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

May 15, 2012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

71 May 15, 2012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

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
2012-13 TAX AND REVENUE ANTICIPATION NOTES
(ALL DISTRICTS) (3 VOTES)

SUBJECT

The Treasurer and Tax Collector is requesting authorization from your Board to issue Tax and Revenue Anticipation Notes (TRANs) to meet the Fiscal Year 2012-13 cash flow needs of the County General Fund. This short-term borrowing program enables the County to effectively manage its expenditure requirements and greatly reduces the need for internal borrowing. With respect to the 2012-13 TRANs, we are requesting authorization for a maximum issuance not to exceed $1,100,000,000.

IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the Resolution authorizing the issuance and sale of the 2012-13 Tax and Revenue Anticipation Notes in an aggregate principal amount not to exceed $1,100,000,000.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Adoption of the attached Resolution will authorize the issuance of the 2012-13 TRANs and the execution and delivery of all related financing documents. Since 1977, the County has annually issued tax-exempt TRANs in connection with its cash management program for the upcoming fiscal year. This short-term borrowing program is necessary given that the County receives certain revenues, such as property taxes, on an uneven basis throughout the fiscal year. The proceeds generated from the issuance of TRANs are maintained in a separate fund by the Auditor-Controller and transferred on a periodic basis to meet the expenditure needs of the County General Fund. This process serves to both reduce the County's need for internal borrowing and enhance the earnings of the County Treasury Pool.

As a result of improving cash flow trends, the requested authorization for the 2012-13 TRANs reflects a $200,000,000 decrease from the $1,300,000,000 issued in Fiscal Year 2011-12. As in prior years, the final par amount of the 2012-13 TRANs will be adjusted to meet the projected cash flow needs of the County and to ensure compliance with Federal regulations for tax-exempt financings.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #2: Fiscal Sustainability by providing sufficient financial resources to help meet the Fiscal Year 2012-13 cash flow requirements of the County General Fund.

FISCAL IMPACT/FINANCING

The borrowing cost of the 2012-13 TRANs is dependent on market conditions at the time of the sale. The Resolution provides that the price and interest rate on the TRANs shall not result in a true interest cost that exceeds three percent (3%). However, the actual cost of borrowing is expected to be significantly lower and may result in a true interest cost below one half of one percent (0.5%).

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Given our current view of the municipal note market, we expect the 2012-13 TRANs to be sold as fixed-rate notes with multiple maturity dates of one year or less. The final structure of the TRANs will be determined at the time of pricing, which is currently scheduled for early June. Proceeds from the sale of the 2012-13 TRANs are expected to be available to the County on July 2, 2012.

Consistent with the County's practice in recent years, the Treasurer and Tax Collector is recommending a negotiated sale of the 2012-13 TRANs. Based on the results of a competitive bid process, the Treasurer and Tax Collector selected Wells Fargo Bank, N.A. to be the senior managing underwriter, and Barclays Capital Inc. and Morgan Stanley & Co. LLC to serve as co-senior managers. Up to three (3) additional underwriting firms will be selected to participate in the sale of the TRANs once the final pricing date has been determined. Fulbright & Jaworski LLP will serve as note counsel for this transaction.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The 2012-13 TRANs are issued as part of a cash management program, which has no direct impact on current services.

CONCLUSION

Upon approval of this Resolution, 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:KC:pab
Pb/brdltr/2012-13
trans

Enclosures

c: Chief Executive Officer
County Counsel
Auditor-Controller
Fulbright & Jaworski LLP

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES, CALIFORNIA PROVIDING FOR THE ISSUANCE AND SALE OF 2012-13 TAX AND REVENUE ANTICIPATION NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $1,100,000,000

WHEREAS, the County of Los Angeles (the **"County"**), a political subdivision of the State of California, requires funds for the purposes authorized by Section 53852 of the California Government Code; and

WHEREAS, the County may borrow money pursuant to Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended (the **"Act"**), for the purposes authorized by Section 53852 of the Act, such indebtedness to be represented by a note or notes of the County; and

WHEREAS, pursuant to the Act, such note or notes are to be issued pursuant to a resolution of the Board of Supervisors of the County (the **"Board"**) and may be issued from time to time as provided in such resolution; and

WHEREAS, the County has determined that it is necessary and in the best interests of the County to authorize the borrowing of an amount not to exceed $1,100,000,000 with respect to the County's Fiscal Year 2012-13, such indebtedness to be evidenced by the 2012-13 Tax and Revenue Anticipation Notes authorized hereby (the **"2012-13 TRANs"**) in an aggregate principal amount not to exceed the sum described above; and

WHEREAS, the unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County during the Fiscal Year 2012-13 that will be available for the payment of the 2012-13 TRANs and all other notes issued by the County under the Act in such Fiscal Year, and the interest thereon, are reasonably estimated to be in excess of $6,500,000,000.

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles as follows:

SECTION 1. This Resolution is adopted pursuant to the provisions of the Act and other applicable laws.

SECTION 2. The 2012-13 TRANs are hereby authorized to be issued in one or more series in an aggregate principal amount not to exceed $1,100,000,000. The 2012-13 TRANs shall mature on any date or dates not later than 13 months from their date of issuance, in each case as shall be established by the Treasurer and Tax Collector of the County (the **"Treasurer"**) and set forth in the Financing Certificate (herein defined). The form of Financing Certificate on file with the Board and by this reference incorporated herein is hereby approved. The Treasurer is hereby authorized for and in the name and on behalf of the County to execute and deliver said Financing Certificate, substantially in the form on file with the Board, with such changes therein as may be necessary or as he may approve, in his sole discretion, as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof (said Financing Certificate, as so executed and delivered, is referred to hereinafter as the **"Financing Certificate"**). The Treasurer is empowered to implement the fundamental policies established by this Resolution in a manner determined by the Treasurer to be in the best interests of the County, after giving consideration to each of the following with regard to the issuance of the 2012-13 TRANs: (i) market access; (ii) the costs to the County; and (iii) the generation of sufficient proceeds, as contemplated by this Resolution. Without limiting the foregoing, the Treasurer, subject to Section 5 hereof, may determine the maturity date or dates and amount or amounts for any and each respective series of the 2012-13 TRANs, and the Treasurer is hereby authorized to make conforming changes reflecting such maturity or maturities and amount or amounts to each of the documents approved by this Resolution, including changes to the dates and amounts to be set aside hereunder and under the Financing Certificate prior to the end of the fiscal year as the Treasurer determines are necessary or appropriate. The terms and conditions as set forth (or incorporated therein by reference) in the Financing Certificate, together with the terms and conditions of the 2012-13 TRANs set forth in this Resolution, together with any authorized and approved supplements and amendments thereto, if any, shall, upon the execution and delivery of the Financing Certificate, be the terms and conditions of such 2012-13 TRANs, as if all the terms and conditions were fully set forth in this Resolution.

SECTION 3. In consideration of the purchase and acceptance of any and all of the 2012-13 TRANs authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the County and the holders thereof (the "**Holders**"). The pledge made in and the covenants and agreements to be performed by and on behalf of the County set forth in this Resolution shall be for the equal benefit, protection and security of the Holders of any and all of the 2012-13 TRANs, regardless of the maturity or maturities of the separate series of 2012-13 TRANs, shall be of equal rank without preference, priority or distinction of any of the 2012-13 TRANs over any other thereof, except as expressly provided in or permitted by the Financing Certificate.

SECTION 4. The 2012-13 TRANs may be subject to redemption as determined by the Treasurer and provided for in the Financing Certificate.

SECTION 5. The Treasurer is authorized to negotiate the sale of the 2012-13 TRANs issued under this Resolution from time to time at such prices (not to exceed the maximum interest rate permitted by law) as may be established by the Treasurer and set forth in an agreement or agreements between the County and the initial purchasers of all or a portion of the 2012-13 TRANs (each, a **"Contract of Purchase"**), substantially in the form submitted to and considered at this meeting of the Board and by this reference incorporated herein; *provided*, *however*, that the price and the interest rates for 2012-13 TRANs of any series shall not result in a true interest cost (taking into consideration all applicable contracts entered into pursuant to Section 11 of this Resolution) to the County with respect to such series of 2012-13 TRANs that exceeds 3% per annum. The Treasurer is further authorized to execute each Purchase Contract and any other documents required to be executed pursuant to such Purchase Contract and to deliver such documents in accordance with such Purchase Contract.

SECTION 6. The Treasurer is hereby authorized to prepare and distribute one or more preliminary official statements in such form as the Treasurer or any of his respective designees may approve, to persons who may be interested in the purchase of 2012-13 TRANs of any series. The form of preliminary official statement on file with the Board and by this reference incorporated herein is hereby approved. The Treasurer and his respective designees are and each of them acting alone is hereby authorized, for and in the name and on behalf of the County, to approve one or more final official statements for the 2012-13 TRANs authorized hereby, each in substantially the form of the respective preliminary official statement, with such insertions and changes therein as the Treasurer or any of his respective designees may require or approve, in their discretion, as being in the best interests of the County, such approval to be conclusively evidenced by the delivery of such official statement or official statements. The Treasurer and any of his respective designees are hereby further authorized to execute and deliver a certificate or other instrument deeming each preliminary official statement to be final as of its respective date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

SECTION 7. All or any portion of the 2012-13 TRANs may be sold with credit enhancement (such as a letter of credit or policy of municipal bond insurance), if the Treasurer determines that the savings and benefits to the County resulting from the purchase of such credit enhancement exceed the cost thereof. The form, terms and conditions of each instrument providing such credit enhancement or liquidity support shall be as approved by the Treasurer.

SECTION 8. The Auditor-Controller of the County (the **"Auditor-Controller"**) is hereby directed to establish or cause to be established a "2012-13 TRANs Repayment Fund" (the **"2012-13 TRANs Repayment Fund"**) and any additional subaccounts therein that the Auditor-Controller deems necessary to effectuate the purposes of this Resolution. As provided in the respective Financing Certificate and in the Act, the 2012-13 TRANs shall be payable from the taxes, income, revenue, cash receipts and other moneys of the County attributable solely to the County's Fiscal Year 2012-13 and lawfully available for the payment of the 2012-13 TRANs and interest thereon. The Auditor-Controller is directed to deposit in the 2012-13 TRANs Repayment Fund, subject to the provisions set forth below, the following amounts (calculated based on the maximum authorization established hereunder of $1,100,000,000), such amounts being hereby pledged as provided in the Act and in the Financing Certificate to the payment of the 2012-13 TRANs (the **"Pledged Moneys"**):

(a) (1) the first $385,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after December 2012, ***plus*** (2) an amount equal to the interest that will accrue on the 2012-13 TRANs of any series;

(b) the first $330,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after January 2013;

(c) the first $110,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after February 2013;

(d) the first $55,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after March 2013; and

(e) the first $220,000,000 of unrestricted taxes, income, revenues, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after April 2013;

provided, however, that if less than $1,100,000,000 in aggregate principal amount of the 2012-13 TRANs are issued, then on the date of issuance of any series of 2012-13 TRANs, the set-aside amounts referred to in clauses (a) through (e) above shall be reduced *pro rata* by an aggregate amount equal to the difference between $1,1000,000,000 and the aggregate principal amount of the 2012-13 TRANs actually issued (rounded up to the nearest one million dollars);

and provided further, that the forgoing set-asides of Pledged Revenues may be adjusted by the terms of the Financing Certificate.

To the extent that any amounts actually received pursuant to clauses (a) through (e) above are less than the amount designated for each such deposit, the Auditor-Controller shall deposit into the 2012-13 TRANs Repayment Fund additional amounts from any other moneys of the County available therefor. To the extent a 2012-13 TRAN of any series is not paid from the Pledged Moneys, such 2012-13 TRANs shall be paid with the interest thereon from any other moneys of the County available therefor. As provided in the Act, the 2012-13 TRANs and the interest thereon are a valid lien and charge against and are payable from the first moneys received by the County from such Pledged Moneys at their stated maturity. The Pledged Moneys, which may be invested in Permitted Investments (as defined in the Financing Certificate), shall be used to pay the 2012-13 TRANs and the interest thereon when the same shall become due and payable and may not be used for any other purpose, although earnings on amounts in the 2012-13 TRANs Repayment Fund shall be deposited as and when received into the General Fund of the County. Any amounts remaining in the 2012-13 TRANs Repayment Fund after repayment of all 2012-13 TRANs and the interest thereon shall be transferred to any other account in the General Fund of the County as the Treasurer or any of his respective designees may direct.

SECTION 9. The Auditor-Controller may appoint a Trustee (the "**Trustee"**) to act on behalf of the Auditor-Controller with respect to all or any portion of the responsibilities described in Section 8 above. Such appointment shall be evidenced by the execution and delivery of a form of Trust Agreement (the **"Trust Agreement"**), by and between the County and the national banking association or trust company appointed by the Auditor-Controller, as Trustee for the 2012-13 TRANs, pursuant to which the Trustee may be called upon to undertake trustee, paying agent and note registrar duties with respect to the 2012-13 TRANs. The Treasurer is hereby authorized for and in the name and on behalf of the County to execute and deliver said Trust Agreement, substantially in the form on file with the Board, with such changes therein as may be necessary or as he may approve, in his sole discretion, as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof. The form of Trust Agreement on file with the Board and by this reference incorporated herein is hereby approved.

SECTION 10. The form of Disclosure Certificate of the County (the **"Disclosure Certificate"**) on file with the Board and by this reference incorporated herein is hereby approved. The Treasurer is hereby authorized for and in the name of and on behalf of the County to execute and deliver said Disclosure Certificate, substantially in the form on file with the Board, with such changes therein as may be necessary or as he may approve, in his sole discretion, as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof.

SECTION 11. Pursuant to Section 5922 of Chapter 12, Division 6, Title 1 of the California Government Code, as amended, the Board hereby authorizes the Treasurer, in connection with, or incidental to, the issuance or carrying of the 2012-13 TRANs, or the acquisition or carrying of any investment or program of investment by the County, to enter into any contracts, including without limitation contracts commonly known as interest rate swap agreements, forward payment conversion agreements, futures or contracts providing for payments based on levels of, or changes in, interest rates or stock or other indices, or contracts to exchange cash flows or a series of payments, or contracts, including without limitation interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar exposure, which the Treasurer determines to be necessary or appropriate (with such terms and provisions as the Treasurer deems necessary or appropriate) to place the obligation or investment represented by such 2012-13 TRANs, such investment or program of investment, or such contract or contracts, in whole or in part, on the interest rate or other basis determined by the Treasurer. The principal or notional amount with respect to any such contract entered into shall not exceed the greater of the principal aggregate amount of the 2012-13 TRANs or the amount of Pledged Moneys.

These contracts and arrangements shall be entered into with the parties, including without limitation the initial purchasers of any 2012-13 TRANs, selected by the means determined by the Treasurer, and shall contain the payment, security, default, remedy and other terms and conditions determined by the Treasurer, after giving due consideration for the creditworthiness of the counterparties, where applicable, including any rating by a nationally recognized rating agency or any other criteria as may be appropriate. The form, terms and conditions of any such contract entered into shall be as approved by the Treasurer and consistent with the purposes of this Resolution and the Financing Certificate.

SECTION 12. The Board hereby finds and determines that the contracts authorized by Section 11 of this Resolution are designed to reduce the amount or duration of payment, currency, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the issuance of the 2012-13 TRANs and to enhance the relationship between risk and return with respect to the investment or program of investment in connection with, or incident to, the contract or arrangement which is entered into.

SECTION 13. Whenever any document or instrument, including without limitation any 2012-13 TRANs, any Contract of Purchase or the Financing Certificate, or any term, provision or condition thereof, is to be approved or established by an authorized officer of the County pursuant to this Resolution, such approval or establishment shall be conclusively evidenced by such authorized officer’s execution of such document or instrument or the document or instrument containing such term, provision or condition.

SECTION 14. The officers of the County and their authorized representatives are, and each of them acting alone is, hereby authorized to execute any and all documents and do and perform any and all acts and things, from time to time, consistent with this Resolution and the Financing Certificate and necessary or appropriate to carry the same into effect and to carry out its purposes.

SECTION 15. This Resolution shall take effect immediately upon its adoption.

The foregoing resolution was on the 15th day of May, 2012, 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:

JOHN F. KRATTLI
Acting County Counsel

By: ______________________
Principal Deputy County Counsel

FINANCING CERTIFICATE
PROVIDING FOR THE TERMS AND CONDITIONS
OF ISSUANCE AND SALE OF
2012-13 TAX AND REVENUE ANTICIPATION NOTES

Dated: July 2, 2012

$_______________
COUNTY OF LOS ANGELES
2012-13 TAX AND REVENUE ANTICIPATION NOTES

Including:

$____________ 2012-13 TAX AND REVENUE ANTICIPATION NOTES, SERIES A	$_____________ 2012-13 TAX AND REVENUE ANTICIPATION NOTES, SERIES B	$______________ 2012-13 TAX AND REVENUE ANTICIPATION NOTES, SERIES C

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FINANCING CERTIFICATE
PROVIDING FOR THE TERMS AND CONDITIONS OF ISSUANCE AND SALE OF 2012-13 TAX AND REVENUE ANTICIPATION NOTES

In connection with the issuance and sale of the 2012-13 Tax and Revenue Anticipation Notes (the **"2012-13 TRANs"**) by the County of Los Angeles, California, the Treasurer and Tax Collector of the County of Los Angeles (the **"Treasurer"**) hereby certifies that the 2012-13 TRANs shall be issued on the following terms and conditions:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 101. Definitions. The following terms shall for all purposes of this Certificate have the following meanings:

"Act" shall mean Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended.

