Reflects a 2.50% interest rate and $1.3 billion in 2011-12 Notes.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2007-08.

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

	2007-08	2008-09	2009-10	2010-11	Estimated 2011-12
Property Taxes	$ 3,568,098	$ 3,867,816	$ 3,768,220	$ 3,733,822	$ 3,745,560
Other Taxes	176,349	144,945	154,228	137,907	158,967
Licenses, Permits and Franchises	53,545	52,957	46,825	56,799	53,657
Fines, Forfeitures and Penalties	239,456	261,477	254,428	242,904	245,034
Investment and Rental Income	295,191	204,889	133,640	123,582	125,556
State In-Lieu Taxes	459,242	422,053	424,760	401,679	416,360
State Homeowner Exemptions	21,765	21,827	21,966	21,616	21,676
Charges for Current Services	1,516,390	1,671,756	1,673,098	1,574,709	1,616,067
Miscellaneous Revenue, incl. Tobacco Settlement	302,248	262,766	192,973	181,859	174,064
TOTAL UNRESTRICTED RECEIPTS	$ 6,632,284	$ 6,910,486	$ 6,670,138	$ 6,474,877	$ 6,556,942

Detail may not add due to rounding.
Source: Los Angeles County Chief Executive Office

Intrafund and Interfund Borrowing

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover its General Fund cash needs, including projected year-end cash requirements. Should the County find it necessary to resort to interfund borrowing, then such borrowing may not occur after the last Monday in April of each year and must be repaid before any other obligation of the County.

The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

Funds Available for Intrafund Borrowing

After the tax and revenue anticipation note proceeds are utilized, the General Fund may borrow from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group, which consists of collected property taxes that are awaiting apportionment. The great majority of these amounts will be distributed to other governmental agencies such as school districts.

The second most significant borrowing source includes the various Trust Group funds. The largest of these funds is the Departmental Trust Fund, which consists of various collections, such as court fines and other revenues, awaiting distribution. The majority of these funds will eventually be distributed to entities outside the County. Also in this group is the Payroll Revolving Fund, which is used as a clearing account for County payroll operations and has a cash balance that consists exclusively (except for a small portion related to the County Superior Court) of advances from funds included in the General County Budget.

The last fund group consists of the Hospital Enterprise Funds. The balances in these funds are different from those in the Property Tax Group and Trust Group in that the Hospital Enterprise Funds are included in the General County Budget. Furthermore, these funds are considered as part of the General Fund for purposes of sizing the County's annual TRANs financing.

The Hospital Enterprise Funds generally represent working capital advances from the General Fund and cash generated from the County hospitals. At year-end, the remaining balances are transferred back to the General Fund
The average daily balances shown for these intrafund sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the Property Tax Group, can fluctuate greatly during the month. The General Fund cash balance also fluctuates during the month, with the third week being the lowest and month-end the highest due to the timing of State receipts and receipt of welfare advances on the last day of the month.

The legality of the County's practice of intrafund borrowing was decided and affirmed by the California Court of Appeals in May 1999, in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County of Los Angeles et al*.

The tables at the end of this Financial Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2010-11 and Fiscal Year 2011-12 with actual amounts through August 2011.

General Fund Cash Flow Statements

The Fiscal Year 2010-11 General Fund Cash Flow Statement and the Fiscal Year 2011-12 General Fund Cash Flow Statement, with actual amounts are also provided at the end of this Financial Section. In Fiscal Year 2010-11, the County had an ending General Fund cash balance of $568 million. For Fiscal Year 2011-12, the County is projecting an ending cash balance in the General Fund of $47.7 million.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of September 30, 2011, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in Billions)
County of Los Angeles and Special Districts	$7.502
Schools and Community Colleges	13.020
Independent Public Agencies	2.899
Total	$23.421

Of these entities, the involuntary participants accounted for approximately 87.62% and all discretionary participants accounted for 12.38% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 15, 2011, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated October 31, 2011, the September 30, 2011 book value of the Treasury Pool was approximately $23.421 billion and the corresponding market value was approximately $23.492 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of September 30, 2011:

Type of Investment	**% of Pool**
U.S. Government and Agency Obligations	47.52
Certificates of Deposit	15.94
Commercial Paper	33.01
Bankers Acceptances	0.00
Municipal Obligations	0.34
Corporate Notes & Deposit Notes	3.19
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of September 30, 2011 approximately 43.51% of the investments mature within 60 days, with an average of 542.43 days to maturity for the entire portfolio.

The County complements its conservative investment policies with a well established practice of market research and due diligence. The Treasury Pool has not experienced a single investment loss since the onset of the global financial crisis in Fiscal Year 2008-09. Furthermore, the County Investment Officer has never purchased any structured investment vehicles nor any securities with material exposure to sub-prime mortgages. The Treasury Pool was also unaffected by the September 2008 bankruptcy of Lehman Brothers and does not have any outstanding exposure to Lehman Brothers investments.

FINANCIAL STATEMENTS-GAAP BASIS

Since Fiscal Year 1980-81, the County has prepared its general purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP) for State and local governments and they have been audited by independent certified public accountants.

The basic financial statements for the Fiscal Year ended June 30, 2010, and the unqualified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2010-11 Final Adopted Budget included an available (unreserved and undesignated) General Fund balance of $1,628,644,000 as of June 30, 2010.

The amounts presented for the General Fund in accordance with GAAP are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- General Fund obligations for accrued vacation and sick leave and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after the preceding year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the GAAP basis, revenues are not recognized until the qualifying expenditures are incurred.

- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after the preceding year-end. Under the GAAP basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.

- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the GAAP basis, the effects of such fair value changes are recognized as a component of investment income.

- In conjunction with the issuance of Tobacco Settlement Asset-Backed Bonds, the County sold a portion of its future rights to tobacco settlement revenues. Under the budgetary basis, the bond proceeds were recognized as revenues. Under the modified accrual basis, the bond proceeds were recorded as a sale of future revenues and are being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is discussed in further detail in Note 10 to the 2009-10 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- In conjunction with the sale of pension obligation bonds in 1994-1995, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-1995 revenues. Under the GAAP basis, the proceeds were recorded as deferred revenue and are being amortized over the life of the bonds.

The following table provides a reconciliation of the General Fund's June 30, 2010 fund balance (unreserved and undesignated) on a budgetary and GAAP basis.

The tables on the following pages summarize the audited balance sheet for the General Fund since 2005-06 and provide a history of revenue and expenditure statement for the General Fund over the same period.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2010 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$	1,628,644
Adjustments:		
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP		169,007
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund		142,744
Accrual of liabilities for accrued vacation and sick leave not required by GAAP		40,290
Change in revenue accruals related to encumbrances		(24,410)
Deferral of property tax receivables		(90,467)
Deferral of unearned investment income		0
Deferral of sale of tobacco settlement revenue		(261,788)
Change in fair value of Investments		4,347
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$	1,608,367

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2006, 2007, 2008, 2009, and 2010.
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
ASSETS					
Pooled Cash and Investments	$ 2,506,016	$ 2,668,854	$ 2,343,525	$ 1,841,579	$ 1,689,490
Other Investments	6,502	6,400	6,236	6,099	5,839
Taxes Receivable	208,279	248,095	340,784	301,269	246,288
Other Receivables	1,285,684	1,357,683	1,804,965	1,907,656	1,808,478
Due from Other Funds	219,448	370,124	357,416	326,379	436,441
Advances to Other Funds	541,699	400,280	571,872	825,017	1,018,161
Inventories	42,562	42,561	43,906	46,486	44,279
Total Assets	$ 4,810,190	$ 5,093,997	$ 5,468,704	$ 5,254,485	$ 5,248,976
LIABILITIES					
Accounts Payable	$ 272,245	$ 300,087	$ 252,794	$ 247,337	$ 266,916
Accrued Payroll	350,421	392,779	472,007	504,374	286,407
Other Payables	67,912	86,055	151,700	121,665	454,244
Due to Other Funds	800,615	602,358	561,540	495,105	501,705
Deferred Revenue	275,198	338,714	380,322	343,386	346,829
Advances Payable	286,860	278,023	263,500	361,964	382,476
Third-Party Payor liability	18,661	15,537	12,401	13,836	14,588
Total Liabilities	$ 2,071,912	$ 2,013,553	$ 2,094,264	$ 2,087,667	$ 2,253,165
EQUITY					
Fund Balance (Deficit)					
Reserved	$ 422,055	$ 478,280	$ 597,466	$ 539,851	$ 784,428
Unreserved					
Designated	1,522,411	1,235,325	1,152,639	971,579	618,899
Undesignated	793,812	1,366,839	1,624,335	1,655,388	1,592,484
Total Unreserved	2,316,223	2,602,164	2,776,974	2,626,967	2,211,383
Total Equity	2,738,278	3,080,444	3,374,440	3,166,818	2,995,811
Total Liabilities and Equity	$ 4,810,190	$ 5,093,997	$ 5,468,704	$ 5,254,485	$ 5,248,976

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2006, 2007, 2008, 2009, and 2010.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2005-06 THROUGH 2009-10 (in thousands of $)

	2005-06	2006-07	2007-08	2008-09	2009-10
REVENUES:					
Taxes	$ 3,217,726	$ 3,572,932	$ 3,796,296	$ 3,970,566	$ 3,864,654
Licenses, Permits & Franchises	61,080	61,138	58,799	54,877	49,079
Fines, Forfeitures and Penalties	232,762	234,747	251,933	264,375	258,842
Use of Money and Property	226,005	294,511	280,803	183,772	124,049
Aid from Other Government	7,025,205	7,050,121	7,261,668	7,211,150	7,337,716
Charges for Services	1,357,380	1,467,608	1,695,004	1,654,173	1,659,224
Miscellaneous Revenues	211,059	189,636	282,818	198,837	191,878
TOTAL	$ 12,331,217	$ 12,870,693	$ 13,627,321	$ 13,537,750	$ 13,485,442
EXPENDITURES					
General	$ 751,214	$ 854,052	$ 919,534	$ 946,008	$ 859,319
Public Protection	3,473,835	3,855,819	4,222,644	4,420,786	4,412,935
Health and Sanitation	2,004,361	2,126,233	2,345,484	2,480,693	2,421,615
Public Assistance	4,333,920	4,410,224	4,619,225	4,796,019	5,025,312
Recreation and Cultural Services	197,749	217,221	231,584	242,999	247,094
Debt Service	285,640	294,301	308,207	247,248	271,378
Capital Outlay	22,533	818	97,270	772	2,115
Total	$ 11,069,252	$ 11,758,668	$ 12,743,948	$ 13,134,525	$ 13,239,768
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,261,965	$ 1,112,025	$ 883,373	$ 403,225	$ 245,674
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	$ (874,946)	$ (771,788)	$ (780,902)	$ (612,505)	$ (419,756)
Sales of Capital Assets	1,997	1,111	1,036	886	2,115
Capital Leases	22,533	818	97,270	772	960
OTHER FINANCING SOURCES (USES)-Net	$ (850,416)	$ (769,859)	$ (682,596)	$ (610,847)	$ (416,681)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	$ 411,549	$ 342,166	$ 200,777	$ (207,622)	$ (171,007)
Beginning Fund Balance	2,326,729	2,738,278	3,173,663	3,374,440	3,166,818
Residual Equity Transfers from (to) Other Funds-Net	0	0	0	0	0
Ending Fund Balance	$ 2,738,278	$ 3,080,444	$ 3,374,440	$ 3,166,818	$ 2,995,811