"Auditor-Controller" shall mean the Auditor-Controller of the County, and any other person designated by the Auditor-Controller to act on his behalf.

"Authorized Denominations" shall mean $5,000 or any integral multiple thereof.

"Authorized Newspapers" shall mean *The Bond Buyer* and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in Los Angeles, California, and in the Borough of Manhattan, City and State of New York.

"Board" shall mean the Board of Supervisors of the County.

"Business Day" shall mean any calendar day other than (i) a Saturday or Sunday; (ii) a day on which banking institutions are authorized or required by law to be closed for commercial banking purposes in either the State of New York or the State of California; or (iii) a day on which the New York Stock Exchange is closed.

"Certificate" shall mean this "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes," as from time to time amended or supplemented in accordance with the terms hereof.

"Chair" shall mean the Chair, Chairperson, Chairman or Mayor of the Board.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

"Contract of Purchase" shall mean an agreement between the County and the Original Purchaser of all or a portion of the 2012-13 TRANs, together with any amendments thereto.

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

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

"Event of Default" shall have the meaning assigned to such term in Section 503.

"Fitch" shall mean Fitch Ratings, One State Street Plaza, New York, New York 10004, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than Moody's or S&P) designated by the County.

"General Fund" shall mean the General Fund of the County.

"Holder" shall mean the Person in whose name any 2012-13 TRANs is registered on the Note Register.

"Maturity Date" shall mean any date of maturity of the 2012-13 TRANs as set forth in the 2012-13 TRANs and Section 203 hereof.

"Maximum Interest Rate" shall mean the maximum interest rate allowed by law.

"Moody's" shall mean Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the County.

"Note Register" shall mean the registration books for the 2012-13 TRANs maintained by the Note Registrar pursuant to Section 302.

"Note Registrar" shall mean the Trustee or any other Note Registrar appointed by the County pursuant to this Certificate.

"Official Statement" shall mean that certain Official Statement dated June __, 2012, relating to the 2012-13 TRANs, including any approved supplement or amendment thereto.

"Opinion of Bond Counsel" shall mean a written opinion of any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on bonds issued by states and political subdivisions thereof, and duly admitted to practice law before the highest court of any state of the United States of America.

"Original Purchaser" shall mean, collectively, the Persons who are the initial purchasers from the County of the 2012-13 TRANs upon the original issuance thereof.

"Outstanding," when used with reference to the 2012-13 TRANs, shall mean, as of any date, all of the 2012-13 TRANs theretofore or thereupon being issued under this Certificate except:

(i) 2012-13 TRANs cancelled on or prior to such date;

(ii) 2012-13 TRANs for which other 2012-13 TRANs shall have been delivered in lieu of or in substitution therefor pursuant to Article III; and

(iii) 2012-13 TRANs referred to in Section 305.

"Participant" shall mean an entity which is recognized as a participant by the Securities Depository in the book-entry system of maintaining records with respect to the 2012-13 TRANs.

"Paying Agent" shall mean the Trustee, or any other Paying Agent appointed by the Auditor-Controller pursuant to the Resolution to perform the functions of a paying agent for the 2012-13 TRANs described herein or in the Trust Agreement.

"Payment Date" shall mean any date on which the Paying Agent transfers an amount equal to the principal of and interest then due on the 2012-13 TRANs to the Holders thereof.

"Permitted Investments" shall mean, to the extent permitted by law:

(i) Obligations of, or guaranteed as to principal and interest by, the United States of America, or by any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America,

(ii) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board ("FHLB"); (b) the Federal Home Loan Mortgage Corporation ("FHLMC"); (c) the Federal National Mortgage Association ("FNMA"); (d) Federal Farm Credit Bank ("FFCB"); (e) Government National Mortgage Association ("GNMA"); (f) Student Loan Marketing Association ("SLMA"); and (g) guaranteed portions of Small Business Administration ("SBA") notes,

(iii) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of $500 million and having "A" or better rating for the issuer's long-term debt as provided by Moody's, S&P, or Fitch and "P-1," "A-1," "Fl" or better rating for the issuer's short-term debt as provided by Moody's, S&P, or Fitch, respectively. The maximum total par value may be up to 15% of the total amount held by the Treasurer in accordance with this Certificate, and

(iv) The Los Angeles County Treasury Pool,

(v) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as "bankers' acceptances," having original maturities of not more than 180 days, with a maximum par value of 40% of the total amount held by the Treasurer in accordance with this Certificate. The institution must have a minimum short-term debt rating of "A-1," "P-1," or "F1" by S&P, Moody's, or Fitch, respectively, and a long-term debt rating of no less than "A" by S&P, Moody's, or Fitch,

(vi) Shares of beneficial interest issued by diversified management companies, known as money market funds, registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and whose fund has received the highest possible rating from S&P and at least one other Rating Agency. The maximum par value may be up to 15% of the total amount held by the Treasurer in accordance with this Certificate,

(vii) Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's, or Fitch. The maximum par value may be up to 30% of the total amount held by the Treasurer in accordance with this Certificate,

(viii) Repurchase agreements which have a maximum maturity of 30 days and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number (ii) above. The maximum par value per issuer may not exceed $250,000,000 and the maximum total par value for all such agreements with funds held by the Treasurer hereunder may not exceed $500,000,000, and

(ix) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least "AA" or "Aa2" by S&P or Moody's, respectively.

Notwithstanding anything within this definition of Permitted Investments to the contrary, so long as S&P maintains a rating on the 2012-13 TRANs, to the extent Pledged Moneys are invested in Permitted Investments described in paragraphs (iii), (v), (vii) or (ix), such investments must be rated by S&P at the respective S&P ratings described therein.

"Person" shall mean an individual, corporation, firm, association, partnership, trust or other legal entity, including a governmental entity or any agency or political subdivision thereof.

"Pledged Moneys" shall mean the unrestricted taxes, income, revenue, cash receipts and other moneys pledged by the County under the Act and pursuant to the Resolution, and described in Section 402, for the security and payment of the 2012-13 TRANs and the interest thereon, whether or not such taxes, income, revenue, cash receipts or moneys are deposited in the 2012-13 TRANs Repayment Fund.

"Principal Office" shall mean (i) with respect to the Treasurer, the principal office of the Treasurer in Los Angeles, California, and (ii) with respect to any other Paying Agent, the principal corporate trust office of such Paying Agent.

"Rating Agency" shall mean Moody's, S&P, Fitch or any other nationally recognized securities rating agency designated by the County.

"Representation Letter" shall mean one or more letters of representation from the County to, or other instruments or agreements of the County with, a Securities Depository in which the County, among other things, makes certain representations to such Securities Depository with respect to the 2012-13 TRANs, the payment thereof and delivery of notices with respect thereto.

"Resolution" shall mean the "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $1,100,000,000," adopted on May 15, 2012, as from time to time amended by any Supplemental Resolution in accordance with the terms hereof.

"S&P" shall mean Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, 55 Water Street, New York, New York 10041, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than Fitch or Moody's) designated by the County.

"Securities Depository" shall mean DTC or any successor as Securities Depository for the 2012-13 TRANs appointed pursuant to Section 202.

"State" shall mean the State of California.

"Supplemental Certificate" shall mean any supplemental financing certificate amending or supplementing this Certificate in accordance with Article VII.

"Supplemental Resolution" shall mean any resolution amending the Resolution, adopted by the County in accordance with Article VII.

"Tax Certificate" shall mean the Tax Exemption Certificate, executed by the County on the date of issuance and delivery of the 2012-13 TRANs, as amended from time to time.

"2012-13 TRANs" shall mean all of the County's 2012-13 Tax and Revenue Anticipation Notes, issued in an aggregate principal amount of $1,100,000,000 and authorized pursuant to the Resolution.

"2012-13 TRANs, Series A" shall mean all of the County's 2012-13 Tax and Revenue Anticipation Notes, Series A issued in an aggregate principal amount of $______________ and authorized pursuant to the Resolution.

"2012-13 TRANs, Series B" shall mean all of the County's 2012-13 Tax and Revenue Anticipation Notes, Series B issued in an aggregate principal amount of $______________ and authorized pursuant to the Resolution.

"2012-13 TRANs, Series C" shall mean all of the County's 2012-13 Tax and Revenue Anticipation Notes, Series C issued in an aggregate principal amount of $______________ and authorized pursuant to the Resolution.

"2012-13 TRANs Proceeds Fund" shall mean the 2012-13 TRANs Proceeds Fund as described in Section 401.

"2012-13 TRANs Repayment Fund" shall mean the 2012-13 TRANs Repayment Fund established in accordance with the Resolution and described in Section 402.

"Treasurer" shall mean the Treasurer and Tax Collector of the County and any other person designated by the Treasurer to act on his behalf.

"Trust Agreement" shall mean the Trust Agreement, dated July 2, 2012, by and between the County and the Trustee.

"Trustee" shall mean any national banking association or trust company appointed by the Auditor-Controller to act as Trustee, Paying Agent and Note Registrar under the Trust Agreement pursuant to Section 402 hereof.

Section 102. **Other Definitional Provisions**. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and words of the feminine gender shall be deemed and construed to include correlative words of the masculine and neuter genders. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa. Headings of articles and Sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. Unless otherwise indicated, all references herein to "Articles," "Sections" or other subdivisions are to the corresponding Articles, Sections or subdivisions of this Certificate; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Certificate as a whole and not to any particular Article, Section or subdivision hereof. Times set forth herein refer to the prevailing times in California.

Section 103. **Authority for Delivery of Certificate**. This Certificate is executed and delivered pursuant to and in connection with the Resolution.

Section 104. **Timing of Actions**. Whenever in this Certificate there is designated a time of day at or by which a certain action must be taken, such time shall be local time in New York City, New York, except as otherwise specifically provided herein.

Section 105. **Financing Certificate to Constitute Contract**. In consideration of the purchase and acceptance of any and all of the 2012-13 TRANs to be issued hereunder by those who shall hold the same from time to time, this Certificate shall be deemed to be and shall constitute a contract between the County and the Holders from time to time of the 2012-13 TRANs. The pledge made in this Certificate and the covenants and agreements herein set forth to be performed by and on behalf of the County shall be for the equal benefit, protection and security of the Holders of any and all of the 2012-13 TRANs all of which shall be of equal rank without preference, priority or distinction of any of the 2012-13 TRANs over any other thereof, except as expressly provided in or permitted by this Certificate.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF 2012-13 TRANS

Section 201. **Authorization, Form and Date of 2012-13 TRANs.**

1. The 2012-13 TRANs in an aggregate principal amount of not to exceed $1,100,000,000 have been authorized to be issued in one or more series pursuant to the Resolution and are entitled to the benefit, protection and security thereof. The 2012-13 TRANs shall be issued in anticipation of the receipt by the County of certain taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year commencing July 1, 2012. Such notes shall be designated as and shall be distinguished from the notes and securities of all other issues of the County by the title "2012-13 Tax and Revenue Anticipation Notes."

2. As of the date hereof, the County has authorized the issuance of $1,100,000,000 aggregate principal amount of 2012-13 TRANs, consisting of $_____________ aggregate principal amount of 2012-13 TRANs hereby designated the "2012-13 Tax and Revenue Anticipation Notes, Series A," $_____________ aggregate principal amount of 2012-13 TRANs hereby designated the "2012-13 Tax and Revenue Anticipation Notes, Series B" and $_____________ aggregate principal amount of 2012-13 TRANs hereby designated the "2012-13 Tax and Revenue Anticipation Notes, Series C."

3. The 2012-13 TRANs shall be issued in fully registered form, without coupons and in Authorized Denominations; provided that the 2012-13 TRANs shall initially be issued in book-entry only form pursuant to Section 202. The County hereby certifies and recites that all acts, conditions and things required by law, the Resolution and this Certificate to exist, to have happened, and to have been performed precedent to and during the issuance of the 2012-13 TRANs do exist, have happened and have been performed in due time, form and manner, as required by law and the Resolution and this Certificate. The 2012-13 TRANs shall be in

substantially the form attached hereto as Exhibit I, which form is hereby approved and adopted as the form of the 2012-13 TRANs.

4. Except as otherwise provided in a Representation Letter, at and after the Maturity Date of the 2012-13 TRANs, the principal of and interest then due on the 2012-13 TRANs shall be payable in lawful money of the United States of America upon surrender of the 2012-13 TRANs at the Principal Office of the Paying Agent. The 2012-13 TRANs so surrendered to the Paying Agent on any Business Day at or prior to 12:00 noon shall be paid in funds immediately available on such Business Day. The 2012-13 TRANs so surrendered to the Paying Agent on any Business Day after 12:00 noon shall be paid on the next succeeding Business Day in funds immediately available on such succeeding Business Day.

5. The 2012-13 TRANs shall not be subject to redemption prior to their respective Maturity Dates.

Section 202. Book-Entry Notes.

1. Subject to any limitation on maximum principal amount imposed by DTC, the 2012-13 TRANs shall be initially issued in the form of a single, separate fully registered note (which may be typewritten) in the full aggregate principal amount for each maturity of such 2012-13 TRANs, and upon initial issuance, the ownership of such 2012-13 TRANs shall be registered in the Note Register in the name of Cede & Co., as nominee of DTC, the initial Securities Depository. Except as provided in paragraph 5 of this Section, all of the 2012-13 TRANs shall be registered in the Note Register in the name of Cede & Co., or such other nominee of DTC or any successor Securities Depository or the nominee thereof, as shall be specified pursuant to a Representation Letter.

2. With respect to 2012-13 TRANs registered in the Note Register in the name of the Securities Depository, or its nominee, the County and the Paying Agent shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in any such 2012-13 TRANs. Without limiting the immediately preceding sentence, the County and the Paying Agent shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Securities Depository, the nominee of the Securities Depository or any Participant with respect to any ownership interest in the 2012-13 TRANs, (b) the delivery to any Participant or any other Person, other than a Holder as shown in the Note Register, of any notice with respect to the 2012-13 TRANs or (c) the payment to any Participant or any other Person, other than a Holder as shown in the Note Register, of any amount with respect to principal of or interest on the 2012-13 TRANs. The County may treat and consider the Person in whose name any 2012-13 TRANs is registered in the Note Register as the Holder and absolute owner of such 2012-13 TRANs for the purpose of payment of principal and interest on such 2012-13 TRANs and for all other purposes whatsoever.

3. The Paying Agent shall pay all principal of and interest on the 2012-13 TRANs only to or upon the order of the respective Holders, as shown in the Note Register on the respective Maturity Dates thereof, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the obligations with respect to the payment of principal of and interest on the 2012-13 TRANs under this Certificate

and the 2012-13 TRANs to the extent of the sums so paid. Upon delivery by the Securities Depository to the Treasurer of written notice to the effect that the Securities Depository has determined to substitute a new nominee, the word “nominee” in this Certificate shall refer to such new nominee of the Securities Depository.

4. In order to qualify the 2012-13 TRANs for the Securities Depository’s book-entry system, the Treasurer has been authorized to execute and deliver, or has executed and delivered, on behalf of the County to the Securities Depository a Blanket Letter of Representations regarding such matters as shall be necessary to so qualify such 2012-13 TRANs for deposit with the Securities Depository. The execution and delivery of the Representation Letter or Representation Letters shall not in any way limit the provisions of paragraph 2 of this Section or in any other way impose upon the County any obligation whatsoever with respect to Persons having interests in the 2012-13 TRANs other than the Holders as shown in the Note Register. In addition to the execution and delivery of the Blanket Letter of Representations, the Treasurer and all other officers of the County, and their authorized representatives, are each hereby authorized to take any other actions as they deem necessary or desirable, not inconsistent with this Certificate, to qualify such 2012-13 TRANs for the Securities Depository’s book-entry program.

5. In the event (a) the incumbent Securities Depository determines not to continue to act as Securities Depository for the 2012-13 TRANs or (b) the County determines that the incumbent Securities Depository shall no longer so act, and delivers a written certificate to the incumbent Securities Depository to that effect, then the County will discontinue the book-entry system for the 2012-13 TRANs with the incumbent Securities Depository. If the County determines to replace the incumbent Securities Depository with another qualified Securities Depository, the County shall prepare or direct the preparation of and execute, and the Paying Agent shall authenticate and deliver, subject to any limitation on maximum principal amount imposed by the successor Securities Depository, a new single, separate fully-registered note (which may be typewritten) for the aggregate outstanding principal amount of the 2012-13 TRANs held by the incumbent Securities Depository, registered in the name of such successor or substitute qualified Securities Depository or its nominee, or make such other arrangement acceptable to the County and the successor Securities Depository as are not inconsistent with the terms of this Certificate. If the County fails to identify another qualified successor Securities Depository to replace the incumbent Securities Depository, then the 2012-13 TRANs shall no longer be restricted to being registered in the Note Register in the name of the Securities Depository or its nominee, but shall be registered in whatever name or names the Securities Depository or its nominee shall designate. In such event, the County shall prepare or direct the preparation of and execute, and the Paying Agent shall authenticate and deliver to the Holders thereof, such 2012-13 TRANs as are necessary or desirable to carry out the transfers and exchanges provided in this Section and Section 302. All such 2012-13 TRANs shall be in fully registered form in the denominations authorized upon original issuance pursuant to Section 201.

6. Notwithstanding any other provision of this Certificate to the contrary, so long as any 2012-13 TRANs is registered in the name of the Securities Depository or its nominee, all notices and payments with respect to principal of and interest on such 2012-13 TRANs shall be given and made, respectively, as provided in a Representation Letter or as otherwise instructed by the Securities Depository.

Section 203. **Maturity Dates, Principal Amount of and Interest on the 2012-13 TRANs**. The 2012-13 TRANs shall be dated July 2, 2012. Interest shall be paid on the Maturity Date for each series of 2012-13 TRANs. The 2012-13 TRANs of each series shall bear interest from their date of original issuance payable at their stated Maturity Date and calculated at the rate set forth below per annum, on the basis of a 360-day year comprised of twelve months of 30 days each. The 2012-13 TRANs shall mature on the dates and in the principal amounts and bear interest at the respective rates as set forth in the following schedule:

Series	Maturity Date	Principal Amount	Interest Rate
2012-13 TRANs, Series A	____________, 2013	$	%
2012-13 TRANs, Series B	____________, 2013		
2012-13 TRANs, Series C	____________, 2013		

ARTICLE III

GENERAL TERMS AND PROVISIONS OF 2012-13 TRANS

Section 301. Execution of 2012-13 TRANs; Authentication.

1. The 2012-13 TRANs shall be executed in the name of the County by the manual or facsimile signature of the Chair of the Board and the Executive Officer-Clerk of the Board, and the County's seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon. No 2012-13 TRANs shall be entitled to any benefit under the Resolution or this Certificate or be valid or obligatory for any purpose, unless there appears on such 2012-13 TRANs, a certificate of authentication substantially in the form provided for herein executed by the manual signature of the Paying Agent. Such certificate upon any 2012-13 TRANs shall be conclusive evidence, and the only evidence, that such 2012-13 TRANs has been duly issued, authenticated and delivered hereunder.

2. In case any one or more of the officers who shall have signed or sealed any of the 2012-13 TRANs shall cease to be such officer before the 2012-13 TRANs so signed and sealed shall have been issued, such 2012-13 TRANs so signed and sealed may nevertheless be issued, as herein provided, as if such persons who signed or sealed such 2012-13 TRANs had not ceased to hold such offices. Any of the 2012-13 TRANs may be signed and sealed on behalf of the County by such persons as at the time of the execution of such 2012-13 TRANs shall be duly authorized to hold or shall hold the proper office in the County, although on the date borne by the 2012-13 TRANs such persons may not have been so authorized or have held such office.

Section 302. Negotiability, Transfer and Exchange.

1. The Note Registrar will keep at its Principal Office sufficient books for the registration of transfer and exchange of the 2012-13 TRANs, which shall at all times be open to inspection by the County, and upon presentation for such purpose the Note Registrar shall, under such reasonable regulations as it may prescribe, register or transfer 2012-13 TRANs on such books as hereinafter provided.

2. Any 2012-13 TRANs may, in accordance with its terms, be registered as transferred or exchanged upon the Note Register by the Person in whose name it is registered, in person or by such Person's duly authorized attorney, upon surrender of such 2012-13 TRANs for cancellation at the office of the Note Registrar accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Note Registrar. Whenever any 2012-13 TRANs shall be surrendered for transfer, the County shall execute, and the Paying Agent shall authenticate and deliver new 2012-13 TRANs for a like aggregate principal amount of the same type, with the same provisions, including maturity and interest rate, and in Authorized Denominations. The Note Registrar shall require the payment by the Holder requesting such transfer of all expenses incurred by the Note Registrar and the County in connection with such transfer and any tax or other governmental charge required to be paid with respect to such transfer.

3. The County and the Paying Agent may deem and treat the Holder of any 2012-13 TRANs as the absolute owner of such 2012-13 TRANs, regardless of whether such 2012-13 TRANs shall be overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order shall be valid and effective to satisfy and discharge the liability upon such 2012-13 TRANs to the extent of the sum or sums so paid, and neither the County nor any Paying Agent shall be affected by any notice to the contrary. The County agrees, to the extent permitted by law, to indemnify and hold each Paying Agent harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence under this Certificate, in so treating such Holder.

4. The 2012-13 TRANs shall not be exchangeable for other 2012-13 TRANs except as provided in Section 202, this Section and Section 303.

Section 303. <u>2012-13 TRANs Mutilated, Destroyed, Stolen or Lost</u>. In case any 2012-13 TRANs shall become mutilated or be destroyed, stolen or lost, the County shall issue new 2012-13 TRANs of like principal amount, denomination and tenor as the 2012-13 TRANs so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated 2012-13 TRANs, or in lieu of and substitution for the 2012-13 TRANs destroyed, stolen or lost, upon the filing with the Paying Agent and the County of evidence satisfactory to the Paying Agent and the County that such 2012-13 TRANs have been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Paying Agent and the County with indemnity satisfactory to the Paying Agent and the County and complying with such other reasonable regulations as the Paying Agent and the County may prescribe and paying such expenses as the Paying Agent and the County may incur. All 2012-13 TRANs so surrendered shall be cancelled. Any such substitute 2012-13 TRANs shall constitute original contractual obligations on the part of the County, whether or not the 2012-13 TRANs alleged to be destroyed, stolen or lost are at any time enforceable by anyone. Such substitute 2012-13 TRANs shall be equally secured by and entitled to equal and proportionate benefits with all other 2012-12 TRANs issued under the Resolution and this Certificate in any moneys or securities held by the County or the Paying Agent for the benefit of the Holders of the 2012-13 TRANs.

Section 304. <u>Cancellation</u>. All 2012-13 TRANs which at or after maturity are surrendered to the Paying Agent for the collection of the principal thereof and interest thereon shall be cancelled by the Paying Agent and forthwith destroyed by the Paying Agent. The Paying Agent shall deliver to the County a certificate specifying the cancellation of such 2012-13 TRANs. In all matters provided for in this Section, the County shall act through the Treasurer.

Section 305. <u>2012-13 TRANs Held by County</u>. If the County shall become the Holder of any 2012-13 TRANs, such 2012-13 TRANs shall no longer be deemed Outstanding and shall be surrendered to the Paying Agent for cancellation; provided, however, that the County shall not be deemed to be the Holder of any 2012-13 TRANs held .by it in a fiduciary capacity.

ARTICLE IV

ESTABLISHMENT OF 2012-13 TRANS PROCEEDS FUND AND REPAYMENT FUND AND APPLICATION THEREOF

Section 401. <u>Use of Proceeds of 2012-13 TRANs</u>.

1. The Auditor-Controller is hereby directed to establish the "2012-13 TRANs Proceeds Fund." The proceeds of the sale of the 2012-13 TRANs upon original issuance shall be deposited in said 2012-13 TRANs Proceeds Fund. The County shall make disbursements from the 2012-13 TRANs Proceeds Fund to pay current Fiscal Year 2012-13 expenditures and to discharge other obligations or indebtedness of the County in accordance with Section 53852 of the Act and the instructions and agreements set forth in the Tax Certificate. Amounts on hand in the 2012-13 TRANs Proceeds Fund shall be accounted for separately from the other funds of the County and shall be invested so as to be available for the aforementioned disbursements. The Auditor-Controller shall keep a written record of all investments and investment earnings (including any investment of earnings) of amounts in the 2012-13 TRANs Proceeds Fund, as well as a written record of disbursements from the 2012-13 TRANs Proceeds Fund.

2. Without limiting the generality of paragraph 1 of this Section, the Treasurer and his respective designees are authorized to pay the fees and reasonable expenses incurred in connection with the authorization, sale and issuance of the 2012-13 TRANs out of moneys in the 2012-13 TRANs Proceeds Fund or any account in the General Fund of the County.

Section 402. <u>Payment and Security for the 2012-13 TRANs</u>. Pursuant to the Resolution, the Auditor-Controller is hereby authorized to appoint the Trustee to act on behalf of the Auditor-Controller with respect to the establishment of the "2012-13 TRANs Repayment Fund." The Auditor-Controller or the Trustee, if appointed, shall be directed to establish any additional subaccounts therein if deemed necessary to effectuate the purposes of the Resolution and this Certificate. As provided in the Act, the 2012-13 TRANs shall be payable from the taxes, income, revenue, cash receipts and other moneys of the County attributable solely to the County's Fiscal Year 2012-13 and lawfully available for the payment of the 2012-13 TRANs and interest thereon. The Auditor-Controller is directed hereby to transfer to the Trustee for deposit in the 2012-13 TRANs Repayment Fund the following amounts, such amounts being hereby pledged as provided in the Act to the payment of the 2012-13 TRANs:

(a) (1) the first $385,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after December 2012 plus (2) an amount equal to the interest that will accrue on the 2012-13 TRANs of any series;

(b) the first $330,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after January 2013;

(c) the first $110,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after February 2013;

(d) the first $55,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after March 2013; and

(e) the first $220,000,000 of unrestricted taxes, income, revenues, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after March 2013.

To the extent that any amounts received pursuant to clauses (a) through (e) above are less than the total amount designated for such deposit, the Auditor-Controller shall transfer to the Trustee, if any shall have been appointed, or shall retain for deposit into the 2012-13 TRANs Repayment Fund additional amounts from any other moneys of the County lawfully available therefor. To the extent any 2012-13 TRANs is not paid from the Pledged Moneys, such 2012-13 TRANs shall be paid with the interest thereon from any other moneys of the County lawfully available therefor. As provided in the Act, the 2012-13 TRANs and the interest thereon are a valid lien and charge against and are payable from the first moneys received by the County comprising such Pledged Moneys. The Pledged Moneys, which may be invested in Permitted Investments, shall be used to pay the 2012-13 TRANs and the interest thereon when the same shall become due and payable and may not be used for any other purpose, although earnings on amounts in the 2012-13 TRANs Repayment Fund shall be deposited as and when received into the General Fund of the County. Any amounts remaining in the 2012-13 TRANs Repayment Fund after repayment of all the 2012-13 TRANs and the interest thereon shall be transferred by the Treasurer or the Trustee, if appropriate, to any account in the General Fund of the County as the Treasurer or any of his respective designees may direct.

ARTICLE V

CERTAIN COVENANTS; EVENTS OF DEFAULT AND REMEDIES

Section 501. General Covenants and Representations. The County 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 County under the provisions of the Act, the Resolution and this Certificate.

1. Upon the date of issuance of the 2012-13 TRANs, all conditions, acts and things required of the County by law, the Resolution and this Certificate to exist, to have happened and to have been performed precedent to and during the issuance of the 2012-13 TRANs, shall exist, shall have happened and shall have been performed, in due time, form and manner, and the issue of 2012-13 TRANs, together with all other indebtedness of the County, shall be within every applicable debt and other limit prescribed by the laws of the State.

2. The County shall not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to Fiscal Year 2012-13 in an amount which, when added to the interest payable thereon, shall exceed 85% of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said Fiscal Year, such principal and interest may be disregarded in computing said limit.

3. The County shall provide, in a timely manner, notice to each Rating Agency that is then providing a rating for the 2012-13 TRANs of the following events:

(i) the substitution or appointment of a successor Trustee; and

(ii) any material amendments to the Resolution, this Certificate, the 2012-13 TRANs or the Official Statement.

Section 502. __Covenants Relating to the Code__. The County shall do the following with respect to the 2012-13 TRANs:

1. The County shall comply with each applicable requirement of the Code necessary to maintain the exclusion of interest on the 2012-13 TRANs from gross income for federal income tax purposes. In furtherance of the foregoing tax covenant, the County agrees to comply with the provisions of the Tax Certificate. The County shall make all calculations as provided in the Tax Certificate relating to any rebate of excess investment earnings on the 2012-13 TRANs proceeds due to the United States Department of Treasury in a reasonable and prudent fashion and shall segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of Treasury.

2. Notwithstanding any other provisions of this Certificate to the contrary, so long as necessary to maintain the exclusion from gross income of interest on the 2012-13 TRANs for federal income tax purposes, the covenants contained in this Section shall survive the payment of the 2012-13 TRANs and the interest thereon.

3. Notwithstanding any other provision of this Certificate to the contrary, upon the County's failure to observe or refusal to comply with the covenants contained in this Section, the Holders, and any adversely affected former Holders, shall be entitled to the rights and remedies provided to Holders under this Certificate.

Section 503. **Events of Default and Remedies**. The following shall be Events of Default under the Resolution and this Certificate and the term "Event of Default" whenever used in this Certificate shall mean any one or more of the following:

(a) the County fails to make any payment of the principal of, or interest on, any 2012-13 TRANs when and as the same shall become due and payable;

(b) the County fails to perform or observe any other of the covenants, agreements or conditions required to be performed or observed by the County pursuant to the Resolution, this Certificate or the 2012-13 TRANs and such default shall continue for a period of 60 days after written notice thereof to the County by the Holders of not less than 10% in principal amount of the 2012-13 TRANs Outstanding; or

(c) the County shall file a petition for relief under the federal bankruptcy laws.

Whenever any Event of Default shall have happened and shall be continuing, the Holders, and any adversely affected former Holders, of the 2012-13 TRANs and their legal representatives, shall be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants herein and in the Act. Nothing herein shall preclude an individual Holder from enforcing his or her rights to payment of principal of or interest on the 2012-13 TRANs.

ARTICLE VI

PAYING AGENT

Section 601. **Liability of Paying Agent**. The Paying Agent makes no representations as to the validity or sufficiency of this Certificate or of any 2012-13 TRANs or as to the security afforded by the Resolution or this Certificate, and the Paying Agent shall incur no liability in respect thereof.

Section 602. **Evidence on Which Paying Agent May Act**.

1. In case at any time it shall be necessary or desirable for the Paying Agent to make any investigation respecting any fact preparatory to taking or not taking any action, or doing or not doing anything, as Paying Agent, and in any case in which this Certificate provides for permitting or taking any action, it may rely upon any notice, resolution, request, consent, order, waiver, statement, certificate, report, opinion, bond or other paper or document to be furnished to it under the provisions of this Certificate, and any such instrument shall be evidence of such fact to protect it in any action that it may or may not take, or in respect of anything it may or may not do, acting reasonably and in good faith, by reason of the supposed existence of such fact.

2. The Paying Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Certificate, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, bond or other paper or document which it shall in good faith

reasonably believe to be genuine and to have been adopted or signed by the proper board or person, or to have been prepared and furnished pursuant to any of the provisions of this Certificate or at the sole cost and expense of the County with the prior written consent of the County, and when determined necessary in the reasonable discretion of the Paying Agent, as the case may be, upon the written opinion of any attorney (who may be an attorney for the County or an employee of the County) believed by the Paying Agent, to be qualified in relation to the subject matter.

Section 603. Compensation.

1. The County shall pay to the Paying Agent from time to time such compensation as may be agreed upon in writing by the County and the Paying Agent for all services rendered under this Certificate.

2. To the extent permitted by law and approved by the Treasurer, the County may indemnify the Paying Agent and hold it harmless, against any loss, liability or reasonable expense (including the costs and expenses of its counsel and of investigating and defending against any claim of liability) arising out of or in connection with its acting as Paying Agent under this Certificate; *provided, however,* that the Paying Agent shall not be indemnified for or held harmless against any such loss, liability or expense resulting from its negligence, willful misconduct or bad faith. The provision of this paragraph 2 shall remain in full force and effect notwithstanding the resignation or removal of the Paying Agent or the termination of this Certificate.

3. Nothing in this Certificate shall require or obligate the Paying Agent to advance, expend or risk its own funds or otherwise to incur any personal financial liability in the performance or exercise of any of its duties or rights hereunder and the Paying Agent shall be fully justified and protected in taking or refusing to take any action under this Certificate or the 2012-13 TRANs unless it shall first be indemnified against any and all liability and expense which may be incurred by it by reason of such taking or refusing to take any such action (other than any liability or expense resulting from its negligence, willful misconduct or bad faith). Notwithstanding the foregoing, the Paying Agent shall not require indemnification prior to the making, when due, of any payment required at the respective Maturity Dates of the several series of 2012-13 TRANs.

Section 604. Ownership of the 2012-13 TRANs Permitted. Subject to Section 305, the Paying Agent may become the Holder of any 2012-13 TRANs.

Section 605. Resignation or Removal of Paying Agent and Appointment of Successor. The Paying Agent may at any time resign and be discharged of the duties and obligations created by this Certificate by giving at least 60 days' prior written notice to the County. The Paying Agent may be removed at any time with or without cause by an instrument filed with the Paying Agent and signed by the County. A successor Paying Agent may be appointed by the County and shall be a commercial bank with trust powers or a trust company organized under the laws of any state of the United States or a national banking association, having capital and surplus aggregating at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Certificate. For purposes of this Section, a commercial bank with trust powers or a trust company shall be deemed to have capital and surplus aggregating at least $100,000,000 if it is a wholly-owned subsidiary of a corporation having capital and surplus aggregating at least $100,000,000 and such corporation provides a written guaranty, in form and substance satisfactory to the County, of the performance by the bank or trust company of its obligations as Paying Agent hereunder. Such Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the County a written acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

1. In the event of the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign and deliver any moneys held by it to its successor. In no event shall the resignation or removal of the Paying Agent become effective prior to the assumption of the resigning or removed Paying Agent's duties and obligations by a successor Paying Agent.

Section 606. References to Paying Agent. References in this Article VI to a Paying Agent shall be deemed to be references to any Paying Agent other than the Treasurer.