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2006, 2007, 2008, 2009, and 2010.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2010-11
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
PROPERTY TAX GROUP						
Tax Collector Trust Fund	89,690	39,073	38,030	301,801	1,046,601	2,108,960
Auditor Unapportioned Property Tax	380,463	214,996	171,119	263,308	709,886	1,477,966
Unsecured Property Tax	167,122	66,662	132,197	148,028	122,325	87,748
Miscellaneous Fees & Taxes	7,837	18,895	26,992	14,068	10,577	10,285
State Redemption Fund	46,810	97,148	110,926	69,634	81,354	55,509
Education Revenue Augmentation	9,300	15,780	0	0	5,624	80,594
State Reimbursement Fund	0	0	0	0	488	10,223
Sales Tax Replacement Fund	2,607	11,321	19,355	19,355	19,768	53,331
Vehicle License Fee Replacement Fund	21,360	84,618	144,659	144,659	147,751	358,924
Property Tax Rebate Fund	(8,794)	(25,317)	(40,774)	(26,374)	(29,886)	(30,434)
Utility User Tax Trust Fund	6,239	6,144	6,378	8,118	5,159	10,750
Subtotal	$ 722,634	$ 529,320	$ 608,882	$ 942,597	$ 2,119,647	$ 4,223,856
VARIOUS TRUST GROUP						
Departmental Trust Fund	414,904	419,967	413,489	416,853	426,502	396,325
Payroll Revolving Fund	50,613	61,932	47,449	52,262	49,129	49,254
Asset Development Fund	38,660	38,673	38,776	38,801	38,855	38,863
Productivity Investment Fund	6,671	6,456	6,387	6,395	6,285	6,245
Motor Vehicle Capital Outlays	2,304	2,304	2,271	2,206	2,206	2,206
Civic Center Parking	499	106	117	168	258	169
Reporters Salary Fund	763	900	1,004	1,000	940	1,145
Cable TV Franchise Fund	8,487	7,948	8,484	8,639	8,611	8,526
Megaflex Long-Term Disability	19,220	19,243	19,207	19,249	19,210	19,161
Megaflex Long-Term Disability & Health	4,944	5,031	5,104	5,195	5,271	5,367
Megaflex Short-Term Disability	21,759	22,146	22,501	22,930	23,425	23,833
Subtotal	$ 568,824	$ 584,706	$ 564,789	$ 573,698	$ 580,692	$ 551,094
HOSPITAL GROUP						
Harbor-UCLA Medical Center	900	149	697	(51)	1,011	76
Olive View-UCLA Medical Center	(1,019)	785	727	91	1,392	3,069
LAC+USC Medical Center	(11,853)	(1,124)	(144)	(3,809)	(620)	3,210
MLK Ambulatory Care Center	(2,124)	298	(377)	(88)	18	(1,565)
Rancho Los Amigos Rehab Center	(263)	495	762	(146)	142	890
LAC+USC Medical Center Equipment	6,147	6,047	6,043	6,046	6,054	6,058
Subtotal	$ (8,212)	$ 6,650	$ 7,708	$ 2,043	$ 7,997	$ 11,738
GRAND TOTAL	**$ 1,283,246**	**$ 1,120,676**	**$ 1,181,379**	**$ 1,518,338**	**$ 2,708,336**	**$ 4,786,688**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	
						PROPERTY TAX GROUP
1,322,395	401,207	549,267	1,591,680	363,756	110,255	**Tax Collector Trust Fund**
387,881	567,741	450,329	1,491,525	1,013,866	519,206	**Auditor Unapportioned Property Tax**
75,919	70,673	65,165	53,753	62,622	80,655	**Unsecured Property Tax**
8,732	7,894	7,736	7,741	7,943	7,964	**Miscellaneous Fees & Taxes**
30,313	34,166	30,949	29,853	17,781	19,557	**State Redemption Fund**
34,629	21,827	1,465	42,136	0	349	**Education Revenue Augmentation**
21,689	1,346	1,346	3,621	23,103	10,355	**State Reimbursement Fund**
83,523	19,323	28,111	55,128	71,154	0	**Sales Tax Replacement Fund**
547,834	146,137	201,127	370,167	460,677	0	**Vehicle License Fee Replacement Fund**
(29,660)	(19,694)	(19,681)	(20,593)	(19,209)	(21,089)	**Property Tax Rebate Fund**
6,113	7,286	12,587	16,721	22,078	21,965	**Utility User Tax Trust Fund**
$ 2,489,368	$ 1,257,906	$ 1,328,401	$ 3,641,732	$ 2,023,771	$ 749,217	**Subtotal**
						VARIOUS TRUST GROUP
399,133	397,959	444,162	422,994	404,032	404,790	**Departmental Trust Fund**
61,002	36,909	45,150	47,850	56,322	41,944	**Payroll Revolving Fund**
38,909	38,948	38,972	39,238	39,494	39,537	**Asset Development Fund**
6,245	6,032	6,190	5,891	5,890	5,645	**Productivity Investment Fund**
2,167	2,164	2,164	2,164	2,164	2,139	**Motor Vehicle Capital Outlays**
266	208	146	54	234	190	**Civic Center Parking**
977	937	1,006	993	959	904	**Reporters Salary Fund**
8,799	8,779	9,266	9,288	9,161	10,004	**Cable TV Franchise Fund**
19,161	19,150	19,189	19,199	19,201	19,237	**Megaflex Long-Term Disability**
5,448	5,500	5,599	5,671	5,769	5,802	**Megaflex Long-Term Disability & Health**
24,167	24,504	24,990	25,400	25,756	26,094	**Megaflex Short-Term Disability**
$ 566,274	$ 541,090	$ 596,834	$ 578,742	$ 568,982	$ 556,286	**Subtotal**
						HOSPITAL GROUP
4,625	2,431	2,859	1,679	(627)	1,210	**Harbor-UCLA Medical Center**
2,060	1,668	1,805	4,447	48	132	**Olive View-UCLA Medical Center**
6,776	7,020	6,412	(5,337)	1,709	9,052	**LAC + USC Medical Center**
(236)	(1,354)	(631)	(1,396)	(585)	(167)	**MLK Ambulatory Care Center**
341	(213)	1,073	174	(163)	1,561	**Rancho Los Amigos Rehab Center**
6,065	6,072	5,881	5,882	5,890	1,375	**LAC+USC Medical Center Equipment**
$ 19,631	$ 15,624	$ 17,399	$ 5,449	$ 6,272	$ 13,163	**Subtotal**
$ 3,075,273	**$ 1,814,620**	**$ 1,942,634**	**$ 4,225,923**	**$ 2,599,025**	**$ 1,318,666**	**GRAND TOTAL**

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2011-12
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011
PROPERTY TAX GROUP						
Tax Collector Trust Fund	63,119	37,569	34,476			
Auditor Unapportioned Property Tax	424,944	176,780	155,871			
Unsecured Property Tax	134,975	67,818	133,422			
Miscellaneous Fees & Taxes	7,682	7,849	11,662			
State Redemption Fund	40,926	71,880	68,451			
Education Revenue Augmentation	16,296	15,001	0			
State Reimbursement Fund	0	0	0			
Sales Tax Replacement Fund	0	0	0			
Vehicle License Fee Replacement Fund	11,695	94,496	157,705			
Property Tax Rebate Fund	(11,223)	(25,990)	(36,756)			
Utility User Tax Trust Fund	7,812	903	6,612			
Subtotal	$ 696,226	$ 446,306	$ 531,443	$ -	$ -	$ -
VARIOUS TRUST GROUP						
Departmental Trust Fund	445,183	444,842	448,248			
Payroll Revolving Fund	46,662	45,767	42,822			
Asset Development Fund	39,846	39,896	39,911			
Productivity Investment Fund	5,173	5,102	5,126			
Motor Vehicle Capital Outlays	2,122	2,122	2,122			
Civic Center Parking	59	24	169			
Reporters Salary Fund	671	977	628			
Cable TV Franchise Fund	9,983	9,719	10,276			
Megaflex Long-Term Disability	19,215	19,166	19,078			
Megaflex Long-Term Disability & Health	5,882	5,964	6,061			
Megaflex Short-Term Disability	26,423	26,802	27,145			
Subtotal	$ 601,219	$ 600,381	$ 601,586	$ -	$ -	$ -
HOSPITAL GROUP						
Harbor-UCLA Medical Center	7,992	4,627	3,088			
Olive View-UCLA Medical Center	2,817	2,342	1,248			
LAC+USC Medical Center	12,097	13,039	(789)			
MLK Ambulatory Care Center	(2,087)	2,258	5,592			
Rancho Los Amigos Rehab Center	3,687	890	426			
LAC+USC Medical Center Equipment	0	0	0			
Subtotal	$ 24,506	$ 23,156	$ 9,565	$ -	$ -	$ -
GRAND TOTAL	**$ 1,321,951**	**$ 1,069,843**	**$ 1,142,594**	**$ -**	**$ -**	**$ -**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	
						PROPERTY TAX GROUP
						Tax Collector Trust Fund
						Auditor Unapportioned Property Tax
						Unsecured Property Tax
						Miscellaneous Fees & Taxes
						State Redemption Fund
						Education Revenue Augmentation
						State Reimbursement Fund
						Sales Tax Replacement Fund
						Vehicle License Fee Replacement Fund
						Property Tax Rebate Fund
						Utility User Tax Trust Fund
$ -	$ -	$ -	$ -	$ -	$ -	**Subtotal**
						VARIOUS TRUST GROUP
						Departmental Trust Fund
						Payroll Revolving Fund
						Asset Development Fund
						Productivity Investment Fund
						Motor Vehicle Capital Outlays
						Civic Center Parking
						Reporters Salary Fund
						Cable TV Franchise Fund
						Megaflex Long-Term Disability
						Megaflex Long-Term Disability & Health
						Megaflex Short-Term Disability
$ -	$ -	$ -	$ -	$ -	$ -	**Subtotal**
						HOSPITAL GROUP
						Harbor-UCLA Medical Center
						Olive View-UCLA Medical Center
						LAC + USC Medical Center
						MLK Ambulatory Care Center
						Rancho Los Amigos Rehab Center
						LAC+USC Medical Center Equipment
$ -	$ -	$ -	$ -	$ -	$ -	**Subtotal**
$ -	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2010-11
(in thousands of $)

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
BEGINNING BALANCE	$ 727,012	$ 1,438,648	$ 1,097,197	$ 529,979	$ 64,668	$ (90,485)
RECEIPTS						
Property Taxes	$ 97,946	$ 97,638	$ 121	$ 50	$ 58,432	$ 962,558
Other Taxes	5,598	19,151	8,842	15,548	8,095	7,935
Licenses, Permits & Franchises	2,339	6,934	3,307	2,238	1,561	2,988
Fines, Forfeitures & Penalties	33,529	24,455	13,267	14,406	24,365	12,475
Investment and Rental Income	22,740	8,603	6,772	11,270	8,547	7,492
Motor Vehicle (VLF) Realignment	26,770	37,556	46,972	34,443	31,394	32,736
Sales Taxes - Proposition 172	52,034	41,966	40,992	40,426	48,643	39,851
Sales Taxes Program Realignment	64,439	64,139	50,224	47,818	54,413	48,090
Other Intergovernmental Revenue	103,644	102,195	89,966	62,921	126,361	211,190
Charges for Current Services	110,636	115,602	86,245	94,405	98,969	229,134
Other Revenue & Tobacco Settlement	10,543	4,563	6,890	9,371	7,718	15,980
Transfers & Reimbursements	7,003	1,442	5,078	13,331	12,217	14,078
Hospital Loan Repayment	40,960	171,783	21,303	109,944	222,498	106,135
Welfare Advances	182,656	301,799	278,348	434,051	443,762	368,050
Other Receipts	213,484	19,063	7,232	38,373	10,673	46,338
Intrafund Transfers	0	0	0	0	0	0
TRANs Sold	1,500,000	0	0	13,956	0	0
Total Receipts	$ 2,474,321	$ 1,016,889	$ 665,559	$ 942,551	$ 1,157,648	$ 2,105,030
DISBURSEMENTS						
Welfare Warrants	$ 194,893	$ 212,117	$ 201,988	$ 274,598	$ 226,538	$ 215,643
Salaries	382,098	397,636	380,087	378,373	380,451	389,953
Employee Benefits	567,720	68,039	197,385	146,326	204,457	208,208
Vendor Payments	423,446	351,442	297,977	266,752	318,469	267,194
Loans to Hospitals*	0	0	60,135	244,382	138,754	107,981
Hospital Subsidy Payments	164,601	309,455	91,827	23,746	8,664	31,892
Transfer Payments	29,927	19,651	3,378	73,685	35,468	7,098
TRANs Pledge Transfer	0	0	0	0	0	465,000
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	$ 1,762,685	$ 1,358,340	$ 1,232,777	$ 1,407,862	$ 1,312,801	$ 1,692,969
ENDING BALANCE	**$ 1,438,648**	**$ 1,097,197**	**$ 529,979**	**$ 64,668**	**$ (90,485)**	**$ 321,576**
Borrowable Resources (Avg. Balance)	$ 1,336,324	$ 1,199,235	$ 1,289,953	$ 1,512,105	$ 2,575,285	$ 4,165,519
Total Cash Available	$ 2,774,972	$ 2,296,432	$ 1,819,932	$ 1,576,773	$ 2,484,800	$ 4,487,095