ARTICLE VII

SUPPLEMENTAL RESOLUTIONS AND CERTIFICATES

Section 701. Supplemental Resolutions and Certificates Effective Without Consent of Holders. A Supplemental Resolution of the County may be adopted, or a Supplemental Certificate may be executed, for any one or more of the following purposes, which, without the requirement of consent of Holders, shall be fully effective in accordance with its terms:

(a) to add to the covenants and agreements of the County in the Resolution or this Certificate, as the case may be, other covenants and agreements to be observed by the County that are not contrary to or inconsistent with the Resolution or this Certificate as theretofore in effect;

(b) to add to the limitations and restrictions in the Resolution or this Certificate as the case may be, other limitations and restrictions to be observed by the County that are not contrary to or inconsistent with the Resolution or this Certificate as theretofore in effect;

(c) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution or this Certificate, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Resolution or this Certificate;

(d) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or this Certificate, as the case may be, as theretofore in effect;

(e) to supplement or amend the Resolution or this Certificate, as the case may be, in any other respect as required to maintain a rating for the 2012-13 TRANs, or any portion thereof, from any Rating Agency; *provided*, that the County first obtains an Opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Certificate does not adversely affect the interests of the Holders; and

(f) to supplement or amend the Resolution or this Certificate, as the case may be, in any other respect; *provided*, that the County first obtains an Opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Certificate does not adversely affect the interests of the Holders.

Section 702. **Supplemental Certificate**. Except as provided in Section 701, any amendment of or supplement to this Certificate and of the rights and obligations of the County and of the Holders of the 2012-13 TRANs under this Certificate, in any particular, may be made by a Supplemental Certificate and with the written consent of the Holders of at least a majority in principal amount of the 2012-13 TRANs Outstanding at the time such consent is given; provided, however, that if such supplement or amendment will, by its terms, not take effect so long as any 2012-13 TRANs of any particular series remain Outstanding, the consent of the Holders of such series shall not be required. No such supplement or amendment shall permit a change in the terms of maturity of the principal of any 2012-13 TRANs or of the then applicable interest rate thereon or a reduction in the principal amount thereof, or shall change the dates or amounts of the pledges set forth in Section 402, or shall reduce the percentage of Holders required to approve any such Supplemental Certificate, without the consent of all of the Holders of affected 2012-13 TRANs nor shall any such supplement or amendment change or modify any of the rights or obligations of any Paying Agent, if applicable, without its written consent thereto. The County shall provide the Rating Agencies notice of any Supplemental Certificate or Supplemental Resolution.

ARTICLE VIII

MISCELLANEOUS

Section 801. **Moneys Held in Trust for One Year**. Anything in this Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the 2012-13 TRANs that remain unclaimed for a period of one year after the date when such 2012-13 TRANs have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such 2012-13 TRANs became due and payable, shall be repaid to the County, as its absolute property and free from trust, and the Holders shall thereafter look only to the County for the payment of such 2012-13 TRANs from lawfully available funds; provided, however, that before any such payment is made to the County, the County shall create (and shall thereafter maintain until payment of all of the 2012-13 TRANs) a record of the amount so repaid, and the County shall cause to be published at least twice, at any interval of not less than seven days between publications, in the Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

IN WITNESS WHEREOF, I have set my hand onto this Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes on this second day of July, 2012.

COUNTY OF LOS ANGELES, CALIFORNIA

By: ____________________________________
MARK J. SALADINO
Treasurer and Tax Collector

[Signature page to Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes.]

EXHIBIT I

[FORM OF 2012-13 TRANS]

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), 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.

United States of America
State of California
COUNTY OF LOS ANGELES
2012-13 TAX AND REVENUE ANTICIPATION NOTE, SERIES [A/B/C]

Interest Rate	Dated Date	Maturity Date	CUSIP Number
_____%	July 2, 2012	_________, 2013	544657___

Registered Owner: Cede & Co.

Principal Amount: ______________________________

The County of Los Angeles, a political subdivision of the State of California (herein called the **"County"**), acknowledges itself indebted to, and for value received hereby promises to pay to, the Registered Owner hereof, or registered assigns, on the Maturity Date specified above, upon presentation and surrender of this note at the Principal Office of U.S. Bank National Association, as Paying Agent (the **"Paying Agent"**), in lawful money of the United States of America, the Principal Amount specified above, together with interest thereon from the Dated Date specified above at the Interest Rate per annum specified above. Interest on this Note shall accrue from the Dated Date set forth above and shall be computed on the basis of a 360-day year comprised of 12 months of 30 days each payable at maturity.

This Note is one of a duly authorized issue of notes of the County designated as its "2012-13 Tax and Revenue Anticipation Notes, Series [A/B/C]" (herein called the **"Notes"**), issued in an aggregate principal amount of $ under and in full compliance with the Constitution and statutes of the State of California, particularly Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code being Sections 53850 to 53858, inclusive, as amended (the **"Act"**) and under and pursuant to the resolution of the Board of Supervisors of the County, adopted May __, 2012, entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $1,100,000,000" (such resolution, as the same may be amended or supplemented from time to time, is herein called the "Resolution"), and is issued on the terms and conditions set forth in the Financing Certificate, dated July 2, 2012, entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes (such Certificate, as the same may be amended or supplemented from time to time, is herein called the "Certificate"). Certain trustee, paying agent and note registrar functions in connection with the Notes will be performed by the [Trustee pursuant to the Trust Agreement, dated July 2, 2012 (the "Trust Agreement"), by and between the County and the Trustee]. Capitalized terms used and not otherwise defined shall have the meanings given such terms in the Certificate. Copies of the Resolution and the Certificate are on file at the office of the Executive Officer-Clerk of the Board of Supervisors, and reference to the Resolution and any and all supplements thereto and modifications and amendments thereof, to the Certificate and any and all supplements thereto and modifications and amendments thereof, and to the Act is made for a complete statement of such terms and conditions.

The Notes and the interest thereon are ratably secured on a parity basis with the County's 2012-13 Tax and Revenue Anticipation Notes, Series [A/B/C] by a pledge by the County of certain taxes, income, revenue, cash receipts and other moneys of the County attributable solely to the County's Fiscal Year 2012-13. In accordance with California law, the Notes are payable solely from taxes, income, revenues, cash receipts and other moneys of the County attributable to Fiscal Year 2012-13, and, to the extent not paid from taxes, income, revenue, cash receipts and other moneys of the County pledged for the repayment thereof, shall be paid with the interest thereon from other moneys of the County lawfully available therefor.

This Note is transferable, as provided in the Certificate, only upon a register to be kept for that purpose at the office of the Note Registrar by the Registered Owner hereof in person or by such owner's duly authorized attorney, upon surrender of this Note together with a written instrument of transfer satisfactory to the Note Registrar duly executed by the Registered Owner or such owner's duly authorized attorney, and thereupon a new fully registered note or notes of the same series, maturity and aggregate Principal Amount will be issued to the transferee in exchange therefor as provided in the Certificate upon payment of the charges therein prescribed. The County and the Note Registrar shall treat the person in whose name this Note is registered as the absolute owner hereof for all purposes whether or not this Note shall be overdue, and the County and the Note Registrar shall not be affected by any notice to the contrary.

The Notes may not be exchanged for other Notes except as provided in the Certificate.

To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution and the Certificate, or any supplemental resolution amending the Resolution and the Certificate, may be amended by the County; provided, however, that no such amendment shall permit a change in the terms of maturity, the principal of any Note or of the then prevailing interest thereon or a reduction in the principal amount thereof without the consent of the owners of such Notes or shall reduce the percentage of Notes the consent of the owners of which is required to effect any such amendment or change the dates or amounts of the pledges set forth in the Resolution.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution and the Certificate to exist, to have happened and to have been performed precedent to and during the issuance of the Notes, do exist, have happened and have been performed, in due time, form and manner, as required by law and the Resolution and the Certificate, and that the Notes, together with all other indebtedness of the County, are within every debt and other limit prescribed by the laws of the State of California.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, THE COUNTY OF LOS ANGELES has caused this Note to be signed in its name and on its behalf by the manual or facsimile signature of the Chair of the Board of Supervisors of the County and the Executive Officer-Clerk of the Board of Supervisors and its seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced, as of the Dated Date set forth above.

(SEAL)

COUNTY OF LOS ANGELES

By ______________________________

ZEV YAROSLAVSKY
Chairman

By ______________________________

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

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes delivered pursuant to the within-mentioned Resolution.

DATED: July 2, 2012

______________________________,
as Paying Agent

By ______________________________
Name:
Title:

[FORM OF ASSIGNMENT]

For value received ______________________________ hereby sell(s), assign(s) and transfer(s) unto __________________________ the within Note and hereby irrevocably constitute(s) and appoint(s) __________________________ attorney, to transfer the same on the Note Register of the Paying Agent, with full power of substitution in the premises.

Dated: _____________________

Signature of Registered Owners: _________________________________

Signature Guaranteed by: _______________________________________

Note: The signature on this Assignment must correspond with the name as written on the face of the within note in every particular, without alteration or enlargement or any change whatsoever and must be guaranteed by a commercial bank, trust company, or a member firm of the New York Stock Exchange.

$[Principal Amount]
COUNTY OF LOS ANGELES
2012-13 TAX AND REVENUE ANTICIPATION NOTES

CONTRACT OF PURCHASE

[Pricing Date]

Board of Supervisors
County of Los Angeles
Los Angeles, California

Honorable Members of the Board of Supervisors:

The undersigned, Wells Fargo Bank, N.A. (the "Representative"), on behalf of itself and the underwriters appointed by the County of Los Angeles (the "County") and listed on Appendix I hereto (the Representative and such other underwriters being collectively referred to herein as the "Underwriters"), offers to enter into this Contract of Purchase (the "Contract of Purchase") with the County which, upon the County's written acceptance of this offer, will be binding upon the County and upon the Underwriters. This offer is made subject to the County's written acceptance hereof on or before 5:00 p.m., Los Angeles time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the County at any time prior to the acceptance hereof by the County.

SECTION 1. <u>Purchase and Sale of the Notes</u>. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters agree to purchase from the County, and the County agrees to sell and deliver to the Underwriters, all, but not less than all, of the County's $[Series A Principal Amount] in aggregate principal amount of 2012-13 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes"), $[Series B Principal Amount] in aggregate principal amount of 2012-13 Tax and Revenue Anticipation Notes, Series B (the "Series B Notes") and $[Series C Principal Amount] in aggregate principal amount of 2012-13 Tax and Revenue Anticipation Notes, Series C (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on May __, 2012, and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $[Not to Exceed Amount]" (the "Resolution") and subject to the terms and conditions set forth in the Financing Certificate of the Treasurer and Tax Collector of the County (the "Treasurer") entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes" (the "Certificate"). The Notes shall be dated July 2, 2012, and shall mature on the dates and shall bear interest at the rates specified in Exhibit E hereto.

The purchase price for the Notes shall be $[Purchase Price] (representing the principal amount of the Notes of $[Principal Amount], plus original issue premium of $[Original Issue Premium], less Underwriters' discount of $[Underwriters' Discount]).

The Preliminary Official Statement of the County, dated [POS Date], including the cover page and Appendices thereto, relating to the Notes (together with any documents incorporated therein by reference and as disseminated in its printed physical form or in electronic form materially consistent with such physical form, the "Preliminary Official Statement"), as amended to conform to the terms of this Contract of Purchase and exclusive of such changes and amendments subsequent to the date hereof as may be mutually agreed to in accordance with Section 4(b)(iii) hereof is hereinafter called the "Official Statement."

In connection with the issuance of the Notes, the County is also executing a Disclosure Certificate, dated July 2, 2012 ("Disclosure Certificate"), and a Trust Agreement, dated July 2, 2012 (the "Trust Agreement"), by and between the County and [Trustee], as Trustee (the "Trustee").

SECTION 2. The Notes and the Official Statement.

(a) The Notes shall be as described in the Certificate and shall be issued and secured under and pursuant to the provisions of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the "Act") and the Resolution.

(b) On or prior to the date of mailing or electronic distribution of the Preliminary Official Statement by the Underwriters, the County shall have delivered to the Representative a certificate pursuant to which the Treasurer or his authorized representative certifies on behalf of the County that such Preliminary Official Statement is deemed final by the County as of the date thereof, except for the omission of such information which is permitted to be excluded by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12").

(c) Unless otherwise notified in writing by the Representative, the "end of the underwriting period" for purposes of Rule 15c2-12 shall be the date of Closing (as hereinafter defined).

SECTION 3. Sale to Underwriters; Certain Agreements of the Underwriters.

(a) It shall be a condition to the County's obligations to sell and deliver the Notes to the Underwriters and to the Underwriters' obligations to purchase, to accept delivery of and to pay for the Notes that the entire aggregate principal amount of the Notes shall be issued, sold and delivered by the County and purchased, accepted and paid for by the Underwriters at the Closing. The Underwriters agree to make a bona fide public offering of all the Notes at prices not in excess of the initial offering prices or yields set forth on the cover page of the Official Statement, plus interest accrued thereon (if any) from the date of the Notes. Subsequent to such initial public offering, the Underwriters reserve the right to change such initial public offering prices or yields as they deem necessary in connection with the marketing of the Notes.

(b) The Underwriters agree as follows:

(i) To file, on or before the date of Closing, a copy of the Official Statement, including any supplements thereto, with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system; and

(ii) to take any and all other actions necessary to comply with rules of the U.S. Securities and Exchange Commission and Municipal Securities Rulemaking Board which are applicable to the Underwriters governing the offering, sale and delivery of the Notes to the ultimate purchasers.

SECTION 4. Use of Documents; Certain Covenants and Agreements of the County.

(a) The County authorizes the use by the Underwriters of the Resolution, the Certificate, the Trust Agreement and the Official Statement, including any supplements or amendments thereto, and the information therein contained in connection with the public offering and sale of the Notes. The County ratifies and confirms the use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Notes;

(b) The County covenants and agrees:

(i) To cause to be made available to the Underwriters such quantities of the Official Statement (in a "designated electronic format" (as defined in MSRB Rule G-32)) as the Underwriters may request for use in connection with the offering and sale of the Notes, without charge, within seven (7) business days of the date hereof and, in the event the date of Closing is less than seven (7) business days after the date hereof, upon request of the Representative, in sufficient time to accompany any confirmation requesting payment from any customers of any Underwriter and not later than three (3) business days prior to Closing; provided, however, that the failure of the County to comply with this clause (i) due to any circumstance outside of the control of the County shall not constitute cause for a failure of or refusal by the Underwriters to accept delivery of, or pay for, the Notes;

(ii) To apply the proceeds from the sale of the Notes as provided in the Resolution and the Certificate, subject to all of the terms and provisions of the Resolution and the Certificate, and not knowingly to take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Notes, in that the County agrees to comply with the provisions of the Tax Exemption Certificate executed by the County at the time of delivery of the Notes;

(iii) If, after the date of this Contract of Purchase and until the earlier of (A) twenty-five (25) days after the "end of the underwriting period" (as defined in Rule l5c2-12) or (B) ninety (90) days after the Closing, any event shall occur as a result of which it is necessary to amend or supplement the Official Statement in the opinion of the County or the Representative so that it does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Official Statement is delivered to a purchaser, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with applicable law, to notify the Representative (and for the purposes of this clause (iii) to provide the Underwriters with such information as they may from time to time request), and to forthwith prepare and furnish, at its own expense (in a form and manner approved by the Representative), a reasonable number of copies of either amendments or supplements to the Official Statement so that the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Official Statement as so amended and supplemented is delivered to a purchaser, not misleading or so that the Official Statement as so amended and supplemented will comply with all applicable laws;

(iv) To furnish such information and execute such instruments and take such action in cooperation with the Representative as the Representative may reasonably request (A) to (a) qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Representative may designate and (b) determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Notes; provided, however, that the County will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state;

(v) To advise the Representative immediately of receipt by the County of any notification with respect to the suspension of the qualification of the Notes for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose; and

(vi) To furnish to the Representative, from time to time, any additional information as the Representative may reasonably request.

SECTION 5. Representations and Warranties of the County. The County represents and warrants to each of the Underwriters, as of the date hereof, as follows:

(a) The County is a political subdivision duly created and validly existing under the Constitution and the laws of the State of California (the "State"), and has full legal right, power and authority, and at the date of the Closing will have full legal right, power and authority (i) to enter into this Contract of Purchase, to execute the Certificate and the Trust Agreement and to adopt the Resolution, (ii) to sell, issue and deliver the Notes to the Underwriters as provided herein, and (iii) to carry out and consummate the transactions contemplated by this Contract of Purchase, the Resolution, the Certificate, the Trust Agreement and the Official Statement; and the County has complied, and will at the Closing be in compliance in all respects, with the terms of the Act and the Resolution as they pertain to such transactions;

(b) By all necessary official action of the County prior to or concurrently with the acceptance hereof, the County has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance by the County of the obligations on its part contained in, the Notes, this Contract of Purchase, the Resolution, the Certificate and the Trust Agreement and the consummation by it of all other transactions contemplated by the Official Statement, the Resolution, the Certificate, the Trust Agreement and this Contract of Purchase; the Resolution, the Certificate, the Trust Agreement and this Contract of Purchase, assuming due authorization, execution and delivery by the Representative, constitute legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights and the application of general principles of equity if equitable remedies are sought; the Notes, when issued, authenticated and delivered to the Underwriters in accordance with the Resolution, the Certificate, the Trust Agreement and this Contract of Purchase will constitute legal, valid and binding general obligations of the County entitled to the benefits of, and payable from sources specified in, the Resolution and the Certificate and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights and the application of the general principles of equity if equitable remedies are sought; upon the issuance, authentication and delivery of the Notes, the Resolution will provide, for the benefit of the registered owners from time to time of the Notes, the legal, valid and binding pledge of and lien on the Pledged Moneys (as defined in the Certificate) it purports to create, subject only to the provisions of the Resolution, the Certificate and the Trust Agreement permitting the application thereof on the terms and conditions set forth in the Resolution, the Certificate and the Trust Agreement;

(c) To the best knowledge of the County, the County is not in material breach of or default under any loan agreement, indenture, bond or note, or other instrument evidencing any indebtedness or other material financial obligation of the County to which the County is a party, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a material default or event of default by the County under any such instrument; and the execution and delivery of the Notes, the Certificate, the Trust Agreement and this Contract of Purchase and the adoption of the Resolution and compliance with the provisions on the County's part contained therein, will not in any material respect conflict with or constitute a breach or default under any State constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, ordinance, resolution, agreement or other instrument to which the County is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the County or under the terms of any such law, regulation or instrument, except as provided by the Notes, the Certificates, the Trust Agreement and the Resolution;

(d) All authorizations, approvals, licenses, permits, consents and orders of any State governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the County of its obligations under, this Contract of Purchase, the Resolution, the Certificate, the Trust Agreement and the Notes have been duly obtained, except for such approvals, consents and orders as are stated in the Official Statement as yet to be obtained or as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Notes;

(e) The Notes conform to the description thereof contained in the Official Statement under the caption "THE NOTES," the Resolution, the Certificate and the Trust Agreement conform to the descriptions thereof contained in the Official Statement under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION, THE FINANCING CERTIFICATE AND THE TRUST AGREEMENT" and the proceeds of the sale of the Notes will be applied generally as described in the Official Statement under the caption "THE NOTES - Purpose of Issue";

(f) To the best knowledge of the County, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending in which service of process has been completed, or threatened against the County, affecting the corporate existence of the County or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Notes or the pledge of and lien on the Pledged Moneys of the County pursuant to the Resolution or in any way contesting or affecting the validity or enforceability of the Notes, the Resolution, this Contract of Purchase, the Certificate and the Trust Agreement, or contesting the exclusion from gross income of interest on the Notes for federal income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereof, or contesting the powers of the County or any authority for the issuance of the Notes, the adoption of the Resolution or the execution and delivery of this Contract of Purchase, the Certificate and the Trust Agreement, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Notes, the Resolution, the Certificate, the Trust Agreement or this Contract of Purchase;

(g) As of the date thereof, the Preliminary Official Statement (excluding any information relating to The Depository Trust Company, New York, New York ("DTC") and information under the caption "UNDERWRITING") did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) At the time of the County's acceptance hereof and (unless an event occurs of the nature described in clause (iii) of Section 4(b) above) at all times subsequent thereto during the period up to and including the earlier of (A) twenty-five (25) days subsequent to the "end of the underwriting period" or (B) ninety (90) days after the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) If the Official Statement is supplemented or amended pursuant to clause (iii) of Section 4(b) above, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the earlier of (A) twenty-five (25) days subsequent to the "end of the underwriting period" or (B) ninety (90) days after the Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) The financial statements of, and other financial information regarding, the County in the Official Statement fairly present the financial position and results of the operations of the County as of the dates and for the periods therein set forth and (i) except as noted under the heading "Notes to the Basic Financial Statements" in Appendix B to the Official Statement, the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, and (ii) the other financial information with respect to the County has been determined on the basis substantially consistent with that of the County's audited financial statements included in the Official Statement; and

(k) The County has not failed to comply in the last five years, in any material respect, with any continuing disclosure undertaking pursuant to Rule 15c2-12.

SECTION 6. Closing.

(a) At 8:00 a.m., Los Angeles time, on July 2, 2012, or at such other time and date as shall have been mutually agreed upon by the County and the Representative, the County will, subject to the terms and conditions hereof, deliver the Notes to the Representative duly executed and authenticated, together with the other documents hereinafter mentioned, and the Representative will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Notes as set forth in Section 1 hereof by Federal Reserve wire of immediately available funds payable to the order of the County. Such delivery of and payment for the Notes is referred to herein as the "Closing."

(b) Delivery of the Notes shall be made at, or, in accordance with the operating procedures thereof, through, DTC. The Notes shall be delivered in fully registered form, without coupons, bearing CUSIP number(s) and registered in the name of Cede & Co. and shall be made available to the Representative at least one (1) business day before the Closing for purposes of inspection. Notwithstanding the foregoing, neither the failure to print CUSIP numbers on any Note nor any error with respect thereto shall constitute cause for failure or refusal by the Underwriters to accept delivery of and pay for the Notes on the date of Closing in accordance with the terms of this Contract of Purchase.

SECTION 7. Closing Conditions. The Representative has entered into this Contract of Purchase on behalf of itself and the other Underwriters in reliance upon the representations, warranties and agreements of the County contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the County of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters' obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the Notes shall be conditioned upon the performance by the County of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the County contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, the Resolution and the Certificate shall be in full force and effect and shall not have been amended, modified or supplemented; and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative in accordance with Section 4(b)(iii) hereof;

(c) At the time of the Closing, all official action of the County relating to this Contract of Purchase, the Resolution, the Certificate, the Trust Agreement, and the Notes, shall be in full force and effect and shall not have been amended, modified or supplemented, and the Representative shall have received, in appropriate form, evidence thereof;

(d) At the time of the Closing, there shall not have occurred any material change to the condition, financial or otherwise, or in the earnings or operations of the County, nor shall the Board of Supervisors or the Legislature of the State of California have taken official action that would prospectively result in a change in the condition, financial or otherwise, or in the earnings or operations of the County from that set forth in the Official Statement that shall have a material and adverse effect and that makes it, in the reasonable judgment of the Representative, impracticable to market the Notes on the terms and in the manner contemplated in the Official Statement; and

(e) At or prior to the Closing, the Representative shall have received copies of each of the following documents:

(i) The Official Statement, and each supplement or amendment, if any, thereto;

(ii) A certified copy of the Resolution and an original of the Certificate, each having been duly adopted by the Board of Supervisors or executed by the County and as being in full force and effect, with such supplements or amendments as may have been agreed to by the Representative acting in good faith;

(iii) An approving opinion, dated the date of Closing, of Fulbright & Jaworski L.L.P., Bond Counsel, addressed to the County and on which the Underwriters may rely, substantially in the form attached to the Official Statement as Appendix C;

(iv) A supplemental opinion of Bond Counsel, addressed to the County and the Representative, dated the date of Closing, in substantially the form of Exhibit B hereto;

(v) An opinion, dated the date of Closing, of County Counsel, as counsel to the County and addressed to the Representative, in substantially the form of Exhibit C hereto;

(vi) An opinion, dated the date of Closing, of Hawkins Delafield & Wood LLP, counsel for the Underwriters, addressed to the Representative, in substantially the form of Exhibit D hereto;

(vii) Evidence satisfactory to the Underwriters that the Notes shall have been rated not less than "____" by Moody's Investors Service, "____" by Standard & Poor's, a Standard & Poor's Financial Services LLC business, and "____ by Fitch Ratings, and that none of such ratings has been revoked, suspended or downgraded;

(viii) A Tax Exemption Certificate of the County, in form satisfactory to Bond Counsel, signed by an authorized officer or designee of the County;

(ix) A certificate of the County in substantially the form of Exhibit A hereto;

(x) Evidence that the federal tax information return Form 8038-G has been prepared;

(xi) Evidence of required filings with the California Debt and Investment Advisory Commission;

(xii) Executed copies of the Trust Agreement and the Disclosure Certificate;

(xiii) an opinion of counsel to the Trustee, addressed to the Underwriters and the County, dated the date of Closing, to the effect that: (A) the Trustee is a national association, duly organized and validly existing under the laws of the United States, having full corporate power to undertake the trust created under the Trust Agreement; (B) the Trust Agreement has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the County, the Trust Agreement constitutes the valid, legal and binding obligation of the Trustee enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought; (C) the Trustee's actions in executing and delivering the Trust Agreement are in full compliance with, and do not conflict with any applicable law or governmental regulation and, to the best of such counsel's knowledge, after reasonable inquiry with respect thereto, do not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound; and (D) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the consummation by the Trustee of its obligations under the Trust Agreement;

(xiv) a certificate, dated the date of Closing, signed by a duly authorized official of the Trustee satisfactory in form and substance to the Representative, to the effect that: (A) the Trustee is duly organized and existing as a national association under the laws of the United States, having the full corporate power and authority to enter into and perform its duties under the Trust Agreement; (B) the Trustee is duly authorized to enter into the Trust Agreement and has duly executed and delivered the Trust Agreement, and assuming due authorization and execution by the County, the Trust Agreement is legal, valid and binding upon the Trustee, and enforceable against the Trustee in accordance with its terms; (C) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the consummation by the Trustee of its obligations under the Trust Agreement;

(xv) a preliminary Blue Sky Survey and final Blue Sky Memorandum with respect to the Notes; and

(xvi) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel, the Representative or counsel to the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the County's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the County on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the County.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Contract of Purchase shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative.

If the County shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Notes contained in this Contract of Purchase, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Notes shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and neither the Underwriters nor the County shall be under any further obligation hereunder, except that the respective obligations of the County and the Underwriters set forth in Section 9 hereof shall continue in full force and effect.

SECTION 8. Termination. The Representative shall have the right to terminate in its reasonable judgment the Underwriters' obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the Notes by notifying the County of its election to do so if, after the execution hereof and prior to the Closing, any one of the following shall occur:

(a) legislation shall be enacted by the Congress of the United States or favorably reported out for passage to either House of Congress by any committee of such House, or passed by either House of Congress, or a decision shall have been rendered by a court of the United States or the United States Tax Court, or a ruling shall have been made or a regulation shall have been proposed or made by the Treasury Department of the United States or the Internal Revenue Service, with respect to the federal taxation of interest received on or evidenced by obligations of the general character of the Notes, which, in the opinion of Bond Counsel has, or will have, the effect of making such interest subject to inclusion in gross income for purposes of federal income taxation, except to the extent such interest is intended to be includable in such gross income as of the date hereof;

(b) any action shall have been taken by the U.S. Securities and Exchange Commission or by a court which would require registration of any security under the Securities Act of 1933, as amended, or qualification of the Trust Agreement under the Trust Indenture Act of 1939, as amended, in connection with the public offering of the Notes, or any action shall have been taken by any court or by any government authority suspending the use of the Official Statement or any amendment or supplement thereto, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such authority;

(c) (i) the Constitution of the State shall be amended or an amendment shall qualify for the ballot, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered as to matters of State law, or (iv) any order, ruling or regulation shall have been issued or proposed by or on behalf of the State by an official, agency or department thereof, affecting the tax status of the County, its property or income, its notes or bonds (including the Notes) or the interest thereon, which in the reasonable judgment of the Representative would make it impracticable to market the Notes on the terms and in the manner contemplated in the Official Statement;

(d) (i) trading of any securities representing direct obligations of the County shall have been suspended on any exchange or in any over-the-counter market, or (ii) a general banking moratorium by Federal, New York or California authorities or a general suspension of trading on any national securities exchange shall have been declared or a material disruption in commercial banking or securities settlement or clearances services affecting the Notes shall have occurred, or (iii) a national emergency or war or other crisis shall have been declared by the United States or there shall have occurred any outbreak or escalation of major military hostilities by the United States or any calamity relating to the effective operation of the government or the financial community in the United States which, in the case of any of the events specified in clauses (i) through (iii), either singly or together with any other such event, makes it, in the reasonable judgment of the Representative, impracticable to market the Notes on the terms and in the manner contemplated by the Official Statement, including any supplements or amendments thereto;

(e) there shall have occurred any downgrading, or any notice shall have been given of any intended downgrading, in the rating accorded the Notes by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act of 1933, as amended; or

(f) the New York Stock Exchange or other national securities exchange, or any governmental authority shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in the Notes; or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers, which, in the case any of the events specified in clauses (i) or (ii), either singly or together with any other such event, makes it, in the reasonable judgment of the Representative, impracticable to market the Notes on the terms and in the manner contemplated in the Official Statement, including any supplements or amendments thereto; or

(g) the purchase of and payment for the Notes by the Underwriters, or the resale of the Notes by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission; or

(h) any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Official Statement (other than any statement provided by the Underwriters or pertaining to DTC) or is not reflected in the Official Statement but should be reflected therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, the County refuses a reasonable request to supplement the Official Statement to supply such statement or information or the effect of the amendment to the Official Statement is to materially and adversely affect the market price or marketability of the Notes or the ability of the Underwriters to enforce contracts for the sale of the Notes.

SECTION 9. Expenses.

(a) The Underwriters shall be under no obligation to pay, and the County shall pay, any expenses incident to the performance of the County's obligations hereunder, including, but not limited to (i) the cost of preparation, printing and delivery of the Preliminary Official Statement and the Official Statement; (ii) the cost of preparation and printing of the Notes; (iii) the fees and disbursements of Bond Counsel; (iv) the fees and disbursements of any other experts, consultants or advisers retained by the County; and (v) the fees, if any, for ratings.

(b) The Underwriters shall pay (i) the fees and disbursements of counsel retained by the Representative, including such costs related to the preparation and printing of this Contract of Purchase and the reasonable cost of preparation and printing or duplication of any Blue Sky Survey relating to the Notes; (ii) fees of the California Debt and Investment Advisory Commission; (iii) costs related to on-line securities platforms, CUSIP subscription and DTC fees; and (iv) out-of-pocket and miscellaneous costs of the Representative. The Underwriters shall pay (1) all advertising expenses in connection with the public offering of the Notes; (2) all expenses incurred in qualifying the Notes for sale under state securities laws; and (3) all other expenses incurred by them in connection with the public offering of the Notes.

(c) Even if this Contract of Purchase shall be terminated by the Underwriters because of any failure or refusal on the part of the County to comply with the terms or to fulfill any of the conditions of this Contract of Purchase, or if for any reason the County shall be unable to perform its obligations under this Contract of Purchase, the County will not reimburse the Underwriters for expenses incurred in connection with the authorization and marketing of the Notes.

SECTION 10. Notices. Any notice or other communication to be given to the County under this Contract of Purchase may be given by delivering the same in writing to County of Los Angeles, Office of the Treasurer and Tax Collector, 500 West Temple Street, Room 432, Los Angeles, California 90012, Attention: Treasurer and Tax Collector, and any notice or other communication to be given to the Underwriters under this Contract of Purchase may be given by delivering the same in writing to Wells Fargo Bank, N.A., 707 Wilshire Boulevard, 17th Floor, Los Angeles, California 90017; Attention: David Johnson.

SECTION 11. Parties in Interest. This Contract of Purchase shall constitute the entire agreement between the County and the Underwriters and is made solely for the benefit of the County and the Underwriters (including successors or assigns of any Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. Any remedy which the Underwriters may have at law or in equity by reason of the breach of any representation or warranty of the County made herein shall not expire upon, nor be limited by, (i) delivery of and payment for the Notes pursuant to this Contract of Purchase, (ii) any investigations made by or on behalf of any of the Underwriters or (iii) termination of this Contract of Purchase; provided, however, that such representations and warranties are made only as of the date of this Contract of Purchase and as of the date of the Closing and are not continuing.

SECTION 12. Effectiveness. This Contract of Purchase shall become effective upon the acceptance hereof by the County and shall be valid and enforceable at the time of such acceptance.

SECTION 13. Choice of Law. This Contract of Purchase shall be governed by and construed in accordance with the law of the State of California applicable to contracts made and performed in such State.

SECTION 14. Fiduciary Duty. The County acknowledges and agrees that the purchase and sale of the Notes pursuant to this Contract of Purchase is an arm's-length commercial transaction between the County and the Underwriters and the Underwriters are acting solely as underwriters and principals in connection with the matters contemplated by and all communications under this Contract of Purchase, and are not acting as the agents, fiduciaries, or Municipal Advisors (as defined in Section 15B of the Securities Exchange Act of 1934, as amended) of the County and its advisors in connection with the matters contemplated by this Contract of Purchase. In connection with the purchase and sale of the Notes, the County has consulted its own advisors to the extent it deems appropriate.

SECTION 15. Entire Agreement. This Contract of Purchase, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Contract of Purchase) that relate to the offering of the Notes, represents the entire agreement between the County and the Underwriters with respect to the preparation of the Official Statement, and the conduct of the offering, and the purchase and sale of the Notes.

SECTION 16. Representative Capacity. Any authority, right, discretion or other power conferred upon the Underwriters or the Representative under any provision of this Contract of Purchase may be exercised by the Representative on behalf of the Underwriters, and the County shall be entitled to rely upon any request, notice or statement if the same shall have been given or made by the Representative. The Representative represents that it has been duly authorized by the Underwriters to execute this Contract of Purchase and to act hereunder on their behalf and to take such action as it may deem advisable in respect of all matters pertaining to this Contract of Purchase.

SECTION 17. <u>Severability</u>. If any provision of this Contract of Purchase shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Contract of Purchase invalid, inoperative or unenforceable to any extent whatever.

SECTION 18. <u>Business Day</u>. For purposes of this Contract of Purchase, "business day" means a day other than (i) a Saturday or Sunday or (ii) a day on which commercial banks in Los Angeles, California or New York, New York are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

SECTION 19. <u>Section Headings</u>. Section headings have been inserted in this Contract of Purchase as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Contract of Purchase and will not be used in the interpretation of any provisions of this Contract of Purchase.