January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	Total 2010-11
$ 321,576	$ 484,230	$ 150,599	$ (228,785)	$ (128,164)	$ 628,637	
$ 807,609	$ 166,630	$ 11,981	$ 718,409	$ 803,733	$ 8,715	$ 3,733,822
21,692	6,834	7,297	7,064	7,804	22,047	137,907
2,411	8,221	9,177	9,481	4,650	3,492	56,799
14,271	29,733	17,928	14,873	30,466	13,136	242,904
9,692	10,447	9,545	7,745	10,518	10,211	123,582
33,110	30,021	33,879	38,556	27,204	29,038	401,679
38,219	59,599	52,448	38,993	53,072	45,010	551,253
46,963	74,900	64,140	46,418	65,698	54,373	681,615
215,123	99,148	77,020	200,395	191,582	141,041	1,620,586
151,288	113,870	95,335	193,184	155,365	130,676	1,574,709
5,691	5,580	12,646	86,683	5,947	10,247	181,859
18,352	16,920	5,193	9,600	10,223	18,908	132,345
27,344	49,422	366,636	33,131	400,955	141,690	1,691,801
433,834	277,603	309,954	504,088	302,794	433,765	4,270,704
36,193	29,409	49,224	36,201	51,012	48,478	585,680
0	0	0	0	0	0	0
0	0	0	0	0	0	1,513,956
$ 1,861,792	$ 978,337	$ 1,122,403	$ 1,944,821	$ 2,121,023	$ 1,110,827	$ 17,501,201
$ 221,420	$ 234,049	$ 227,727	$ 214,733	$ 236,506	$ 230,295	$ 2,911,927
389,504	388,136	378,366	386,085	375,822	377,097	4,993,112
183,377	195,503	200,086	164,162	181,838	158,972	2,659,450
277,491	258,791	311,005	255,870	319,803	264,593	3,890,324
130,919	82,468	253,899	374,615	182,358	128,077	1,834,507
(233)	0	0	(14,991)	0	0	614,728
91,660	3,021	10,704	76,103	67,895	12,428	522,678
405,000	150,000	120,000	387,623	0	0	1,932,623
0	0	0	0	0	0	0
$ 1,699,138	$ 1,311,968	$ 1,501,787	$ 1,844,200	$ 1,364,222	$ 1,171,462	$ 19,359,349
$ 484,230	**$ 150,599**	**$ (228,785)**	**$ (128,164)**	**$ 628,637**	**$ 568,002**	
$ 2,974,761	$ 1,857,022	$ 1,908,180	$ 4,138,361	$ 2,165,941	$ 839,866	
$ 3,458,991	$ 2,007,621	$ 1,679,395	$ 4,010,197	$ 2,794,578	$ 1,407,868	

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2011-12
(in thousands of $)

	July 2011	August 2011	September 2011	Estimated October 2011	Estimated November 2011	Estimated December 2011
BEGINNING BALANCE	$ 568,002	$ 1,522,684	$ 1,319,842	$ 909,737	$ 603,990	$ 177,493
RECEIPTS						
Property Taxes	$ 88,164	$ 94,297	$ 739	$ 58	$ 67,224	$ 964,921
Other Taxes	27,857	9,037	8,945	16,748	8,877	8,719
Licenses, Permits & Franchises	1,516	5,301	4,126	2,162	1,508	2,886
Fines, Forfeitures & Penalties	32,221	25,197	11,476	14,783	25,002	12,801
Investment and Rental Income	19,885	8,568	6,419	12,122	8,921	7,697
Motor Vehicle (VLF) Realignment	36,843	49,423	38,885	34,541	31,484	32,829
Sales Taxes - Proposition 172	53,248	46,097	45,271	41,460	49,887	40,870
Sales Taxes Program Realignment	67,972	21,680	112,651	48,004	54,624	48,277
Other Intergovernmental Revenue	173,658	236,590	108,855	71,938	97,630	146,845
Charges for Current Services	210,319	97,334	93,124	91,248	99,093	201,134
Other Revenue & Tobacco Settlement	73,412	34,089	9,414	27,304	16,617	27,636
Transfers & Reimbursements	9,116	3,121	121	6,243	13,396	15,166
Hospital Loan Repayment	75,849	295,436	73,226	165,497	0	210,019
Welfare Advances	151,882	300,945	266,236	465,793	471,077	393,493
Mental Health Services Act Funding	108,308	0	0	15,623	0	28,469
Intrafund Borrowings	0	0	0	0	0	0
TRANs Sold	1,300,000	0	0	0	0	0
Total Receipts	$ 2,430,250	$ 1,227,115	$ 779,488	$ 1,013,524	$ 945,340	$ 2,141,762
DISBURSEMENTS						
Welfare Warrants	$ 191,872	$ 210,504	$ 234,244	$ 292,194	$ 249,463	$ 241,558
Salaries	387,496	384,254	377,532	377,583	404,766	409,751
Employee Benefits	201,511	208,320	160,560	172,309	234,284	238,582
Vendor Payments	461,093	378,887	228,851	270,414	322,840	270,862
Loans to Hospitals	20,987	33,112	29,972	110,336	118,277	138,860
Hospital Subsidy Payments	194,998	194,873	154,665	20,908	0	0
Transfer Payments	17,611	20,007	3,769	75,527	42,207	8,447
TRANs Pledge Transfer	0	0	0	0	0	480,856
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	$ 1,475,568	$ 1,429,957	$ 1,189,593	$ 1,319,272	$ 1,371,837	$ 1,788,915
ENDING BALANCE	**$ 1,522,684**	**$ 1,319,842**	**$ 909,737**	**$ 603,990**	**$ 177,493**	**$ 530,340**
Borrowable Resources(Avg. Balance)	$ 1,321,951	$ 1,069,843				
Total Cash Available	$ 2,844,635	$ 2,389,685	$ 909,737	$ 603,990	$ 177,493	$ 530,340

Estimated January 2012	Estimated February 2012	Estimated March 2012	Estimated April 2012	Estimated May 2012	Estimated June 2012	Estimated Total 2011-12
$ 530,340	$ 645,856	$ 283,647	$ (320,339)	$ 18,835	$ 243,820	
$ 810,093	$ 169,813	$ 12,763	$ 721,043	$ 807,702	$ 8,742	$ 3,745,560
23,290	7,534	8,057	7,693	8,561	23,648	158,967
2,329	7,941	8,865	9,158	4,492	3,373	53,657
14,644	30,510	18,397	15,262	31,262	13,479	245,034
10,235	11,287	10,160	8,337	11,085	10,840	125,556
33,204	30,107	33,976	38,666	27,282	29,121	416,360
39,196	61,123	53,789	39,990	54,429	46,161	571,520
47,146	75,191	64,389	46,598	65,953	54,584	707,070
128,680	87,241	80,846	112,822	108,840	73,307	1,427,252
141,997	105,090	93,864	187,629	131,036	129,199	1,581,067
21,243	20,276	23,782	101,421	15,438	19,627	390,259
19,922	18,165	8,731	7,484	11,090	20,477	133,031
245,107	104,433	18,176	293,635	43,533	284,437	1,809,348
466,321	297,610	332,028	534,468	319,010	459,802	4,458,666
16,364	18,157	31,855	18,519	-	16,499	253,794
0	0	0	0	0	0	0
0	0	0	0	0	0	1,300,000
$ 2,019,771	$ 1,044,479	$ 799,677	$ 2,142,726	$ 1,639,713	$ 1,193,297	$ 17,377,142
$ 250,690	$ 258,438	$ 250,463	$ 233,631	$ 257,893	$ 253,126	$ 2,924,077
409,279	407,841	402,575	405,686	399,902	401,242	4,767,908
215,129	224,024	229,275	193,111	213,365	187,163	2,477,633
281,300	262,343	315,274	259,382	324,193	268,225	3,643,664
260,940	120,446	128,338	373,337	149,151	264,855	1,748,611
0	0	0	0	0	0	565,444
96,917	3,595	12,738	78,404	70,224	14,789	444,235
390,000	130,000	65,000	260,000	0	0	1,325,856
0	0	0	0	0	0	0
$ 1,904,255	$ 1,406,688	$ 1,403,664	$ 1,803,551	$ 1,414,729	$ 1,389,401	$ 17,897,429
$ 645,856	**$ 283,647**	**$ (320,339)**	**$ 18,835**	**$ 243,820**	**$ 47,716**	
$ 645,856	$ 283,647	$ (320,339)	$ 18,835	$ 243,820	$ 47,716	

DEBT SUMMARY

INTRODUCTION

The County has issued various types of notes, bonds, and certificates to finance and refinance its cash management requirements, the replacement of essential equipment, and the acquisition, construction and/or improvement of government buildings and public facilities. The County has not entered into any swap agreements, or other similar interest rate derivative contracts, in connection with its outstanding debt.

OUTSTANDING OBLIGATIONS

As of July 1, 2011, approximately $1.4 billion in intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $1.0 billion of the outstanding debt. Revenues from special districts, special funds and enterprise funds secured the remaining $400.0 million in outstanding obligations.

As of November 1, 2011, the General Fund was responsible for only $86.1 million of the $152.1 million in payments due in Fiscal Year 2011-12 for intermediate and long-term obligations. The table below identifies the funding sources for the debt payments due in 2011-12.

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

2011-12 Payments

Funding Source	2011-12 Payment
Total 2011-12 Payment Obligation	$152,066,688
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	21,038,606
Courthouse Construction Funds	31,547,024
Special Districts/Special Funds	3,219,346
Net 2011-12 General Fund Obligation	$96,261,712

Source: Los Angeles County Chief Executive Office

The principal amount of the outstanding General County intermediate and long-term debt obligations decreased to $1.367 billion as of November 1, 2011, which includes debt issuance and repayment activity in Fiscal Year 2011-12. An additional $1.3 billion in TRANs, $80.5 million in Bond Anticipation Notes, and $206.0 million in Tax-Exempt Commercial Paper Notes were also outstanding as of November 1, 2011. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of November 1, 2011 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$ 1,300,000.0
Bond Anticipation Notes	80,500.0
Tax-Exempt Commercial Paper	206,000.0
Intermediate & Long-Term Obligations	
Lease Obligations	1,367,220.5
Total Outstanding Principal	$ 2,953,720.5

Source: Los Angeles County Chief Executive Office

The tables at the end of this section provide a detailed summary of the funding sources for the County's outstanding obligations and future debt service payments.

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

In 1977, the County implemented a cash management program to finance its General Fund cash flow deficits, which occur periodically during the fiscal year. Since the program's inception, the County has annually sold varying amounts of tax anticipation notes and tax and revenue anticipation notes (including commercial paper).

Pursuant to a resolution adopted by the Board of Supervisors on May 17, 2011, the County issued $1.3 billion of 2011-12 TRANs on July 1, 2011, with three tranche maturities: $300.0 million due February 29, 2012, $500.0 million due March 30, 2012 and $500.0 million due June 29, 2012. The 2011-12 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2011-12, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2011-12 Tax and Revenue Anticipation Notes" of this Appendix A. Deposit obligations to the Repayment Fund for the 2011-12 TRANs will be satisfied in full as of April 2012.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of November 1, 2011, $80.5 million in BANs are outstanding. The County expects to repay the outstanding BANs in full with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before December 31, 2011.