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SECTION 20. **<u>Counterparts</u>.** This Contract of Purchase may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

Very truly yours,

WELLS FARGO BANK, N.A.,
on behalf of itself and
BARCLAYS CAPITAL INC.
MORGAN STANLEY & CO. LLC

By: ____
David Johnson
Authorized Representative

AGREED AND ACCEPTED:

This ____ day of June, 2012

COUNTY OF LOS ANGELES

By:_____________________________________
Mark J. Saladino
Treasurer and Tax Collector

APPROVED AS TO FORM:

JOHN F. KRATTLI
Acting County Counsel

By: ____________________________________
Principal Deputy County Counsel

APPENDIX I

UNDERWRITERS

Wells Fargo Bank, N.A.
Barclays Capital Inc.
Morgan Stanley & Co. LLC
[Co-Managers to come.]

EXHIBIT A

FORM OF CERTIFICATE OF THE COUNTY

I, Mark J. Saladino, Treasurer and Tax Collector of the County of Los Angeles, California (the "County"), do hereby certify as follows:

(i) I am a duly qualified and acting representative of the County and as such am familiar with the facts herein certified and am authorized and qualified to certify the same;

(ii) I am acting on behalf of the County solely in my official capacity, and not in any personal capacity whatsoever;

(iii) All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Contract of Purchase relating to the Notes, dated [Pricing Date] (the "Contract of Purchase"), by and between the County and Wells Fargo Bank, N.A., as Representative of the Underwriters named therein;

(iv) To the best of my knowledge, the County's Official Statement dated [Pricing Date] (together with all appendices thereto, any documents incorporated therein by reference, and as disseminated in its printed physical form or in electronic form materially consistent with such physical form, but excluding any information relating to The Depository Trust Company, New York, New York and information under the caption "UNDERWRITING", the "Official Statement"), delivered pursuant to the Contract of Purchase, as of its date and as of the date hereof does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) The Notes, together with interest thereon, will be payable from taxes, income, revenue, cash receipts and other moneys of the County attributable solely to Fiscal Year 2012-13 and legally available for payment thereof. Pursuant to the Resolution adopted by the Board of Supervisors of the County on May __, 2012 (the "Resolution") authorizing the issuance and sale of the Notes, the County has pledged as security for the Notes unrestricted taxes, income, revenue, cash receipts and other moneys totaling the aggregate principal amount of the Notes, together with an amount sufficient to pay the interest thereon, subject only to the provisions of the Resolution and the "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes" (the "Certificate"). The amount of taxes, income, revenue, cash receipts and other moneys so pledged to secure the payment of the Notes is specified in the Resolution. Pursuant to the Act, the Resolution creates a valid pledge of and lien on the taxes, income, revenue, cash receipts and other moneys specified therein to pay the Notes and the interest thereon. The Notes are by statute general obligations of the County and, to the extent not paid from the Pledged Moneys (as defined in the Certificate), shall be paid from any other moneys of the County attributable to Fiscal Year 2012-13 and lawfully available therefor;

(vi) The County has complied in all respects with the Act and has complied with and satisfied all the agreements and conditions on its part to be complied with or satisfied at or prior to the date of Closing pursuant to the Contract of Purchase, the Certificate and the Resolution; and

(vii) To the best of my knowledge, since the date of the Official Statement, there has been no material adverse change in the condition, financial or otherwise, of the County.

IN WITNESS WHEREOF, I have hereunto set my hand this 2nd day of July, 2012.

COUNTY OF LOS ANGELES

By:____
Mark J. Saladino
Treasurer and Tax Collector

EXHIBIT B

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

July __, 2012

Board of Supervisors
County of Los Angeles
500 West Temple Street
Los Angeles, California 90012

Wells Fargo Bank, N.A.,
as Representative of the Underwriters
707 Wilshire Boulevard, 17th Floor
Los Angeles, California 90017

Re: $_________ County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes
Ladies and Gentlemen:

We have acted as Bond Counsel for the County of Los Angeles in connection with the issuance by the County of $_________ aggregate principal amount of the County's 2012-13 Tax and Revenue Anticipation Notes, including $__________ aggregate principal amount of the County's 2012-13 Tax and Revenue Anticipation Notes, Series A, $___________ aggregate principal amount of the County's 2012-13 Tax and Revenue Anticipation Notes, Series B and $__________ aggregate principal amount of the County's 2012-13 Tax and Revenue Anticipation Notes, Series C (collectively, the "Notes"), issued pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the Government Code of the State of California and Resolution No. _________ adopted by the Board of Supervisors of the County on _________, 2012 (the "Resolution"), as well as the terms of that certain Financing Certificate, dated July 2, 2012, and delivered by the County (the "Financing Certificate"). We have delivered our final approving opinion respecting the Notes this date.

All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in that certain Contract of Purchase, dated June __, 2012 (the "Contract of Purchase"), by and between Wells Fargo Bank, N.A., as representative of the underwriters (the "Underwriters"), and the County.

We have examined such instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the authentic original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents, including the Tax Exemption Certificate of the County (the "Tax Certificate"), dated as of the date hereof, and the statement of reasonable expectations of future events set forth in such Tax Certificate.

On the basis of the foregoing examination, and in reliance thereon, and our consideration of such questions of law as we have deemed relevant in the circumstances, we are of the opinion on the date of this letter that:

(i) the Contract of Purchase and the Trust Agreement have been duly executed and delivered by the County and are valid and binding agreements of the County, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against counties in the State and except that no opinion is expressed with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability;

(ii) the statements contained in the Official Statement in the sections thereof entitled "THE NOTES," "Summary of Certain Provisions of the Resolution, the Financing Certificate and the Trust Agreement" and "TAX MATTERS," and the Appendix containing our form of approving opinion, excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Notes, the Resolution, the Financing Certificate and the Trust Agreement and the form and content of our approving opinion, are accurate in all material respects; and

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

This opinion is furnished by us to you solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Respectfully submitted,

EXHIBIT C

FORM OF OPINION OF COUNSEL TO THE COUNTY

July 2, 2012

Wells Fargo Bank, N.A.
as Representative of the Underwriters
Los Angeles, California

Re: $[Principal Amount] County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes

Ladies and Gentlemen:

This opinion is rendered by us as counsel to the County of Los Angeles (the "County") in accordance with the requirements of Section 7(e)(v) of the Contract of Purchase dated [Pricing Date] (the "Contract of Purchase"), by and between the County and Wells Fargo Bank, N.A., on behalf of itself and as representative of the underwriters set forth in the Contract of Purchase (together, the "Underwriters") relating to the Notes, with respect to $[Principal Amount] aggregate principal amount of County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes (the "Notes").

The Notes are issued pursuant to a resolution of the Board of Supervisors of the County adopted on May __, 2012, entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $[Not to Exceed Amount]" (the "Resolution") and the document entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes," (as referred to in the Resolution, the "Certificate"). In addition, in connection with the issuance of the Notes the County will enter into the Trust Agreement, dated as of July 2, 2012 (the "Trust Agreement"), by and between the County and [Trustee] (the "Trustee").

In rendering this opinion, we have examined the Resolution, the Certificate, the Trust Agreement, the Contract of Purchase and such other documents, records and instruments and made such investigations of law and fact as we have deemed necessary to render the opinions expressed herein.

Based upon the foregoing, and solely with regard to the laws of the State of California (the "State"), we are of the opinion that:

1. The County is a political subdivision duly organized and validly existing under the Constitution and the laws of the State, and has taken all action required to be taken by it to authorize the issuance and delivery of the Notes. The County has full legal right, power and authority to conduct its business, to execute and deliver the Contract of Purchase, the Trust Agreement and the Certificate, to adopt the Resolution, to issue and deliver the Notes to the Underwriters (as named and defined in the Contract of Purchase), and to perform all of its obligations under, and to carry out and effectuate the transactions contemplated by, the Resolution, the Certificate, the Trust Agreement, the Notes and the Contract of Purchase. No authorization, consent, approval, order, filing, registration, qualification, election or referendum, of or by any State person, organization, court or governmental agency or public body whatsoever, which has not been obtained or made, is required for such issuance, execution, delivery or performance or the consummation of the other transactions effected or contemplated in or by the Contract of Purchase, the Trust Agreement or the Certificate by the

County, except for such actions may be necessary to be taken to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of any state or jurisdiction of the United States, as to which no opinion is expressed.

2. The issuance of the Notes and the execution, delivery and performance of the Contract of Purchase, the Certificate, the Resolution, the Trust Agreement and the Notes, and the delivery of the Official Statement of the County dated [Pricing Date] relating to the Notes, by the County have been duly authorized, and the issuance of the Notes, the execution, delivery and performance of the Contract of Purchase, the Certificate, the Trust Agreement, the Resolution and the Notes, and compliance with the provisions thereof (a) do not in any material respect conflict with or constitute on the part of the County a violation of or default under the Constitution of the State or any existing State law, charter, ordinance, regulation, decree, order or resolution and do not in any material respect conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the County is a party or by which it is bound or to which it is subject, and (b) do not result in the creation or imposition of any lien or encumbrance, other than as created by the Resolution, the Trust Agreement and the Certificate.

3. The County has duly authorized the consummation by it of all transactions contemplated by the Contract of Purchase and the Certificate.

4. The Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect.

5. Each of the Contract of Purchase, the Trust Agreement and the Certificate was duly authorized, executed and delivered by the County and the Contract of Purchase (assuming due authorization, execution and delivery by the Representative), the Trust Agreement (assuming due authorization, execution and delivery by the Trustee), the Certificate, the Resolution and the Notes constitute legal, valid and binding obligations of the County, enforceable against the County in accordance with their respective terms.

6. To the best of our knowledge, no action, suit, proceeding, inquiry or investigation is pending in which service of process has been completed or threatened against the County: (a) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues or assets of the County pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, the Contract of Purchase, the Trust Agreement, the Certificate or the Resolution, or contesting the powers of the County or its authority with respect to the Notes, the Resolution, the Certificate, the Trust Agreement or the Contract of Purchase; or (b) in which a final adverse decision could (i) materially adversely affect the consummation of the transactions contemplated by the Contract of Purchase, the Certificate or the Resolution, or (ii) declare the Contract of Purchase, the Trust Agreement or the Certificate to be invalid or unenforceable in whole or material part.

With respect to the opinions we have expressed, the enforceability of the rights and obligations under the Contract of Purchase, the Resolution, the Certificate, the Trust Agreement and the Notes may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, by the application of equitable principles, if equitable remedies are sought, and by limitations on legal remedies imposed in actions against counties in the State. We express no opinion as to the availability of equitable remedies in connection with enforcement of the Contract of Purchase, the Resolution, the Certificate, the Trust Agreement or the Notes.

Very truly yours,

By: ___________________________________
John F. Krattli
Acting County Counsel

EXHIBIT D

FORM OF OPINION OF COUNSEL TO THE UNDERWRITERS

July 2, 2012

Wells Fargo Bank, N.A.
Los Angeles, California
as representative of the Underwriters named in
the Contract of Purchase referred to herein

Ladies and Gentlemen:

In connection with the execution and delivery of the County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes, Series A, 2012-13 Tax and Revenue Anticipation Notes, Series B, and 2012-13 Tax and Revenue Anticipation Notes, Series C (collectively, the "Notes"), which are being delivered to you as representatives of the underwriters (the "Underwriters") today pursuant to the Contract of Purchase dated [Pricing Date] (the "Purchase Contract"), by and between you and the County of Los Angeles (the "County"), we, in our representation of the Underwriters, have examined and relied upon the following:

(a) A resolution adopted by the Board of Supervisors of the County on May __, 2012, and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $[Not to Exceed Amount]" (the "Resolution");

(b) The Financing Certificate of the Treasurer and Tax Collector of the County entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes" (the "Certificate");

(c) Executed copies of the opinions of Fulbright & Jaworski L.L.P. ("Bond Counsel") delivered to you pursuant to the Purchase Contract;

(d) An executed copy of the opinion of the County Counsel, delivered to you pursuant to the Purchase Contract;

(e) An executed copy of the Official Statement related to the Notes, dated [Pricing Date] (the "Official Statement"); and

(f) Executed copies of the certificates and other opinions of counsel delivered pursuant to the Purchase Contract.

In addition, we have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such other documents, instruments or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion.

In accordance with our understanding with you, we rendered legal advice and assistance to you in the course of your investigation pertaining to, and your participation in the preparation of, the Official Statement and the issuance and sale of the Notes, and such assistance involved, among other things, discussions and inquiries concerning various legal and related subjects, and reviews of and reports on certain documents and proceedings. We also participated in personal and telephone conferences with your representatives, representatives of the County and Bond Counsel during which the contents of the Official Statement and related matters were discussed and reviewed.

The limitations inherent in the independent verification of factual matters and the character of determinations involved in the preparation of the Official Statement are such, however, that we have necessarily assumed the accuracy, completeness and fairness of and take no responsibility for any of the statements made in the Official Statement. We have also assumed but have not independently verified that the signatures on all documents and certificates that we examined were genuine.

On the basis of the information developed in the course of the performance of the services referred to above, considered in the light of our understanding of the applicable law and the experience we have gained through our practice thereunder, we are of the opinion, subject to the limitations expressed herein, that as of the date hereof, we have no reason to believe that the Official Statement as of its date contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (other than the information under the captions “Tax Matters” and “Book-Entry Only System,” and any financial, demographic, economic and statistical information contained in the Official Statement, including as set forth in Appendix A – “The County of Los Angeles Information Statement,” as to all of which we express no opinion) or that the Official Statement as of the date hereof (except as aforesaid) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

In addition, we are of the opinion that the Notes are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

This letter is solely for your benefit as Underwriters and it is not to be used, circulated, quoted or otherwise referred to for any purpose other than the offering of the securities covered by the Official Statement and may not be relied upon without our express written permission, except that references may be made to it in the Purchase Contract or in any list of closing documents pertaining to the delivery of the Notes.

Very truly yours,

EXHIBIT E

Series	**Maturity Date**	**Principal Amount**	**Interest Rate**	**Yield**
Series A				
Series B				
Series C				

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 23, 2012

NEW ISSUE – BOOK ENTRY ONLY

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

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Notes is exempt from personal income taxes of the State of California and, assuming compliance by the County with the covenants described herein, interest on the Notes is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. See, however, "TAX MATTERS" herein.

$1,100,000,000*
COUNTY OF LOS ANGELES
2012-13 Tax and Revenue Anticipation Notes

MATURITY SCHEDULE*

Series	Maturity Date	Principal Amount	Interest Rate	Yield	CUSIP Number
Series A					
Series B					
Series C					

Dated: July 2, 2012 **Due: As set forth above**

The County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes"), 2012-13 Tax and Revenue Anticipation Notes, Series B (the "Series B Notes") and 2012-13 Tax and Revenue Anticipation Notes, Series C (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, the "Notes") will be issued in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will bear interest from their dated date at the respective fixed rates per annum specified above and will be priced as set forth above. Principal of and interest on each series of the Notes are payable on the respective maturity dates thereof directly to DTC by the Paying Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Notes. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

The Notes are being issued to provide moneys to help meet Fiscal Year 2012-13 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County of Los Angeles (the "County"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on [Resolution Date] (the "Resolution") and a Financing Certificate entitled, "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the County, payable only from unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2012-13 and lawfully available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES – Security for the Notes" and "- Parity Obligations" herein.

The Notes are not subject to redemption prior to maturity.

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

The Notes will be offered when, as and if issued and received by the Underwriters (herein defined), subject to the approval of legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, and the approval of certain legal matters for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed upon for the County by County Counsel. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 2, 2012.

Wells Fargo Securities

Barclays
[Co-Managers]

Morgan Stanley
[Co-Managers]

Dated: June __, 2012.

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* Preliminary; subject to change.

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES

2012-13 TAX AND REVENUE
ANTICIPATION NOTES

BOARD OF SUPERVISORS

Zev Yaroslavsky
Third District, Chairman

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Sachi A. Hamai
Executive Officer-Clerk
Board of Supervisors

COUNTY OFFICIALS

William T Fujioka
Chief Executive Officer

John F. Krattli
Acting County Counsel

Wendy L. Watanabe
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters. 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 Notes, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement 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 a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREIN AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

$1,100,000,000*
COUNTY OF LOS ANGELES
2012-13 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

General

The purpose of this Official Statement, which includes the front cover and the attached appendices, is to provide certain information concerning the sale and delivery by the County of Los Angeles, California (the "County") of $_________* in aggregate principal amount of 2012-13 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes"), $_________* in aggregate principal amount of 2012-13 Tax and Revenue Anticipation Notes, Series B (the "Series B Notes") and $_________* in aggregate principal amount of 2012-13 Tax and Revenue Anticipation Notes, Series C (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, the "Notes") of the County. The Notes will be issued as fixed rate notes bearing interest at the respective rates and maturing on the respective dates set forth on the cover page of this Official Statement. Issuance of the Notes will provide moneys to help meet Fiscal Year 2012-13 County General Fund expenditures attributable to the General Fund of the County (the "General Fund"), including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on [Resolution Date] and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $[Not to Exceed Amount]" (the "Resolution"). The Notes will be issued subject to the terms and conditions of a Financing Certificate of the Treasurer and Tax Collector of the County (the "Treasurer") entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. Pursuant to California law, the Notes and the interest thereon will be general obligations of the County payable from the unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2012-13 and lawfully available therefor as specified in the Resolution and the Financing Certificate. See "THE NOTES – Security for the Notes." The County is not authorized, however, to levy or collect any tax for the repayment of the Notes.

The Series A Notes, the Series B Notes and the Series C Notes are parity obligations payable from Pledged Moneys (herein defined), as described herein. See "THE NOTES – Parity Obligations" herein.

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* Preliminary; subject to change.

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 certain financial, 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."

COUNTY OF LOS ANGELES CASH MANAGEMENT PROGRAM

The County implemented a cash management program in 1977 to finance General Fund cash flow shortages occurring periodically during its fiscal year (July 1 through June 30). In each year since the program's inception, the County has sold either tax anticipation notes or tax and revenue anticipation notes (including commercial paper notes) in annual aggregate amounts up to $1,850,000,000. The Resolution authorizes the County to issue and sell up to $[Not to Exceed Amount] aggregate principal amount of its 2012-13 Tax and Revenue Anticipation Notes.

In addition to the Notes and other obligations which may be issued pursuant to the Act, certain funds held in trust by the County until apportioned to the appropriate agency are available to the County for intrafund borrowings. In addition, while it does not expect to do so, the County may undertake interfund borrowing to fund shortages in the General Fund. The County reserves the right to undertake such a borrowing under the Resolution. See "THE NOTES – Security for the Notes," "– Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Cash Management Program."

THE NOTES

General

The Notes will be issued in the aggregate principal amount of $1,100,000,000*. The Notes will be issued in book-entry only form and, when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing their ownership interests in the Notes purchased. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated July 2, 2012, will mature on the respective dates set forth on the cover page of this Official Statement and will be issued in fully registered form. The Notes are not subject to redemption prior to their respective maturities.

The Notes will be issued in denominations of $5,000 and any integral multiple thereof ("Authorized Denominations") and will bear interest at the rates set forth on the cover page hereof. Interest on the Notes will be payable at their stated maturity dates and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Principal and interest will be payable in

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* Preliminary; subject to change.

immediately available funds upon presentation and surrender of the Notes at the office of [Trustee] (the "Trustee"), who is serving as the Trustee, Note Registrar, and Paying Agent with respect to the Notes.

Authority for Issuance

The Notes are being issued under the authority of the Act and pursuant to the Resolution and are subject to the terms and conditions of the Financing Certificate.

Purpose of Issue

Issuance of the Notes will provide moneys to help meet Fiscal Year 2012-13 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County. The proceeds of the Notes may be invested in Permitted Investments, as set forth under "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE - Permitted Investments." The County expects to invest proceeds of the Notes in the Pooled Surplus Investments Fund of the County Treasury Pool (the "Treasury Pool") until expended. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Financial Summary – *Los Angeles County Pooled Surplus Investments*."

Security for the Notes

The Series A Notes, the Series B Notes and the Series C Notes will be issued under and pursuant to the Resolution and the Financing Certificate and will be ratably secured by a pledge of "Pledged Moneys" as follows:

(a) the first $_________ of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after _________ plus (2) an amount equal to the interest that will accrue on the Notes of any series;

(b) the first $_________ of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after _________;

(c) the first $_________ of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after _________;

(d) the first $_________ of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after _________; and

(e) the first $_________ of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2012-13 to be received by the County on and after _________.

Pursuant to Section 53856 of the Act, the Notes and the interest thereon will be a lien and charge against and will be payable from such Pledged Moneys. In addition to Pledged Moneys, pursuant to Section 53857 of the Act, the Notes will be general obligations of the County, and to the extent not payable from Pledged Moneys, shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. See “THE NOTES – Available Sources of Payment.” The County is not authorized to levy or collect any tax for the repayment of the Notes.

In accordance with the terms of the Resolution and the Financing Certificate, the County Auditor-Controller (the “Auditor-Controller”) will transfer the Pledged Moneys to the Trustee for deposit into the 2012-13 TRANs Repayment Fund (the “Repayment Fund”) established by the Trustee under the Trust Agreement, dated July 2, 2012 (the “Trust Agreement”), by and between the County and the Trustee. Pledged Moneys for the payment of the Notes will be deposited into the Notes Repayment Fund in the amount and at the times described above. The Trustee will hold such Pledged Moneys in trust for the benefit of Holders until the Notes are paid. The Resolution provides that such amounts may not be used for any other purpose and may be invested in Permitted Investments (herein defined). Interest on amounts in the Notes Repayment Fund will be credited to the General Fund. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE – Permitted Investments.”

As more particularly described under the heading “THE NOTES - Interfund Borrowing, Intrafund Borrowing and Cash Flow,” the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. While the County does not expect to undertake any such interfund borrowing, Section 6 of Article XVI of the California Constitution requires that any such borrowing be repaid from revenues before any other obligation of the County (including the Notes) is paid from such revenues.

Available Sources of Payment for the Notes

The Notes, in accordance with State law, are general obligations of the County, and to the extent not paid from the taxes, income, revenue, cash receipts and other moneys of the County pledged for the payment thereof shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. The County is not authorized to levy or collect any tax for repayment of the Notes. Pursuant to the Act, no obligations, including the Notes, may be issued thereunder if the principal of and interest on such obligations is in excess of 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts and other moneys which will be available for the payment of such principal and interest. See “THE NOTES – Security for the Notes.”

The County estimates that the total unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County during Fiscal Year 2012-13 (the “Unrestricted Revenues”) to be available for payment of the principal of and interest on the Notes, including the Pledged Moneys, will be in excess of $___ billion, as indicated in the table below. Except for Pledged Moneys, the Unrestricted Revenues will be expended during the course of Fiscal Year 2012-13, and no assurance can be given that any moneys, other than the Pledged Moneys, will be available to pay the Notes and the interest thereon.

To the extent that the Unrestricted Revenues are insufficient to pay the Notes, the County may access certain borrowable resources in order to satisfy its payment obligations. See the table entitled “County of Los Angeles Projected Borrowable Resources – Fiscal Year 2012-13” on pages [15-16] for a detailed summary of the borrowable resources which the County currently projects to be available for Fiscal Year 2012-13. Such amounts are not pledged for payment of the Notes and the interest thereon. The amount of borrowable resources actually available will depend on a variety of factors, including the final form of the County's 2012-13 Budget, when adopted, the County's actual revenues and expenditures, and actions by the State of California which could materially impact the County's expenses and revenues.

COUNTY OF LOS ANGELES
ESTIMATED GENERAL FUND UNRESTRICTED REVENUES
FISCAL YEAR 2012-13 (1)
(In Thousands)

SOURCES:	AMOUNT
Property Taxes	
Other Taxes	
Homeowner's Exemptions	
Motor Vehicle (VLF) Realignment	
Fines, Forfeitures and Penalties	
Licenses, Permits and Franchises	
Charges for Services	
Investment and Rental Income	
Miscellaneous Revenue and Tobacco Settlement	
Total:	
Less amount pledged for payment of the Notes(2):	
Net total in excess of Pledged Moneys:	

(1) Reflects revenues set forth in the projected cash flow for Fiscal Year 2012-13. Information subject to change to reflect the impact of any revisions to the 2012-13 State Budget and other matters. See "THE NOTES – State of California Finances" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT".

(2) Based on $1,100,000,000* aggregate principal amount of Notes, plus an amount equal to the estimated interest thereon.

State of California Finances

***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 2012-13 State Budget (the "2012-13 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 2012-13 State Budget on the County's financial outlook. In the event the 2012-13 State Budget includes 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."

***Governor's Proposed 2012-13 State Budget*.** On January 5, 2012, Governor Brown released his 2012-13 Proposed Budget (the "Proposed 2012-13 State Budget"), which estimates that, without corrective action, the State will end Fiscal Year 2012-13 with a $9.2 billion deficit consisting of a $4.1 billion State General Fund deficit through the end of Fiscal Year 2011-12 (rather than the $1.5 billion reserve balance assumed in the 2011-12 State Budget Act) and a $5.1 billion excess of expenditures over revenues for Fiscal Year 2012-13. The Proposed 2012-13 State Budget proposes $10.3 billion in expenditure reductions and increased revenues (including a temporary increase in

* Preliminary; subject to change.

income and sales taxes proposed for the November 2012 ballot (the "2012 Tax Initiative")) to balance the State's budget for Fiscal Year 2012-13 and to rebuild a reserve. Assuming the passage of the 2012 Tax Initiative, the Proposed 2012-13 State Budget estimates Fiscal Year 2012-13 revenues and transfers of $95.4 billion, total expenditures of $92.6 billion and a year-end surplus of $1.9 billion (net of the negative $985 million prior-year State General Fund balance). The Proposed 2012-13 State Budget allocates the projected surplus to the reserve for the liquidation of encumbrances ($719 million) and the special fund for economic uncertainties ($1.1 billion).

As noted, the Fiscal Year 2012-13 Proposed State Budget relies in part on passage of the 2012 Tax Initiative, pursuant to which the personal income tax rates for certain high-income earners would increase for five years (2012 through 2016) and State sales and use tax would increase by one-half percent for four years (2013 through 2016). The Proposed 2012-13 State Budget projects that 2012 Tax Initiative, if approved, would generate approximately $6.9 billion through Fiscal Year 2012-13 and generate billions of dollars per year until its expiration. The additional taxes would be deposited into the State's General Fund to pay for Proposition 98 school funding obligations and certain State programs. In the event the Governor's 2012 Tax Initiative fails to pass, the Proposed 2012-13 State Budget specifies approximately $5.4 billion in expenditure reductions in, among other things, education (accounting for 90% of the targeted reductions) and judicial branch appropriations. The Governor notes that the implementation of many of the proposals contained in the Proposed 2012-13 State Budget will require additional time before savings are accrued, and additional expenditure reductions may be needed.

May Revision to the 2012-13 Proposed State Budget. [To be incorporated when available.]

Impact of Fiscal Year 2012-13 State Budget on the County. [To be incorporated when available.] See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – 2012-13 Proposed Budget."

Additional Information. The Governor may release additional details of the proposals or updates to the Governor's Proposed 2012-13 State Budget and May Revision. Information about the State Budget is regularly available at various State-maintained websites. Text of the State 2012-13 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 or the Underwriters, and the County and the Underwriters take 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.

Interfund Borrowing, Intrafund Borrowing and Cash Flow

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax installment payment dates in December and April and as a result of delays in payments from other governmental agencies, the two largest sources of County revenues. As a result, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution and intrafund borrowings. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. By contrast, "intrafund borrowing" is borrowing for General Fund purposes against funds held in trust by the County. See the table entitled "County of Los Angeles Borrowable Resources – Fiscal Year 2012-13" on pages [15-16] for the County's projection of the borrowable resources expected to be available to the County for purposes of Intrafund Borrowing.

Because General Fund interfund borrowings caused disruptions in the County's management of the General Fund's pooled investments, beginning in 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing. All notes issued in connection with the County's cash management program, with the exception of $500,000,000 in aggregate principal amount of tax and revenue anticipation notes issued in Fiscal Year 2011-12 and due June 29, 2012, have been repaid on their respective maturity dates. Sufficient revenues have been reserved in a repayment fund held by the related trustee, separate from the General Fund, to repay the outstanding 2011-12 Tax and Revenue Anticipation Notes due on June 29, 2012.

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover General Fund cash needs, including projected year-end cash requirements, if any. Should the County find it necessary to resort to interfund borrowing, then such borrowing, pursuant to the California Constitution, may not occur after the last Monday in April of each year and shall 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.

CERTAIN HISTORICAL AND PROJECTED INFORMATION RELATING TO CASH BALANCES AND CASH FLOW

In connection with its annual tax and revenue anticipation notes financings, the County has historically prepared cash flow forecasts based on expected revenues and expenditures for the upcoming fiscal year. To determine the appropriate amount of Notes to issue, the County has also reviewed historical balances in its General Fund and prepared estimates of borrowable resources available for intrafund borrowing. With respect to the Notes, the County has prepared the following information:

- A five-year historical summary of month-end cash balances in the General Fund;
- A five-year historical summary of average daily balances in the various funds that account for the County's borrowable resources;
- A detailed cash flow projection for Fiscal Year 2012-13 based on the 2012-13 Recommended Budget adopted by the Board of Supervisors on April 17, 2012 (the "2012-13 Recommended Budget"); and
- A detailed projection of average daily balances for Fiscal Year 2012-13 for all funds expected to be available as borrowable resources.

The projected information relating to cash flow and borrowable resources has been prepared by the County based on historical information, as well as the County's analysis of expected revenues and expenses for Fiscal Year 2012-13. [To be revised based on County projections.] [For the second consecutive year, the County is projecting a negative cash balance at fiscal year-end (as referenced below, the County no longer anticipates ending Fiscal Year 2010-11 in a negative cash position). To cover this negative balance in the General Fund on June 30, 2012, the County expects to utilize intrafund borrowing in an amount currently estimated at $221 million. Following use of this intrafund borrowing, the ending cash balance in the General Fund is projected at $5 million on June 30, 2012; whereas the ending balance of borrowable resources is estimated to be approximately $1.17 billion.]

The use of intrafund borrowing to cover negative balances in the General Fund is a regular practice and has been administered by the County on ___ occasions during the initial 11 months of Fiscal Year 2011-12. The legality of this practice was decided and affirmed in May 1999 by the California Court of Appeals in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County et al.* The funds available as borrowable resources, and as reviewed by the court in 1999, remain largely unchanged to this day and consist primarily of property tax collections and monies in transit. Such funds are held in trust by the County prior to being distributed to the various taxing agencies and governmental units within the County. The General Fund itself is a major recipient of these "monies in transit" and ultimately receives more than 30% of all borrowable resources. The County has chosen not to classify such monies as General Fund receipts until they are actually moved from trust and into the General Fund. If such monies were classified as General Fund deposits when first received by the County, the cash balance in the General Fund would be materially greater throughout the fiscal year.

Although the County believes its Fiscal Year 2012-13 projections are reasonable, the cash flow and borrowable resources will depend on a variety of factors, including the final County Budget, actual revenues and expenses, the impact on the County of State budgetary actions, and other factors. In constructing cash flow forecasts for prior issuances of tax and revenue anticipation notes, the County has historically been conservative in its projections. [Since Fiscal Year 1990-91, the County has exceeded its year-end cash projections in 20 of 21 years, and has done so by an average of more than $470 million. For June 30, 2012, the County now projects that its cash balance will be [$644] million greater than the original May [2011] forecast of negative [$443] million, ending the current fiscal year at a positive [$201] million. There can be no assurances that actual results for Fiscal Year 2012-13 will not materially differ from the projections.] [To be revised based on County projections.]

GENERAL FUND
MONTH-END CASH BALANCES
FISCAL YEARS 2007-08 THROUGH 2011-12
(In Thousands) [1]

	2007-08[2]	2008-09[2]	2009-10	2010-11	2011-12
July	$ 1,310,827	$ 993,620	$ 1,594,708	$ 1,438,648	$ 1,522,684
August	1,039,992	499,949	1,086,472	1,097,190	1,319,842
September	693,820	378,335	841,446	529,972	909,737
October	366,482	(128,888)[3]	674,134	64,668	419,044
November	143,446	(372,232)[3]	274,995	(90,485)[3]	229,984
December	591,902	29,299	531,471	321,576	440,436
January	1,150,831	557,595	594,512	484,230	511,073
February	1,130,552	374,935	214,654	150,599	182,090
March	745,555	177,162	(169,894)[3]	(228,785)[3]	(272,434)
April	1,158,020	663,772	(90,175)[3]	(128,164)[3]	
May	1,589,763	1,243,173	427,453	628,637	[4]
June	1,492,772	1,101,527	727,013	568,002	[4]

(1) Month-end balances include the effects of short-term note issuance net of deposits to the repayment funds relating to the short-term notes. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – FINANCIAL SUMMARY."

(2) Reflects $400 million prepayment of pension benefits from the County General Fund to the Los Angeles County Employees Retirement Association in July 2007 and July 2008.

(3) Certain monthly periods reflect negative cash balances. The borrowable resources available to provide coverage for the deficits are set forth on Page [11] and in APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – FINANCIAL SUMMARY."

(4) Estimated.

BORROWABLE RESOURCES
AVERAGE DAILY BALANCES
FISCAL YEARS 2007-08 THROUGH 2011-12
(In Thousands)

	2007-08	2008-09	2009-10	2010-11	2011-12
July	$1,408,109	$1,449,867	$1,420,434	$1,283,246	$ 1,321,951
August	1,281,446	1,307,316	1,284,825	1,120,676	1,069,843
September	1,307,395	1,387,006	1,380,364	1,181,379	1,142,594
October	1,744,752	1,789,166	1,593,076	1,518,338	1,449,921
November	2,815,291	2,828,342	2,666,134	2,708,336	2,695,445
December	4,183,806	4,103,779	4,208,793	4,786,668	4,649,489
January	2,808,392	2,920,061	3,034,051	3,075,273	3,109,882
February	1,937,757	1,883,994	1,950,985	1,814,620	1,854,014
March	1,936,527	1,907,666	1,978,821	1,942,634	
April	3,246,764	3,764,005	4,138,361	4,225,923	
May	2,456,582	2,493,518	2,517,362	2,599,025	[1]
June	1,488,204	1,436,908	1,333,070	1,318,666	[1]

(1) Estimated.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION, THE FINANCING CERTIFICATE AND THE TRUST AGREEMENT

The following is a summary of certain provisions of the Resolution, the Financing Certificate and the Trust Agreement. This summary is not to be considered a full statement of the terms of the Resolution, the Financing Certificate or the Trust Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Official Statement without definition have the respective meanings set forth in the Financing Certificate and the Trust Agreement.