Commercial Paper Program

The County has authorized a maximum of $400 million of Lease Revenue Commercial Paper Notes (the "Commercial Paper Notes") to finance construction costs on various capital projects. Repayment of the Commercial Paper Notes is secured by four Irrevocable, Direct-Pay Letters of Credit ("LOC") issued by JP Morgan Chase Bank, Bank of America, Wells Fargo Bank and Union Bank, and a lease-revenue financing structure between LAC-CAL and the County, which includes twenty-five County-owned properties pledged as collateral to support the LOC. The four LOC agreements, which expire on April 26, 2013, provide credit enhancement to support the issuance of both tax-exempt and taxable Commercial Paper Notes. As of November 1, 2011, $206.0 million of tax-exempt Commercial Paper Notes are outstanding. The Commercial Paper Notes provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Pension Obligations

The County has periodically issued bonds or certificates to fund its UAAL for the retirement benefits of its employees. The obligation of the County to make payments with respect to these bonds and certificates represents an absolute and unconditional obligation imposed by law and is not limited to any special source of funds. In July 2010, the County deposited the final principal payment with the trustee in the approximate amount of $118.5 million, which was used to fund the final debt service payment for its maturing pension obligations on June 30, 2011. The County does not presently have any pension obligation debt authorization.

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2011, approximately $1.4 billion in principal remained outstanding on such obligations. The County's lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The 2011-12 Preliminary Budget contains sufficient appropriations to fund the County's payment obligations in Fiscal Year 2011-12. The County's Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to total assessed valuations increased from 0.081% in 2010 to 0.138% in 2011. The following table provides the ratio of the General Fund's outstanding debt to total assessed valuation over the past ten years.

COUNTY OF LOS ANGELES
DEBT RATIOS - Principal as a percent of total valuation on July 1

Year	Outstanding Principal (1)	Total Assessed Valuation	% of Principal to Valuation
2002	3,404,067,514	605,942,874,836	0.562%
2003	3,093,060,550	656,073,063,881	0.471%
2004	2,785,149,946	709,671,759,735	0.392%
2005	2,387,949,433	783,342,364,874	0.305%
2006	1,786,504,365	872,103,795,877	0.205%
2007	1,441,826,104	953,468,123,997	0.151%
2008	1,180,113,183	1,020,346,376,948	0.116%
2009	972,937,056	1,013,549,301,342	0.096%
2010	805,297,030	997,502,481,662	0.081%
2011	1,397,467,754	1,013,260,968,402	0.138%

Source: Los Angeles County Chief Executive Office and Auditor-Controller

TOBACCO BONDS

On February 8, 2006 the California County Tobacco Securitization Agency (the "Agency"), a Joint Exercise of Powers Authority, issued $319.8 million in Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds") for the purpose of loaning the proceeds to the Los Angeles County Securitization Corporation (the "Corporation"). The Corporation used the Tobacco Bond proceeds to purchase 25.9% of the County's annual TSRs paid by the tobacco companies participating in the MSA. The Tobacco Bonds are secured by the 25.9% portion of the annual TSRs, and are not considered a debt obligation of the County.

DPSS OPERATING LEASES

Beginning January 28, 1999 through July 28, 2005, the County entered into several build to suit operating and capital lease agreements with various organizations whereby the County would lease buildings and improvements for use by County Departments including the Department of Public Social Services (the "DPSS Facilities"). In order to facilitate building construction required for the DPSS Facilities, financing was obtained through the sale of Certificates of Participation ("COPs") and Lease Revenue Bonds with the periodic lease payments pledged as security for repayment of the COPs and Bonds. Although these financings are categorized as leases in the County's financial statements, the ultimate obligor for the outstanding debt securities is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations decreased to $275.7 million as of November 1, 2011 due to repayment activity in Fiscal Year 2011-121.

DEBT SUMMARY TABLES

The tables on the following pages provide:

1. A summary of the combined principal and interest payments due on General County obligations and the aggregate principal outstanding for each fiscal year by funding source;
2. A detail of the 2011-12 payments on General County obligations by funding source and debt issue;
3. A detail of the principal outstanding in 2011-12 on General County debt issues by funding source and debt issue;
4. A summary of the outstanding principal, future payments and current year payments due on General County obligations as of November 1, 2011 ; and
5. The County's overlapping debt statement as of November 1, 2011.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2011

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF NOVEMBER 1, 2011

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2011

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2011-12	$ 96,261,712	$ 21,038,605	$ 31,547,024	$ 3,219,346	$ 152,066,688
2012-13	98,965,985	18,853,245	25,709,969	3,285,646	146,814,844
2013-14	80,890,381	17,098,477	27,324,194	3,347,721	128,660,774
2014-15	93,415,695	16,118,727	26,513,038	3,415,709	139,463,168
2015-16	78,350,386	14,471,134	25,635,249	3,486,084	121,942,852
2016-17	72,117,756	5,684,932	21,865,780	3,554,834	103,223,301
2017-18	71,104,015	-	16,975,475	3,625,159	91,704,648
2018-19	71,915,396	-	16,976,475	3,696,640	92,588,511
2019-20	72,748,490	-	16,965,725	3,773,750	93,487,965
2020-21	73,552,315	-	16,957,350	3,846,250	94,355,915
2021-22	74,449,921	-	16,954,300	3,927,000	95,331,221
2022-23	75,388,340	-	16,951,625	-	92,339,965
2023-24	51,205,015	-	16,943,875	-	68,148,890
2024-25	51,186,240	-	16,933,500	-	68,119,740
2025-26	51,174,824	-	16,929,000	-	68,103,824
2026-27	51,163,061	-	16,918,875	-	68,081,936
2027-28	51,150,576	-	16,906,750	-	68,057,326
2028-29	51,134,330	-	16,905,750	-	68,040,080
2029-30	51,121,161	-	16,893,613	-	68,014,774
2030-31	51,102,782	-	9,432,600	-	60,535,382
2031-32	51,085,787	-	9,431,488	-	60,517,275
2032-33	51,071,404	-	6,918,000	-	57,989,404
2033-34	51,050,860	-	6,918,750	-	57,969,610
2034-35	51,033,671	-	-	-	51,033,671
2035-36	51,013,918	-	-	-	51,013,918
2036-37	50,991,988	-	-	-	50,991,988
2037-38	50,973,919	-	-	-	50,973,919
2038-39	50,950,219	-	-	-	50,950,219
2039-40	50,931,518	-	-	-	50,931,518
2040-41	50,909,647	-	-	-	50,909,647
2041-42	-	-	-	-	-
Total	$ 1,878,411,310	$ 93,265,118	$ 411,508,406	$ 39,178,139	$ 2,422,362,971

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2011

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2011-12	$ 1,012,904,861	$ 83,036,248	$ 271,616,645	$ 29,910,000	$ 1,397,467,754
2012-13	977,333,292	65,495,178	252,834,288	28,050,000	1,323,712,758
2013-14	931,355,877	49,377,538	239,074,099	26,040,000	1,245,847,515
2014-15	902,278,618	34,279,455	223,014,357	23,875,000	1,183,447,430
2015-16	859,903,277	19,440,996	207,011,017	21,550,000	1,107,905,289
2016-17	831,900,806	5,556,353	191,140,940	19,050,000	1,047,648,098
2017-18	809,948,779	-	178,385,000	16,375,000	1,004,708,779
2018-19	788,953,152	-	170,020,000	13,520,000	972,493,152
2019-20	767,115,857	-	161,225,000	10,475,000	938,815,857
2020-21	744,393,886	-	151,990,000	7,225,000	903,608,886
2021-22	712,630,000	-	142,290,000	3,740,000	858,660,000
2022-23	670,450,000	-	132,110,000	-	802,560,000
2023-24	625,470,000	-	121,425,000	-	746,895,000
2024-25	602,940,000	-	110,200,000	-	713,140,000
2025-26	579,385,000	-	98,410,000	-	677,795,000
2026-27	554,680,000	-	86,020,000	-	640,700,000
2027-28	528,765,000	-	73,005,000	-	601,770,000
2028-29	501,570,000	-	59,335,000	-	560,905,000
2029-30	473,035,000	-	44,965,000	-	518,000,000
2030-31	443,090,000	-	29,895,000	-	472,985,000
2031-32	411,670,000	-	21,735,000	-	433,405,000
2032-33	378,700,000	-	13,170,000	-	391,870,000
2033-34	344,100,000	-	6,750,000	-	350,850,000
2034-35	307,795,000	-	-	-	307,795,000
2035-36	269,680,000	-	-	-	269,680,000
2036-37	229,650,000	-	-	-	229,650,000
2037-38	187,610,000	-	-	-	187,610,000
2038-39	143,600,000	-	-	-	143,600,000
2039-40	97,705,000	-	-	-	97,705,000
2040-41	49,865,000	-	-	-	49,865,000
2041-42	-	-	-	-	-

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2011

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 12,540,000	$ 12,540,000			
1998 Refg COPs: Disney Parking Project	3,073,123	3,073,123			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,626,150			$ 3,626,150	
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	1,064,142			1,064,142	
Sheriffs Training Academy	878,475	878,475			
San Fernando Court	1,471,383			1,471,383	
Total 2002 Lease Rev Bonds Ser B	$ 3,414,000	$ 878,475	$ 0	$ 2,535,525	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 773,938	$ 773,938			
Alhambra Courthouse	583,554			$ 583,554	
Burbank Courthouse	762,230			762,230	
Ameron Building (Sheriff Headquarters)	2,509,337	2,509,337			
Biscailuz Center	222,176	222,176			
Emergency Operations Center	1,964,622	1,964,622			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,486,121		$ 1,486,121		
Martin Luther King Medical Center - Trauma Center	6,226,501		6,226,501		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	103,282		103,282		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,399,161		4,399,161		
Rancho Los Amigos Medical Center - Parking Structure	1,640,700		1,640,700		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	687,054		687,054		
San Fernando Valley Juvenile Hall	977,406	977,406			
LAC/USC Medical Center Marengo Street Parking Garage	2,602,322		2,602,322		
LAX Area Courthouse	6,945,582			6,945,582	
San Fernando Valley Courthouse (Chatsworth)	5,501,739			5,501,739	
Harbor Med Center E.P.S.	1,255,414		1,255,414		
Total 2005 Lease Rev Refg Bonds Ser A	$ 38,641,139	$ 6,447,479	$ 18,400,556	$ 13,793,105	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 3,219,346				$ 3,219,346
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 1,223,038			$ 1,223,038	
Lynwood Regional Justice Center	10,655,450	$ 10,655,450			
Men's Central Jail - Twin Towers	10,057,200	10,057,200			
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	0	0			
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	0	0			
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	0	0			
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	0	0			
Pitchess Honor Rancho: Vehicle Maintenance Facility	0	0			
Men's Central Jail Parking Structure	0	0			
Hutton Building - Registrar / Recorder Headquarters	2,660,350	2,660,350			
Pomona Municipal Courthouse	430,950			430,950	
Pitchess Honor Rancho Laundry Expansion	207,800	207,800			
Pitchess Honor Rancho Visitors Center	509,350	509,350			
Mira Loma Men's Medium Security Facility	368,825	368,825			
Temple City Sheriff Station	873,050	873,050			
Van Nuys Courthouse	3,021,125			3,021,125	
Public Library Headquarters	0				
Total 2006 Lease Rev Refg Bonds Ser A	$ 30,007,138	$ 25,332,025	$ 0	$ 4,675,113	$ 0
2006 Lease Rev Refg Bonds Ser B:	$ 6,917,131			$ 6,917,131	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 218,057	$ 218,057			
Patriotic Hall Renovation	352,122	352,122			
OVMC ER/TB Unit	405,737	405,737			
OVMC Seismic	167,148	167,148			
Harbor/UCLA Surgery/ Emergency	2,542,536	2,542,536			
Harbor/UCLA Seismic Retrofit	392,070	392,070			
Hall of Justice Rehabilitation	1,817,838	1,817,838			
Total 2010 Multiple Capital Projects I, Series A	$ 5,895,507	$ 5,895,507	$ 0	$ 0	$ 0
2010 Multiple Capital Projects I, Series B:					
Coroners Expansion/ Refurbishment	$ 1,386,271	$ 1,386,271			
Patriotic Hall Renovation	2,238,578	2,238,578			
OVMC ER/TB Unit	2,579,427	2,579,427			
OVMC Seismic	1,062,623	1,062,623			
Harbor/UCLA Surgery/ Emergency	16,163,890	16,163,890			
Harbor/UCLA Seismic Retrofit	2,492,541	2,492,541			
Hall of Justice Rehabilitation	11,556,700	11,556,700			
Total 2010 Multiple Capital Projects I, Series B	$ 37,480,029	$ 37,480,029	$ 0	$ 0	$ 0
Total Long-Term Capital Projects	$ 144,813,563	$ 91,646,637	$ 18,400,556	$ 31,547,024	$ 3,219,346
Total Long-Term Obligations	$ 144,813,563	$ 91,646,637	$ 18,400,556	$ 31,547,024	$ 3,219,346
Intermediate-Term Obligations					
Equipment					
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 6,595,125	$ 3,957,075	$ 2,638,050		
Total Equipment	$ 6,595,125	$ 3,957,075	$ 2,638,050	$ 0	$ 0
Taxable Bonds					
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 658,000	$ 658,000			
Total Intermediate-Term Obligations	$ 7,253,125	$ 4,615,075	$ 2,638,050	$ 0	$ 0
Total Obligations	$ 152,066,688	$ 96,261,712	$ 21,038,606	$ 31,547,024	$ 3,219,346

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2011

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 30,892,754	$ 30,892,754			
1998 Refg COPs: Disney Parking Project	58,285,000	58,285,000			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,470,000			$ 3,470,000	
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	5,339,414			5,339,414	
Sheriffs Training Academy	4,407,809	4,407,809			
San Fernando Court	7,382,777			7,382,777	
Total 2002 Lease Rev Bonds Ser B	$ 17,130,000	$ 4,407,809	$ 0	$ 12,722,191	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 3,267,380	$ 3,267,380			
Alhambra Courthouse	1,924,639			$ 1,924,639	
Burbank Courthouse	3,558,707			3,558,707	
Ameron Building (Sheriff Headquarters)	7,464,446	7,464,446			
Biscailuz Center	663,245	663,245			
Emergency Operations Center	7,111,141	7,111,141			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	5,587,634		$ 5,587,634		
Martin Luther King Medical Center - Trauma Center	30,890,863		30,890,863		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	322,555		322,555		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	19,302,066		19,302,066		
Rancho Los Amigos Medical Center - Parking Structure	7,204,747		7,204,747		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	2,125,793		2,125,793		
San Fernando Valley Juvenile Hall	4,665,086	4,665,086			
LAC/USC Medical Center Marengo Street Parking Garage	11,410,340		11,410,340		
LAX Area Courthouse	76,294,454			76,294,454	
San Fernando Valley Courthouse (Chatsworth)	60,421,654			60,421,654	
Harbor Med Center E.P.S.	2,030,248		2,030,248		
Total 2005 Lease Rev Refg Bonds Ser A	$ 244,245,000	$ 23,171,298	$ 78,874,249	$ 142,199,454	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 29,910,000				$ 29,910,000
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 5,985,000			$ 5,985,000	
Lynwood Regional Justice Center	40,660,000	40,660,000			
Men's Central Jail - Twin Towers	38,425,000	38,425,000			
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	0	0			
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	0	0			
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	0	0			
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	0	0			
Pitchess Honor Rancho: Vehicle Maintenance Facility	0	0			
Men's Central Jail Parking Structure	0	0			
Hutton Building - Registrar / Recorder Headquarters	3,405,000	3,405,000			
Pomona Municipal Courthouse	545,000			545,000	
Pitchess Honor Rancho Laundry Expansion	265,000	265,000			
Pitchess Honor Rancho Visitors Center	655,000	655,000			
Mira Loma Men's Medium Security Facility	470,000	470,000			
Temple City Sheriff Station	1,120,000	1,120,000			
Van Nuys Courthouse	11,255,000			11,255,000	
Public Library Headquarters	0				
Total 2006 Lease Rev Refg Bonds Ser A	$ 102,785,000	$ 85,000,000	$ 0	$ 17,785,000	$ 0
2006 Lease Rev Refg Bonds Ser B:	$ 95,440,000			$ 95,440,000	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 3,805,955	$ 3,805,955			
Patriotic Hall Renovation	6,145,932	6,145,932			
OVMC ER/TB Unit	7,081,718	7,081,718			
OVMC Seismic	2,917,390	2,917,390			
Harbor/UCLA Surgery/ Emergency	44,377,348	44,377,348			
Harbor/UCLA Seismic Retrofit	6,843,176	6,843,176			
Hall of Justice Rehabilitation	31,728,482	31,728,482			
Total 2010 Multiple Capital Projects I, Series A	$ 102,900,000	$ 102,900,000	$ 0	$ 0	$ 0
2010 Multiple Capital Projects I, Series B:					
Coroners Expansion/ Refurbishment	$ 25,447,194	$ 25,447,194			
Patriotic Hall Renovation	41,092,631	41,092,631			
OVMC ER/TB Unit	47,349,441	47,349,441			
OVMC Seismic	19,506,113	19,506,113			
Harbor/UCLA Surgery/ Emergency	296,713,674	296,713,674			
Harbor/UCLA Seismic Retrofit	45,754,510	45,754,510			
Hall of Justice Rehabilitation	212,141,438	212,141,438			
Total 2010 Multiple Capital Projects I, Series B	$ 688,005,000	$ 688,005,000	$ 0	$ 0	$ 0
Total Long-Term Capital Projects	$ 1,373,062,754	$ 992,661,861	$ 78,874,249	$ 271,616,645	$ 29,910,000
Total Long-Term Obligations	$ 1,373,062,754	$ 992,661,861	$ 78,874,249	$ 271,616,645	$ 29,910,000
Intermediate-Term Obligations					
Equipment					
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 10,405,000	$ 6,243,000	$ 4,162,000		
Total Equipment	$ 10,405,000	$ 6,243,000	$ 4,162,000	$ 0	$ 0
Taxable Bonds					
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 14,000,000	$ 14,000,000			
Total Intermediate-Term Obligations	$ 24,405,000	$ 20,243,000	$ 4,162,000	$ 0	$ 0
Total Obligations	$ 1,397,467,754	$ 1,012,904,861	$ 83,036,249	$ 271,616,645	$ 29,910,000

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF NOVEMBER 1, 2011

Title	Outstanding Principal	Total Future Payments	2011-12 FY Payment Remaining
Long-Term Obligations			
Long-Term Capital Projects			
1993 COPs: Disney Parking Project	$ 29,080,473	$ 141,285,000	$ 6,270,000
1998 Refg COPs: Disney Parking Project	58,130,000	86,215,869	1,534,856
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding	3,470,000	3,548,075	3,548,075
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	17,130,000	20,386,200	3,414,000
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	244,245,000	328,159,616	38,641,139
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	29,910,000	39,178,139	3,219,346
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	76,955,000	84,979,038	1,777,369
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	92,990,000	154,421,656	2,212,128
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	102,900,000	131,101,888	2,479,419
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I	688,005,000	1,340,888,598	15,762,629
Total Long-Term Capital Projects	$ 1,342,815,473	$ 2,330,164,077	$ 78,858,961
Total Long-Term Obligations	$ 1,342,815,473	$ 2,330,164,077	$ 78,858,961
Intermediate-Term Obligations			
Equipment			
2009 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 10,405,000	$ 10,983,125	$ 6,595,125
Total Equipment	$ 10,405,000	$ 10,983,125	$ 6,595,125
Taxable Bonds			
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 14,000,000	$14,932,167	$ 658,000
Total Intermediate-Term Obligations	$ 24,405,000	$ 25,915,292	$ 7,253,125
Total Obligations	$ 1,367,220,473	$ 2,356,079,369	$ 86,112,086

COPs = Certificates of Participation

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF NOVEMBER 1, 2011

Full Cash Value (2011-12): $941,113,340,692 (after deducting $137,535,643,001 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %	Debt as of 11/1/11
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County Flood Control District	100.000 %	$ 53,795,000
Metropolitan Water District	47.648	107,367,621
Los Angeles Community College District	100.000	3,504,910,000
Other Community College Districts	Various (1)	1,917,491,345
Arcadia Unified School District	100.000	169,484,793
Beverly Hills Unified School District	100.000	181,574,280
Glendale Unified School District	100.000	171,694,986
Long Beach Unified School District	100.000	545,492,292
Los Angeles Unified School District	100.000	11,718,855,000
Pasadena Unified School District	100.000	271,585,000
Pomona Unified School District	100.000	208,243,331
Santa Monica-Malibu Unified School District	100.000	221,815,034
Torrance Unified School District	100.000	194,008,533
Other Unified School Districts	Various (1)	2,812,356,751
High School and School Districts	Various (1)	1,399,524,503
City of Los Angeles	100.000	1,233,455,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000	39,340,000
City of Industry	100.000	146,695,000
Other Cities	100.000	86,490,000
Special Districts	100.000	5,575,000
Community Facilities Districts	100.000	825,247,204
Los Angeles County Regional Park & Open Space Assessment District	100.000	170,725,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	140,929,337
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 26,126,655,010
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	**100.000 %**	**$ 1,465,825,474**
Los Angeles County Office of Education Certificates of Participation	100.000	11,269,678
Community College District Certificates of Participation	Various (2)	70,822,736
Baldwin Park Unified School District Certificates of Participation	100.000	53,215,000
Compton Unified School District Certificates of Participation	100.000	29,560,000
Los Angeles Unified School District Certificates of Participation	100.000	476,195,935
Pomona Unified School District Certificates of Participation	100.000	30,100,000
Other Unified School District Certificates of Participation	Various (2)	156,607,068
High School and School District General Fund Obligations	Various (2)	157,113,145
City of Beverly Hills General Fund Obligations	100.000	242,720,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,877,110,000
City of Long Beach General Fund Obligations	100.000	214,250,000
City of Long Beach Pension Obligations	100.000	54,520,000
City of Pasadena General Fund Obligations	100.000	501,539,935
City of Pasadena Pension Obligations	100.000	104,825,319
Other Cities' General Fund Obligations	100.000	1,318,741,742
Los Angeles County Sanitation Districts General Fund Obligations	100.000	292,005,026
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 7,056,421,058
Less: **Los Angeles County Lease Revenue Bonds supported by landfill revenues**		**(17,805,422)**
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds		(32,995,961)
Cities' self-supporting bonds		(157,387,219)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,848,232,456
GROSS COMBINED TOTAL DEBT		$ 33,183,076,068 (3)
NET COMBINED TOTAL DEBT		$ 32,974,887,466

(1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.

(2) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Except for Los Angeles Unified School District Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.

RATIOS TO 2011-12 ASSESSED VALUATION	
Total Direct and Overlapping Tax and Assessment Debt	2.420 %

RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Gross Combined Direct Debt ($1,465,825,474)	**0.160 %**
Net Combined Direct Debt ($1,448,020,052)	**0.150 %**
Gross Combined Total Debt	3.530 %
Net Combined Total Debt	3.500 %

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $ 0

Source: California Municipal Statistics. The above report is included for general information purposes only. The County has not reviewed the debt report for completeness or accuracy and makes no representations in connection therewith.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2010 Gross Domestic Product ("GDP") of $508.9 billion, Los Angeles County's economy is larger than that of 45 states and all but 19 countries. Los Angeles County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy experienced mild improvement in 2010, with a slight increase of 1.8% in economic output (as measured by Gross Product), a 2.4% increase in personal income and a 7.0% increase in taxable retail sales. The economic recovery is expected to continue in 2011, with growth projected for several sectors of the local economy. The information, health services, leisure & hospitality, and educational service sectors of the local economy are among those expected to experience growth, while other sectors of the economy such as government, construction and finance & insurance are projected to struggle in 2011.

Los Angeles County's unemployment rate averaged 12.6% in 2010, but the labor market is showing a gradual improvement in 2011 with the jobless rate edging down to 12.2%. With the subtle signs of stabilization in local economy in 2011, the unemployment rate is projected to decline further in 2012 to 11.5%. Total non-farm employment is expected to increase by +0.7% (28,000 jobs) in 2011 after a decline in the number of jobs of -1.4% (-60,400) in 2010. The significant job losses in the last two years were partially offset by the positive impact of major public and private construction projects. With over $16 billion in voter approved general obligation bond measures, historically low interest rates and financing programs and subsidies provided by the Federal government under ARRA, local school and community college districts have undertaken major capital construction projects. The increase in sales tax revenue ensuing from the 2008 voter-approved Measure R, provides funding for major highway and transit projects that are currently underway throughout the County. In addition, hospitals throughout Los Angeles County are engaged in building programs to meet stricter earthquake standards and other regulatory requirements, while the new Civic Park and the Broad Art Museum projects are also increasing construction activity in the heart of the downtown area. These major construction projects, combined with the terminal expansions under way at the two primary sea ports (Los Angeles and Long Beach) and the expansion of the Bradley International Terminal at the Los Angeles International Airport ("LAX"), have provided continued support to a struggling job market in the County.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with wholesale and retail trade, manufacturing, and leisure and hospitality being the leading employment sectors in the private economy. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and Port of Long Beach, is the largest customs district in the nation. The Los Angeles region is the largest manufacturing center in the nation, with over 374,000 workers employed in this sector in 2010. The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and is ranked sixth among world's largest port facilities.

Quality of Life

Higher Education

Los Angeles County is home to an extensive education system, with 120 colleges and university campuses, including UCLA; five state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental and Claremont College; religious-affiliated universities such as Pepperdine and Azusa Pacific; renowned technology schools such as the California Institute of Technology and the affiliated Jet Propulsion Laboratory; and specialized institutions such as the California Institute of the Arts, the Art Center College of Design, the Fashion Institute of Design and Merchandising, and the Otis College of Art and Design.

Culture

Los Angeles County is the cultural center of the western United States and has been referred to as the "entertainment capital of the world", offering world-class museums, theaters, and music venues. The County is home to the world's leading movie studios, television networks, recording studios video game developers, publishers and artists, creating one of the largest centers for art and entertainment activity in the nation.

The Performing Arts Center of Los Angeles County, which includes the Dorothy Chandler Pavilion, Ahmanson Theater, Mark Taper Forum and Walt Disney Concert Hall, is one of the three largest performing art venues in the nation. Los Angeles County features more musical and theatrical productions and has more weekly openings than most major cities in the world. The County is home to the Los Angeles Philharmonic Orchestra, which is recognized as one of the finest symphony orchestras in the world.

Los Angeles County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, and the Huntington Library.

Recreation

With its geographic size, location, topography, mild climate, and an average of 329 days of sunshine per year, Los Angeles County offers a full spectrum of recreational activities that are enjoyed by residents and visitors on a year-round basis. The County owns and maintains the world's largest man-made recreational harbor at Marina del Rey, and manages 63,000 acres of parks, trails, natural habitat and the world's largest public golf course system. Each year, millions of people visit the County's 31 miles of public beaches stretching along its 75-mile coastline, with bike enthusiasts able to enjoy the County's 22-mile beach bikeway.

Millions of visitors continue to enjoy the County's multitude of amusement parks, zoos, museums, theaters, sporting venues, motion picture and television studios, parklands, and world-renowned restaurants and retail centers. In addition, the County is the host to a number of major annual events such as the January 1st Rose Parade and Rose Bowl game, and the Academy Awards show. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, and the Super Bowl.

Population

The County of Los Angeles is the most populous county in the U.S. with close to 9.9 million people estimated to be residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 27% of the total population of California. The demographic profile of the County indicates that 47.7% of the population is Hispanic and 52.3% non-Hispanic, of which, 27.8% are White; 13.7% are Asian-Pacific Islander; 8.3% are African American; and 2.5% are other races. The County is also home to the highest number of foreign–born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 97 consulates, Los Angeles County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 75.5% of the adult population has a high school diploma or higher, and 28.4% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

The current economic downturn, which started in late 2007, has affected the entire nation and continues to have a significant adverse impact on the local economy. After experiencing a cyclical low of 4.8% in 2006, the unemployment rate climbed to 12.6% in 2010 and is projected to decrease slightly to 12.2% in 2011. In comparison, the average unemployment rates for the State of California and the nation are projected to be 11.8% and 8.9%, respectively, in 2011. The employment situation in the County has begun to show signs of improvement with a projected 0.7% increase in the number of jobs (28,000). The largest employment gains in 2011 are projected for information (26,100), health services (9,500), and leisure & hospitality (7,900) jobs. The government, construction, and finance & insurance are expected to experience the largest employment contraction in 2011, with the government sector projected to lose an estimated 19,700 jobs in 2011. In 2012, non-farm employment is projected to grow by 1.7% (65,000 jobs), resulting in a lower unemployment rate in the County of 11.5%. Table F details the non-agricultural employment statistics by sector for Los Angeles County from 2006 through 2010.

Personal Income

The total personal income in the County increased by an estimated 2.4% in 2010, after falling by 2.5% in 2009. The 2010 total personal income of $412 billion represents an estimated 25.5% of the total personal income generated in California. The Los Angeles Economic Development Corporation ("LAEDC") is forecasting that personal income will continue to grow in 2011 with a projected increase of 3.6% in 2011 and 5.4% in 2012. Table C provides a summary of the personal income statistics for Los Angeles County from 2006 through 2010.

Consumer Spending

Los Angeles County is a national leader in consumer spending. As reported by LAEDC, the County experienced a 7.0% increase in taxable retail sales in 2010 after a significant decline of 12.7% in 2009. Consumer spending is projected to grow by 7.7% and 6.1% in 2011 and 2012, respectively. The $83.9 billion of taxable retail sales in the County in 2010 represents over 25.41% of the total retail sales in California. Table D provides a summary of taxable retail sales activity in Los Angeles County from 2006 through 2010.

Industry

With an estimated annual economic output of $509 billion in 2010, Los Angeles County continues to rank among the world's largest economies. Its 2010 Gross Product represents approximately 26.8% of the total economic output in California and 3.5% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in technology, electronics, energy, communications, and entertainment. The top industries in the manufacturing sector include computer and electronics, apparel, transportation equipment, fabricated metal products, and food. Table A provides the Gross Product statistics for Los Angeles County from 2006 through 2010.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, Los Angeles County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced a steady increase from 2001 to 2008, resulting in a record level of $355.8 billion in 2008. In 2010, the LACD handled approximately $346.9 billion worth of international trade, which represents a 22.6% increase from 2009 and a significant improvement from the 20.5% decrease in the value of trade that occurred from 2008 to 2009. With the strong performance of the LACD in 2010, the value of two-way trade has recovered close to the record level attained in 2008. The LACD maintained its ranking as the top customs district in the nation for international trade in 2010, with China, Japan, South Korea, Taiwan and Thailand being the top trading partners. The LAEDC is projecting an increase of 6.7% and 4.6% for 2011 and 2012, respectively, in the value of international trade handled through the LACD.

Transportation/Infrastructure

Los Angeles County is one of the world's largest transportation centers. The region's ports, airports, integrated rail and highway facilities are part of an extensive transportation infrastructure that provides valuable service to residents, visitors, and industry.

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the seventh busiest airport in the world and third in the United States for passenger traffic. In 2010, LAX served 59.1 million passengers and handled 1.9 million tons of air cargo valued at nearly $84 billion. LAX is reporting a 5.6% increase in passenger traffic from January to August, compared to the same period in 2010. A $4.1 billion capital improvement project is currently underway at LAX, which is expected to generate approximately 40,000 local jobs.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. The combined

Los Angeles/Long Beach port complex has been the fastest growing port facility in the United States, and the two ports are reported by LAEDC to be the busiest port complex in the U.S. and western hemisphere, and the sixth busiest in the world. The port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue. In 2010, the port complex experienced a 19.3% increase in the volume of cargo from 2009, which represents the largest annual increase in 25 years. The port complex is projected to experience continued growth in 2011 and 2012 of 4.0% and 5.0%, respectively.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2010, it was ranked as the busiest container port in the United States for the eleventh consecutive year, and the sixteenth busiest in the world, as measured by annual container volume. The Port of Los Angeles covers over 7,500 acres and includes 43 miles of waterfront. The port has 25 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. For the calendar year 2010, the port handled over 7.8 million TEUs, which represents a 16.0% increase in container volume from 2009.

The Port of Long Beach is also among the world's busiest container ports, and was ranked behind the Port of Los Angeles as the second busiest port in the nation, and the seventeenth busiest in the world in 2010. The Port of Long Beach port covers over 3,200 acres with 10 separate piers. In 2010, the port handled over 6.3 million TEUs of container cargo, which represents an increase of 23.6% from 2009.

Port Expansion

The Ports of Los Angeles and Long Beach are currently in the process of major ongoing expansion programs that will facilitate further growth and expansion of trade activity. The expansion of port facilities will continue to have a positive economic impact on the region through the creation of new jobs in the trade-related sectors of the local economy. The various expansion related projects will enable the region to more effectively manage higher volumes of imports and exports and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

Metro System

The Metro System is a multi-modal and integrated passenger transportation system that provides service to the greater Los Angeles area. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation services that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority ("MTA"), which is responsible for the planning, design, construction and operation of the public transportation system for Los Angeles County. The Fiscal Year 2011-12 operating budget for the MTA is $4.15 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2010, the Los Angeles region hosted an estimated 25.7 million overnight visitors, representing an 8% increase from 2009. The newly built hotels in downtown and Hollywood are attracting business as well as leisure travelers to the County. According to the Los Angeles Convention and Visitors Bureau, the Los Angeles region was the third ranked destination for overseas visitors in 2010, with tourists and business travelers spending $13.1 billion (as reported by LAEDC), representing a significant increase of 10.4% from 2009. The new convention center hotel and the higher number of conferences scheduled for 2011 and 2012 as well as the opening of Broad Museum and Space Shuttle Endeavor Exhibit at the California Science center in 2013 will help facilitate continued growth in this sector of the local economy. The number of visitors is expected to increase by over 2% in 2011 to 26.3 million.

Real Estate and Construction

The residential housing market in Los Angeles County experienced a significant downturn starting in late 2007. The average annual median price for new and existing homes decreased by nearly 40% from a peak of $532,281 in 2007 to an average low of $321,550 in 2009. In 2009, the real estate market began to stabilize and showed signs of recovery in 2010, with the average median home price increasing by over 4.3% to $335,363. Despite the modest increase in home values, the volume of home sales decreased by 4.6% from 81,072 in 2009 to 77,308 in 2010. Other positive indicators of stabilizing housing market include a 34.9% reduction in the Notices of Default Recorded from 105,433 in 2009 to 68,603 in 2010; and a 3.8% decrease in the number of foreclosures from 32,112 in 2009 to 30,907 in 2010. The current foreclosure trend is more positive than what is reflected in the annual statistics, as the number of foreclosures decreased by nearly 32% from the 4th quarter of 2009 to the 4th quarter of 2010. The positive trend in foreclosures has continued in 2011, with the first six months of the year reflecting an 8% decrease in the number of foreclosures compared to the same period in 2010.

The non-residential real estate sector experienced further difficulties in 2010 with higher vacancies, declining lease rates and falling property values. The total non-residential building valuation of $2.68 billion in 2010 represents a slight decrease of 0.1% from 2009. Construction lending experienced a significant decrease of 13.7% from $2.47 billion in 2009 to $2.13 billion in 2010. Despite business expansions and the continuation of major construction projects throughout the County, the commercial real estate sector continued to struggle in 2010. The vacancy rate for the office market increased by over 6% to a cyclical high of 17% in 2010. The vacancy rate for the industrial market decreased slightly to 3.2% in 2010, but is essentially unchanged from the cyclical high of 3.3% in 2009.

Despite the severe downturn in the housing market from 2007 to 2009, Los Angeles County has maintained stable assessed valuations. The stability of the property tax base is primarily due to the significant amount "stored value" in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2010-11, the Los Angeles County Assessor reported a Net Local Roll of $1.042 trillion, which represented a 1.9% decrease from the Net Local Roll of $1.062 trillion in Fiscal Year 2009-10. For Fiscal Year 2011-12, the Assessor reported a Net Local Roll of $1.056 trillion, which represents a 1.36% increase from the prior fiscal year.

GROSS PRODUCT

POPULATION LEVELS

TOTAL PERSONAL INCOME

TAXABLE RETAIL SALES

UNEMPLOYMENT RATES

AVERAGE ANNUAL EMPLOYMENT

SUMMARY OF AIRPORT AND PORT ACTIVITY

VALUE OF INTERNATIONAL TRADE AT MAJOR U.S. CUSTOMS DISTRICTS

TOTAL TONNAGE OF MAJOR WEST COAST PORTS

INTERNATIONAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS

REAL ESTATE AND CONSTRUCTION INDICATORS

BUILDING PERMITS AND VALUATIONS

LARGEST PRIVATE SECTOR EMPLOYERS

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

	2006	2007	2008	2009	2010
Los Angeles County	$446,800	$508,000	$513,600	$499,800	$508,900
State of California	1,727,400	1,798,300	1,846,800	1,812,400	1,901,100
United States	13,244,600	13,794,200	14,441,440	14,256,280	14,657,800
Los Angeles County as a % of California	25.87%	28.25%	27.81%	27.58%	26.77%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

TABLE B: POPULATION LEVELS

	2006	2007	2008	2009	2010
Los Angeles County	9,755,900	9,728,000	9,771,500	9,831,900	9,880,600
State of California	35,947,500	36,185,900	36,538,000	36,887,600	37,266,600
Los Angeles County as a % of California	27.14%	26.88%	26.74%	26.65%	26.51%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

	2006	2007	2008	2009	2010
Los Angeles County	$385,724	$400,366	$412,639	$402,459	$412,235
Orange County	150,598	153,447	155,068	148,373	153,269
Riverside and San Bernardino Counties	116,900	123,000	125,000	123,000	125,800
Ventura County	35,700	37,300	37,500	36,900	37,800
State of California	1,495,500	1,566,400	1,604,200	1,567,000	1,614,600
Los Angeles County as a % of California	25.79%	25.56%	25.72%	25.68%	25.53%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

	2006	2007	2008	2009	2010
Los Angeles County	$95,544	$96,096	$89,810	$78,444	$83,900
State of California	389,100	387,000	357,300	311,200	330,200
Los Angeles County as a % of California	24.56%	24.83%	25.14%	25.21%	25.41%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

TABLE E: UNEMPLOYMENT RATES

	2006	2007	2008	2009	2010
Los Angeles County	4.8%	5.1%	7.5%	11.5%	12.6%
State of California	4.9%	5.2%	7.2%	11.3%	12.4%
United States	4.6%	4.6%	5.8%	9.3%	9.7%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

TABLE F: ESTIMATED AVERAGE ANNUAL EMPLOYMENT IN LOS ANGELES COUNTY BY SECTOR

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2006	2007	2008	2009	2010
Wholesale & Retail Trade	649.0	653.0	640.2	591.5	588.1
Government	589.4	595.7	603.7	595.8	576.6
Health Care & Social Assistance	381.4	389.7	400.7	404.6	410.5
Leisure & Hospitality	388.6	397.9	401.6	385.6	384.6
Manufacturing	461.7	449.2	434.5	389.2	374.2
Professional, Scientific & Technical Services	264.0	273.9	269.6	250.2	245.7
Administrative & Support Services	271.9	272.7	256.4	225.3	228.3
Information	205.6	209.8	210.3	191.2	192.4
Transportation & Utilities	165.2	165.6	163.1	151.2	150.3
Finance & Insurance	166.9	163.6	153.9	142.3	137.8
Educational Services	99.4	102.9	105.1	110.1	112.2
Construction	157.5	157.6	145.2	117.3	104.3
Real Estate	79.8	80.3	79.4	73.8	71.4
Management of Enterprises	63.0	58.8	56.7	54.4	52.1
Other	149.2	151.5	150.5	142.0	140.5
Total	4,092.6	4,122.2	4,070.9	3,824.5	3,769.0

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

Type of Activity	2006	2007	2008	2009	2010
International Air Cargo (Tons)					
Los Angeles International Airport	1,113.6	1,138.6	996.5	916.0	1,125.2
As Percentage of Total Air Cargo	52.95%	54.80%	55.47%	55.05%	58.40%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,103.1	2,077.5	1,796.5	1,663.9	1,926.8
Bob Hope Airport (Burbank)	57.6	53.7	42.9	44.4	48.1
Total	2,160.7	2,131.3	1,839.4	1,708.2	1,974.9
International Air Passengers					
Los Angeles International Airport	16,910.7	17,248.0	16,685.8	15,100.9	15,935.3
As Percentage of Total Passengers	27.70%	27.62%	27.89%	26.72%	26.98%
Total Air Passengers					
Los Angeles International Airport	61,041.1	62,438.6	59,820.8	56,520.8	59,069.4
Bob Hope Airport (Burbank)	5,689.3	5,921.3	5,331.4	4,588.4	4,461.3
Total	66,730.4	68,359.9	65,152.2	61,109.2	63,530.7
Container Volume (TEUs)					
Port of Los Angeles	8,469.9	8,355.0	7,850.0	6,749.0	7,831.9
Port of Long Beach	7,290.4	7,312.5	6,487.8	5,067.6	6,263.5
Total	15,760.3	15,667.5	14,337.8	11,816.6	14,095.4

Source: Los Angeles World Airports, LAX - Statistics; Burbank Airport - Statistics; Port of Los Angeles- Statistics; Port of Long Beach - Statistics

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

Customs District	2006	2007	2008	2009	2010
Los Angeles, CA	$326,400	$347,300	$355,800	$282,900	$346,900
New York, NY	294,700	323,600	353,400	266,700	326,300
Detroit, MI	239,800	248,900	236,400	170,800	218,100
Houston, TX	162,800	184,700	242,100	165,800	211,500
New Orleans, LA	149,900	172,700	214,200	149,800	191,200
Laredo, TX	156,000	166,400	173,300	146,000	184,400
Chicago, IL	120,800	132,900	153,300	127,900	160,800
Seattle, WA	108,500	119,400	120,400	101,500	110,900
Savannah, GA	82,100	93,400	101,000	87,200	108,500
San Francisco, CA	110,600	111,700	114,100	86,400	107,200

Source: Los Angeles Economic Development Corporation - International Trade Trends

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

Port	2006	2007	2008	2009	2010
Los Angeles-Long Beach, CA	210,503	211,747	201,456	167,866	193,591
Seattle, WA	28,692	29,514	26,731	25,070	31,337
Oakland, CA	28,597	29,449	28,416	27,872	29,475
Tacoma, WA	32,516	33,753	34,701	28,701	27,507
Portland, OR	20,173	23,167	21,683	16,348	19,661
Kalama, WA	8,444	9,624	12,320	9,065	11,653
Vancouver, WA	5,441	6,173	5,903	5,135	6,110
San Diego, CA	6,705	6,548	5,557	3,506	4,074
Port Hueneme	4,571	3,971	3,571	2,998	3,356

Source: Los Angeles Economic Development Corporation - International Trade Trends

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

Port	2006	2007	2008	2009	2010
Los Angeles-Long Beach, CA	15,760	15,667	14,338	11,817	14,095
New York, NY	5,086	5,299	5,265	4,562	5,292
Savannah, GA	2,160	2,604	2,616	2,357	2,825
Oakland, CA	2,392	2,388	2,236	2,045	2,330
Seattle, WA	1,987	1,974	1,704	1,585	2,140
Norfolk, VA	2,046	2,128	2,083	1,745	1,895
Houston, TX	1,607	1,772	1,795	1,797	1,812
Tacoma, WA	1,552	1,403	1,861	1,546	1,455
Charleston, SC	1,968	1,754	1,636	1,368	1,280

Source: Los Angeles Economic Development Corporation - International Trade Trends

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

Indicator	2006	2007	2008	2009	2010
1. Construction Lending (in millions)	$ 8,435	$ 6,886	$ 3,520	$ 2,465	$ 2,128
2. Residential Purchase Lending (in millions)	$ 57,046	$ 38,388	$ 22,256	$ 22,111	$ 22,491
3. New & Existing Median Home Prices	$ 511,365	$ 532,281	$ 397,474	$ 321,550	$ 335,363
4. New & Existing Home Sales	109,212	74,917	65,278	81,072	77,308
5. Notices of Default Recorded	26,296	53,414	84,806	105,433	68,603
6. Unsold New Housing (at year-end)	3,630	4,273	3,117	1,629	1,997
7. Office Market Vacancy Rates	9.4%	9.7%	12.2%	16.0%	17.0%
8. Industrial Market Vacancy Rates	1.5%	1.5%	2.2%	3.3%	3.2%

Source: Real Estate Research Council of Southern California - 2nd Quarter 2011

TABLE L: BUILDING PERMITS AND VALUATIONS

	2006	2007	2008	2009	2010
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	10,097	7,509	3,539	2,131	2,439
b. Multi-Family	16,251	12,854	10,165	3,522	5,029
Total Residential Building Permits	26,348	20,363	13,704	5,653	7,468
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$ 2,561	$ 2,048	$ 1,134	$ 798	$ 922
b. Multi-Family	2,205	2,011	1,409	522	811
c. Alterations and Additions	1,982	1,898	1,411	1,073	1,110
Residential Building Valuations Subtotal	$ 6,748	$ 5,957	$ 3,954	$ 2,393	$ 2,843
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$ 241	$ 716	$ 446	$ 192	$ 133
b. Retail Buildings	482	493	469	222	263
c. Hotels and Motels	119	343	256	11	28
d. Industrial Buildings	182	109	135	40	56
e. Alterations and Additions	1,694	2,005	2,158	1,658	1,662
f. Other	1,178	1,073	1,027	551	535
Non-Residential Building Valuations Subtotal	$ 3,896	$ 4,739	$ 4,491	$ 2,674	$ 2,677
Total Building Valuations (in millions)	$ 10,644	$ 10,696	$ 8,445	$ 5,067	$ 5,520

Source: Real Estate Research Council of Southern California - 2nd Quarter 2011

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

Company (in order of 2010 Ranking)	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1 Kaiser Permanente	Health Care Provider	Oakland, CA	32,700	157,818
2 Northrop Grumman Corp.	Aerospace/Defense Contractor	Washington D. C.	19,000	120,700
3 University of Southern California	Education - Private University	Los Angeles, CA	15,121	15,121
4 Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	13,623	159,879
5 Ralph/Food 4 Less (division of Kroger Co.)	Grocery Retailer	Cincinnati, OH	13,500	N/A
6 Target Corp.	Retailer	Minneapolis, MN	13,000	351,000
7 Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,000	N/A
8 Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	10,467	N/A
9 The Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,000	210,000
10 Providence Health & Services	Medical Centers	Renton, WA	9,960	51,725
11 Wells Fargo	Diversified Financial Services	San Francisco, CA	9,900	270,000
12 Vons	Grocery Retailer	Pleasanton, CA	9,176	185,171
13 ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,800	102,000
14 AT&T Inc.	Telecommunications	Dallas, TX	8,505	276,280
15 California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,400	8,400
16 Fedex Corp.	Shipping and Logistics	Memphis, TN	7,700	275,000
17 Catholic Healthcare West	Hospitals	San Francisco, CA	7,200	54,000
18 Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,700	16,750
19 JPMorgan Chase	Banking and Financial Services	New York, NY	6,000	232,939
20 Long Beach Memorial Medical Ctr.	Regional Hospital	Huntington Beach, CA	5,200	N/A
21 UPS	Transportation and Freight	Atlanta, GA	5,000	420,000
22 Children's Hospital Los Angeles	Hospital	Los Angeles, CA	4,200	N/A
23 Toyota Motor Sales U.S.A. Inc	Sales, Distribution, Customer Service	Torrance, CA	4,100	35,000
24 Adventist Health	Hospitals	Roseville, CA	3,700	17,000
25 Huntington Memorial Hospital	Not-for-profit Community Hospital	Pasadena, CA	3,251	3,251

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by number of employees in L.A. County - September 2010

OFFICIAL NOTICE INVITING BIDS
$[PAR]*
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 SERIES A
(LAC-CAL EQUIPMENT PROGRAM)

NOTICE IS HEREBY GIVEN that bids for the purchase of $[PAR]* par value Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 Series A (LAC-CAL Equipment Program) (the "Bonds") will be accepted only through [Ipreo LLC's Parity® electronic bid submission system ("Parity") at https://www.newissuehome.i-deal.com,] 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 Standard Time, on December 6, 2011 (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 News ("Thomson"). If no legal bid or bids are received for the Bonds on December 6, 2011 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 Standard Time, on December 6, 2011 .

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 Squire, Sanders & Dempsey (US) 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.

* Preliminary, subject to change.

All costs and expenses incurred by prospective bidders in connection with their submission of bids through Parity are 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 winning bidder will be determined at the sole discretion of the Corporation. 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 County and the Corporation reserve 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 12:00 p.m., Pacific Standard 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 for any reason at any time. Any such postponement will be announced by Thomson. 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 and Bid Form, 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 December 1, 2011, by and between the Corporation and the County (the "Lease").

GENERAL TERMS OF THE BONDS: $[PAR]* aggregate principal amount Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 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, payable on June 1 and December 1, commencing on June 1, 2012. 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 SCHEDULE*

Maturity Date	Principal Amount*	Maturity Date	Principal Amount*

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 12:00 p.m., Pacific Standard Time, on the business day prior to the bid opening.

After selecting the winning proposal, the amortization schedule and principal amounts may be adjusted by the Corporation or the County as necessary, in $5,000 increments to reflect the actual interest rates and any premium/discount in the winning bid.

Any such adjustment will be communicated to the winning bidder within twenty-four (24) hours after acceptance of the bids. The percentage of net compensation paid to the winning bidder will not increase or decrease from what it would have been if no adjustments had been made by the County.

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 December 21, 2011. 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 98% of the principal amount of the Bonds.

BOOK-ENTRY 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 to participants 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 substantially in the form of Exhibit A, attached hereto, and 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) the first price at which a substantial amount (at least 10%) of the Bonds of each maturity was sold to purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the corresponding such offering price, and (iii) the funding of the Reserve Fund securing the Bonds in an amount equal to the Reserve Requirement is customary and ordinary in the municipal bond industry for obligations having terms and creditworthiness similar to the Bonds and was a vital factor in marketing the Bonds at the interest rates obtained, 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.

BID SECURITY DEPOSIT: The successful bidder will be required to wire $500,000 in immediately available federal funds to the Corporation as a bid security deposit within twenty-four (24) hours after verbal award of the bid. The Corporation, or its representative, will contact the successful bidder to provide wire instructions for the bid security deposit. The bid security deposit will be deposited into the County Treasury applied to the purchase price of the Bonds at the time of delivery of the Bonds. If after the award of the Bonds, the successful bidder fails to complete the purchase on the terms stated in its proposal, unless such failure of performance shall be caused by any act or omission of the Corporation, the bid security deposit shall be retained by the Corporation as stipulated liquidated damages. No interest will be paid upon the bid security deposit.

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 November 21, 2011, at:

www.munios.com

or by request made to the County's Financial Advisor, Fieldman, Rolapp & Associates, Inc., 19900 MacArthur Boulevard, Suite 1100, Irvine, CA 92612-2445, Attention: Mr. Daniel L. Wiles, Esq., phone: 949-660-7315, email: dwiles@fieldman.com.

DELIVERY AND PAYMENT: Delivery of the Bonds is expected to occur on or about December 21, 2011. 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 bid security deposit.

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: A complete copy of the proposed form of legal opinion of Bond Counsel approving the validity of the Bonds is set forth in Appendix D to the Preliminary Official Statement of the Corporation with respect to the Bonds (the "Preliminary Official Statement"). The legal opinion of Bond Counsel with respect to the Bonds will be furnished to the Purchaser upon delivery of the Bonds without cost;

(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, on behalf of the Corporation, pursuant to a Continuing Disclosure Certificate, agree to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") certain financial information and operating data and agree to provide, or cause to be provided, to the MSRB in a timely manner notice of certain material events respecting the Bonds. The form of Continuing Disclosure Certificate is set forth in Appendix E to the Preliminary Official Statement.

ADDITIONAL INFORMATION: Requests for information concerning the Corporation or the County should be addressed to: Glenn Byers, Assistant Treasurer and Tax Collector, County of Los Angeles, 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 [__] day of November, 2011.

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

EXHIBIT A

INITIAL ISSUE PRICE CERTIFICATE

[Closing Date]

Los Angeles County Capital Asset Leasing Corporation
Los Angeles, California

Squire, Sanders & Dempsey (US) LLP
Los Angeles, California

Ladies and Gentlemen:

We are the Purchaser in connection with the execution and delivery by the Los Angeles County Capital Asset Leasing Corporation (the "**Corporation**") of its $[PAR]* Lease Revenue Bonds, 2011 Series A (LAC-CAL Equipment Program) (the "**Bonds**"). As such, we have been involved in the structuring of the Bonds.

We hereby certify that:

(i) based on our records and other information available to us which we believe to be correct, as of December 6, 2011 (the "**Sale Date**") we had offered or reasonably expected to reoffer all of the Bonds of each maturity in a *bona fide* initial reoffering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at an initial offering price not greater than that shown, or at an initial offering yield not less than that shown, on the inside cover of the Official Statement relating to the Bonds (the "**Official Statement**") for that maturity;

(ii) based on our records and other information available to us that we believe to be correct, the first price at which a substantial portion (at least ten percent) of each maturity of the Bonds, other than the Bonds maturing in the years _______ and _____ (the "Unsold Maturities"), was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the price corresponding to the respective yield shown for that maturity on the inside cover of the Official Statement;

(iii) in the case of each of the Unsold Maturities, we reasonably expected, as of the sale date of the Bonds, to sell a substantial amount (at least ten percent) of each Unsold Maturity to the public at the price for such Unsold Maturity corresponding to the respective yield shown for that maturity on the inside cover of the Official Statement;

(iv) at the time we agreed to purchase the Bonds, based upon then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at an initial offering price greater than or an initial offering yield less than the fair market value thereof;

(v) based upon the initial offering prices or yields, the aggregate issue price of the Bonds is $_______________ (the Bonds having been sold with [net] [original issue discount] [bond premium] of $_____________).

(vi) pursuant to the Indenture of Trust, dated as of December 1, 2011, by and between the Corporation and [TRUSTEE], as Trustee, relating to the Bonds, the Corporation is obligated to fund and maintain a Reserve Fund in the amount of the Reserve Requirement. Based on our experience in the municipal marketplace, we believe that establishing and maintaining the Reserve Fund in the amount of the Reserve Requirement is customary and ordinary for municipal bond issues having the structure and creditworthiness of the Bonds and was necessary to the successful offering of the Bonds at the prices obtained.

[PURCHASER]

By:___________________________
Authorized Representative

NOTICE OF INTENTION TO SELL BONDS

$[PAR]*
Los Angeles County Capital Asset Leasing Corporation
Lease Revenue Bonds, 2011 Series A
(LAC-CAL Equipment Program)

The Los Angeles County Capital Asset Leasing Corporation (the "Corporation") intends to receive bids from broker-dealers and dealer banks through Ipreo LLC's Parity® electronic bid submission system ("Parity") for the above referenced bonds (the "Bonds") at 9:00 A.M. Pacific Standard Time on:

December 6, 2011

The Bonds will be dated their date of delivery and will mature in varying amounts on June 1 and December 1 in the years [______]* through [____]* or upon the earlier redemption thereof.

Further information about Parity, including any fee charged, may be obtained from [PARITY, 1395 Broadway, 2nd Floor, New York, New York, 10018, Attention: Customer Support (212) 849-5021 or at https://www.newissuehome.i-deal.com.] Copies of the Official Notice Inviting Bids and the Preliminary Official Statement relating to the Bonds are available from the Corporation's Financial Advisor, Fieldman, Rolapp & Associates, Inc., 1900 MacArthur Boulevard, Suite 1100, Irvine, CA 92612-2445, Attention: Mr. Daniel L. Wiles, Esq., phone: 949-660-7315, email: dwiles@fieldman.com.

Treasurer and Tax Collector
County of Los Angeles

Dated: [_________], 2011

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* Preliminary, subject to change.

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the County of Los Angeles (the “County”) as of December[__], 2011 in connection with the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 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 December 1, 2011 (the “Indenture”), by and between the County and [TRUSTEE], as Trustee (the “Trustee”), a Resolution of the Board of Supervisors of the County adopted [_________], 2011 relating to the issuance of the Bonds (the “Resolution”). The County hereby covenants and agrees as follows:

Section 1. <u>Purpose of Disclosure Certificate</u>. This Disclosure Certificate is being executed and delivered by the County on behalf of the Corporation 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 (herein defined below).

Section 2. <u>Definitions</u>. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms 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 Disclosure Certificate.

“Beneficial Owner” means any person who (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.

“EMMA System” means the MSRB’s Electronic Municipal Market Access system.

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

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

“Participating Underwriter” means any of the original purchasers of the Bonds required to comply with the Rule in connection with the offer and sale of the Bonds.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Repository” means MSRB or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule.

“Rule” means paragraph (b) (5) of Rule 15c2-12(b)(5) 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 Disclosure Certificate which are applicable to this Disclosure Certificate.

Section 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, 2011, provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be submitted in an electronic format and contain such identifying information as is prescribed by the MSRB, and 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 Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County’s fiscal year changes, it shall give notice of such change in 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 an Annual Report to the MSRB, 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 MSRB an Annual Report by the date specified in subsection (a) above, the County shall send a notice of this event to the MSRB in substantially the form of Exhibit A to this Disclosure Certificate in an electronic form prescribed by the MSRB.

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

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

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

(a) 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 Disclosure Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final official statement 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 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 most recently ended fiscal year of the County..

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Commission. If the document included by reference is a final official statement, it must be available from the MSRB through its EMMA System. 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.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall provide (or cause to be provided) to the MSRB, in an electronic format and containing such identifying information as is prescribed by the MSRB and in a timely manner but not later than ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds, as specified by the Rule:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties of the County;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties of the County;

(v) substitution of any credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bond, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of Bondowners, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the County;

(xiii) The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the Specified Events described in Section 5(a) (ii), (vi, as applicable), (vii), (viii, as applicable), (x), (xiii) and (xiv), the County acknowledges that it must make a determination whether such Listed Event is material under applicable federal securities laws in order to determine whether a filing is required.

(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 MSRB through its EMMA System. 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 when the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

(d) Each notice of the occurrence of a Listed Event shall be so captioned and prominently state the title, date and CUSIP number of the Bonds or, with respect to a notice of the occurrence of a Listed Event relating to all issues of the County, the CUSIP number of the County.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the name manner as for a Listed Event under subsection 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such 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, if other than the County, shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of 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 original execution and delivery 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 Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (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.

Section 9. Additional Information. Nothing in this Disclosure 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 Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. No Previous Non-Compliance. The County represents that it has not failed to comply with any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

Section 11. Default. In the event of a failure of the County to comply with any provision of this 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 this Disclosure Certificate; provided that any such ction may be instituted only in the Superior Court of the State of California n and for the County of Los Angeles or in a U.S. District Court in or nearest to Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event or any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Disclosure Certificate.

Section 12. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure 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.

Section 13. Beneficiaries. This Disclosure 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.

Section 14. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California and the federal securities laws.

Section 15. Transmission of Notices, Documents and Information. All notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 16. Effective Date. This Disclosure Certificate shall be effective upon the issuance of the Bonds.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the County of Los Angeles has executed this Continuing Disclosure Certificate as of the date first set forth above.

COUNTY OF LOS ANGELES

By:____
Authorized Signatory

[Signature page of Continuing Disclosure Certificate]

EXHIBIT A

NOTICE TO the MSRB 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, 2011 Series A (LAC-CAL Equipment Program)
Date of Issuance:	[________], 2011

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 [________], 2011 with respect to the Bonds. The County anticipates that the Annual Report will be filed by __________.

Dated:_______________

____
On behalf of the County