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Notes authorized to be issued under the Resolution by those who will own the Notes from time to time, the Resolution constitutes a contract between the County and the Holders of the Notes; and the pledge made in the Resolution and the Financing Certificate and the covenants and agreements contained in the Resolution, the Financing Certificate and the Trust Agreement to be performed by and on behalf of the County will be for the equal benefit, protection and security of the Holders of any and all of the Notes, all of which, regardless of the maturity or maturities, will be of equal rank without preference, priority or distinction of any of the Notes over any other thereof.

Covenants of the County

The County covenants under the Financing Certificate that it will not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to its Fiscal Year 2012-13 in an amount which, when added to the interest payable thereon, shall exceed 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts, and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the County covenants to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended, necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes in that the County agrees to comply with the covenants contained in, and the instructions given pursuant to, the Tax Exemption Certificate (the "Tax Certificate") prepared for the County by Bond Counsel, as such Tax Certificate may be amended from time to time. The County further covenants that it will make all calculations relating to any rebate of excess investment earnings on the Note proceeds due to the United States Department of the Treasury in a reasonable and prudent fashion and will segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of the Treasury.

Notwithstanding any other provision of the Financing Certificate to the contrary, upon the County's failure to observe, or refusal to comply with, the foregoing tax covenants, the Holders of the Notes, and any adversely affected former Holders of the Notes, will be entitled to exercise any right or remedy provided to the Holders under the Financing Certificate.

Trustee, Paying Agent and Note Registrar

Pursuant to the Trust Agreement, the County has appointed the Trustee as Paying Agent and Note Registrar. The Paying Agent may at any time resign and be discharged of the duties and obligations created by the Financing Certificate by giving at least 60 days' written notice to the County. The Paying Agent may be removed at any time by an instrument filed with the Paying Agent and signed by the County. In the event of the resignation or removal of the Paying Agent, the County may appoint a successor Paying Agent in accordance with the terms of the Financing Certificate. A successor Paying Agent will be a commercial bank with trust powers or a trust company organized under the laws of any state of the United States or a national banking association, having capital and surplus aggregating at least $100,000,000. Resignation or removal of the Paying Agent will be effective upon appointment and acceptance of a successor Paying Agent. In no event shall the resignation or removal of the Paying Agent become effective prior to the assumption of such resigning or removed Paying Agent's duties and obligations by a successor Paying Agent.

Negotiability, Transfer and Exchange of the Notes

The Holders of the Notes evidenced by registered certificates may transfer or exchange such Notes upon the books maintained by the Note Registrar, in accordance with the Trust Agreement.

The County and the Paying Agent may deem and treat the Holder of any Note as the absolute owner of such Note, regardless of whether such Note is overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Holder or upon his or her order will satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the County nor the Paying Agent will be affected by any notice to the contrary. Cede & Co., as nominee of DTC, or such other nominee of DTC or any successor securities depository or the nominee thereof, will be the Holder of the Notes as long as the beneficial ownership of the Notes is held in book-entry form in the records of such securities depository. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

Permitted Investments

Moneys on deposit in the Notes Repayment Fund will be retained therein until applied to the payment of the principal of and interest on the Notes. Such amounts may not be used for any other purpose, although they may be invested in Permitted Investments, as defined in the Financing Certificate ("Permitted Investments"), as more fully described below:

(1) Obligations of, or guaranteed as to principal and interest by, the United States of America, or by any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America.

(2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board; (b) the Federal Home Loan Mortgage Corporation; (c) the Federal National Mortgage Association; (d) Federal Farm Credit Bank; (e) Government National Mortgage Association; (f) Student Loan Marketing Association; and (g) guaranteed portions of Small Business Administration notes.

(3) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of $500 million and having "A" or better rating for the issuer's long-term debt as provided by Moody's Investors Service, Inc.

(“Moody’s”), Standard & Poor’s, a Standard & Poor’s Financial Services LLC business (“S&P”), or Fitch Ratings (“Fitch”) and “P-1”, “A-1”, “F1” or better rating for the issuer’s short-term debt, as provided by Moody’s, S&P, or Fitch, respectively. The maximum total par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(4) The Los Angeles County Treasury Pool.

(5) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as “bankers’ acceptances,” having original maturities of not more than 180 days, with a maximum par value of 40% of the total amount held by the Treasurer in accordance with the Financing Certificate. The institution must have a minimum short-term debt rating of “A-1”, “P-1”, or “F1” by S&P, Moody’s, or Fitch, respectively, and a long-term debt rating of no less than “A” by S&P, Moody’s or Fitch.

(6) Shares of beneficial interest issued by diversified management companies, known as money market funds, registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and whose fund has received the highest possible rating from S&P and at least one other nationally recognized securities rating agency. The maximum par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(7) Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the “A” category or better from S&P, Moody’s or Fitch. The maximum par value may be up to 30% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(8) Repurchase agreements which have a maximum maturity of 30 days and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number (2) above. The maximum par value per issuer may not exceed $250,000,000 and the maximum total par value for all such agreements with funds held by the Treasurer under the Financing Certificate may not exceed $500,000,000.

(9) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least “AA” or “Aa2” by S&P or Moody’s, respectively.

Notwithstanding anything within the definition of Permitted Investments to the contrary, so long as S&P maintains a rating on the Notes, to the extent Pledged Moneys are invested in Permitted Investments described in paragraphs (3), (5), (7) or (9) above, such investments must be rated by S&P at the respective S&P ratings described therein.

Repayment Fund held under the Trust Agreement

Under the Trust Agreement, the County shall transfer to the Trustee and the Trustee is directed hereby to deposit in the 2012-13 TRANs Repayment Fund the Pledged Amounts as set forth in the Financing Certificate. The Pledged Moneys shall be invested in Permitted Investments. The Pledged Moneys shall be used to pay the 2012-13 TRANs and the interest thereon when the same shall become due and payable and may not be used for any other purpose; provided that earnings on amounts in the 2012-13 TRANs Repayment Fund shall be deposited as and when received into the General Fund of the County. Any amounts remaining in the 2012-13 TRANs Repayment Fund after repayment of all the 2012-13 TRANs and the interest thereon shall be transferred by the Trustee to any account in the General Fund of the County as the Treasurer or any designee may direct.

Supplemental Resolutions and Supplemental Financing Certificates

The Financing Certificate and the Trust Agreement and certain of the rights and obligations of the County and of the Holders of the Notes may be amended or supplemented pursuant to a supplemental financing certificate executed by the Treasurer in accordance with the provisions of the Financing Certificate (a "Supplemental Financing Certificate") and a supplemental and amendatory trust agreement in accordance with the provisions of the Trust Agreement (a "Supplemental Trust Agreement"), with the written consent of the Holders of at least a majority in principal amount of the Notes outstanding at the time such consent is given; provided, however, that if such supplement or amendment will, by its terms, not take effect so long as any particular Notes remain Outstanding, the consent of the Holders of such Notes will not be required. No such supplement or amendment may (i) permit a change in the terms of maturity of the principal of any Notes or of the interest rate thereon or a reduction in the principal amount thereof without the consent of the Holders of such Notes, or (ii) change the dates or amounts of the pledges set forth in the Financing Certificate with respect to the Notes, as set forth under "THE NOTES - Security for the Notes," or (iii) reduce the percentage of the Holders required to approve such Supplemental Financing Certificate without the consent of all of the Holders of the affected Notes, or (iv) change or modify any of the rights or obligations of the Paying Agent or Trustee without its written consent thereto.

Additionally, a resolution amending the Resolution (a "Supplemental Resolution") may be adopted, or a Supplemental Financing Certificate or Supplemental Trust Agreement may be executed, without the consent of the Holders, (i) to add to the covenants and agreements to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (ii) to add to the limitations and restrictions to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (iii) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution or the Financing Certificate, of any moneys, securities or funds or to establish any additional funds or accounts to be held under the Resolution or the Financing Certificate, (iv) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or the Financing Certificate, (v) to supplement or amend the Resolution or the Financing Certificate as required to obtain a rating for the Notes, or any portion thereof, from any rating agency, provided that the County obtains an opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders or (vi) to supplement or amend the Resolution or Financing Certificate in any other respect, provided that the County obtains an opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders.

Events of Default

Any one or more of the following will constitute an "Event of Default" under the Resolution and the Financing Certificate:

(1) the County fails to make any payment of the principal of or interest on any Notes when and as the same become due and payable;

(2) the County fails to perform or observe any other of the covenants, agreements or conditions required to be performed or observed by the County pursuant to the Resolution, the Financing Certificate or the Notes and such default shall continue for a period of 60 days after written notice thereof to the County by the Holders of not less than 10 percent in aggregate principal amount of the outstanding Notes; or

(3) the County shall file petition for relief under the federal bankruptcy laws.

Whenever any Event of Default shall have happened and shall be continuing, the Holders of the Notes, and any adversely affected former Holders of the Notes, and their legal representatives, will be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants in the Financing Certificate, the Trust Agreement and in the Act. Nothing in the Financing Certificate or the Trust Agreement will preclude an individual Holder from enforcing such Holder's rights to payment of principal of and interest on such Holder's Notes.

Payment of Unclaimed Moneys to County

Anything in the Financing Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the Notes that remain unclaimed for a period of one year after the date when such Notes have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such Notes became due and payable, will be repaid to the County, as its absolute property and free from trust, and the Holders may thereafter look only to the County for the payment of such Notes from legally available funds; provided, however, that before any such payment is made to the County, the County will create (and thereafter maintain until payment of all of the Notes) a record of the amount so repaid, and the County will cause to be published at least twice, at any interval of not less than seven days between publications, in *The Bond Buyer* and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in Los Angeles, California and in the Borough of Manhattan, City and State of New York, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

TAX MATTERS

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the Holders thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Notes to be included in the gross income of the Holders thereof for federal income tax purposes retroactive to the date of issuance of the Notes. The County has covenanted to maintain the exclusion of the interest on the Notes from the gross income of the Owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Notes is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned below, interest on the Notes is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Notes are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Notes will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Notes owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Resolution and in the Tax Exemption Certificate, to be delivered by the County in connection with the issuance of the Notes, the County will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Notes from the gross income of the Holders thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the County with such covenants. Further, except as stated above, Bond Counsel will express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Notes.

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

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the County described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the Notes. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Notes is commenced, under current procedures the Service is likely to treat the County as the "taxpayer," and the Holders of the Notes would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Notes, the County may have different or conflicting interest from the Holders of the Notes. Further, the disclosure of the initiation of an audit may adversely affect the market price of the Notes, regardless of the final disposition of the audit.

Bond Counsel has not undertaken to advise in the future whether any event after the date of issuance of the Notes may affect the tax status of interest on the Notes or the tax consequences of the ownership of the Notes. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Notes from personal income taxation by the State of California or of the exclusion of the interest on the Notes from the gross income of the Holders thereof for federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any federal, state or local tax law consequence with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "Service") is studying whether the stated interest portion of the payment at maturity on a short-term debt obligation (such as the Notes), that matures not more than one year from the date of issue, bears a stated fixed rate of interest and is described in section 103(a) of the Code, is (i) qualified stated interest that is excluded from the stated redemption price at maturity of the obligation (within the meaning of section 1273 of the Code) but is excluded from gross income pursuant to section 103(a) of the Code, or (ii) is not qualified stated interest and, therefore, is included by the taxpayer in the stated redemption price at maturity of the obligation, creating or increasing (as to that taxpayer) original issue discount on the obligation that is excluded from gross income pursuant to section 103(a) of the Code. Notice 94-84 states that until the Service provides further guidance with respect to tax-exempt short-term debt obligations, a taxpayer holding such obligations may treat the stated interest payable at maturity either as qualified stated interest or as included in the stated redemption price at maturity of the obligation. However, the taxpayer must treat the amounts to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Notice 94-84 does not address various aspects necessary to the application of the latter method (including, for example, the treatment of an Holder acquiring its Note other than in the original public offering or at a price other than the original offering price). Each person considering acquiring the Notes should consult its own tax advisor with respect to the tax consequences of ownership of and of the election between the choices of treatment of the stated interest payable at maturity on the Notes.

The initial public offering price for the Notes is greater than the principal amount payable on the Notes at maturity. To the extent that a purchaser of a Note who treats the stated interest payable at maturity as qualified stated interest (as described above) acquires the Note at a price greater than the aggregate amount (other than such qualified stated interest) payable on such Note, such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a non-callable tax-exempt obligation must be amortized over the remaining term of the obligation: the amount of premium so amortized will reduce the Owner's basis in such Note for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Consequently, a Holder of a Note who purchased the Note with bond premium and held the Note until paid at maturity generally will not realize tax gain or loss on such Note. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when a Note owned by such person is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Note to the Holder. Each person or entity considering the purchase of Notes pursuant to this offering should consult its own tax advisors as to the computation and treatment of such amortizable bond premium, including, but not limited to, the calculation of gain or loss upon the sale, maturity or other disposition of a Note.

Although Bond Counsel is of the opinion that interest on the Notes is exempt from personal income taxation of the State of California, and is excluded from the gross income of the Holder thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Notes. The nature and extent of these other tax consequences will depend upon the Owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Notes should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Notes and the Code contains additional limits on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Notes), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Notes, (iii) interest on the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Notes, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Notes and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Notes, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences; any person considering purchasing a Note should consult his or her own tax advisor with respect to such consequences.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Fulbright & Jaworski L.L.P., Bond Counsel. The approving opinion of Bond Counsel will be delivered with the Notes in substantially the form appearing in APPENDIX C hereto.

Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed on for the County by County Counsel.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under the California Financial Code, the Notes are legal investments for commercial banks in the State, and under the California Government Code, the Notes are eligible to secure deposits of public moneys in the State.

RATINGS

Moody's, S&P and Fitch have given the Notes the ratings of "___," "___" and "___" respectively. Certain information was supplied by the County to the rating agencies to be considered in evaluating the Notes. Such ratings reflect only the views of the rating agencies, and are not a recommendation to buy, sell or hold any of the Notes. Any explanation of the significance of each such rating should be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; Fitch Ratings, One State Street Plaza, New York, New York 10004. There can be no assurance that any such rating will remain in effect for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of ratings may have an adverse effect on the market price of the affected Notes.

LITIGATION

To the best knowledge of the County, no litigation is pending or threatened concerning the validity of the Notes, and an opinion of the County Counsel to that effect will be furnished at the time of issuance of the Notes.

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. The aggregate amount of the uninsured liabilities of the County which may result from all suits and claims will not, in the opinion of the County Counsel, materially impair the County's ability to repay the Notes. Note 17 of "Notes to the Basic Financial Statements" included in APPENDIX B sets forth this liability as of June 30, 2011. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

UNDERWRITING

The Notes are being purchased for reoffering by Wells Fargo Bank, N.A., as representative of the underwriters of the Notes listed on the cover page hereof (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Notes at a purchase price of $___________ (representing the principal amount of the Notes of $___________, plus original issue premium of $___________, less Underwriters' discount of $___________). The Contract of Purchase (the "Contract of Purchase") provides that the Underwriters will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

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

[County to confirm acceptability of same.]

The following two paragraphs have been provided by Wells Fargo Bank, N.A., one of the underwriters for the Notes:

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Notes, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Notes. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Notes with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

The following four sentences have been provided by Morgan Stanley & Co. LLC, one of the underwriters for the Notes: Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Notes, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Staley Smith Barney LLC for its selling efforts with respect to the Notes.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Notes. Quotations from and summaries and explanations of the Notes, the Resolution, the Financing Certificate and the statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

Appropriate County officials, acting in their official capacity, have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. An appropriate County official will execute a certificate to such effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County.

CONTINUING DISCLOSURE

The County has agreed in a Disclosure Certificate to provide, no later than ten business days after their occurrence, notice of the occurrence of the events set forth in Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. Certain of the events set forth under Rule 15c2-12 do not apply to the Notes. The notice events applicable to the Notes include: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (4) modifications to rights of Noteholders, if material; (5) rating changes; and [(6) appointment of a successor or additional Trustee or the change of name of the Trustee, if material.] The County has not failed to comply in all material respects with prior undertakings of the County under Rule 15c2-12 in the last five years.

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

Additional information regarding this Official Statement and copies of the Resolution and the Financing Certificate may be obtained by contacting:

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

APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT

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 related to social services and health care, are required to be maintained at certain minimum levels of service, 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 fringe benefit agreements, which will expire on September 30, 2012, 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 the 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.

On March 20, 2012, the Board of Supervisors approved new amendments to the eight (8) MOUs covering wages, salaries and special pay practices for the Public Safety Unions. For the second time, the amendments extended the terms and conditions of the original MOUs negotiated in 2009 for an additional one-year period through December 31, 2012 or January 31, 2013, depending on the specific bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

The County expects to achieve the same result with the MOUs covering the collective bargaining units representing non public safety personnel, which will expire on September 30, 2012. The County also intends to negotiate new fringe benefit agreements with all of its collective bargaining units, which are set to expire on September 30, 2012.

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, 2011 was 160,115, consisting of 69,097 active vested members, 23,689 non-vested active members, 55,371 retired members and 11,958 terminated vested (deferred) members. Of the 92,786 active members (vested and non-vested), 80,145 are general members in General Plans A through E, and 12,641 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 benefits. The Plan A retirement benefits are considerably more generous than other plan options currently available to County employees.

As of June 30, 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, with no benefit reductions for members who retire at age 61 or older. For the Safety Plan B, he benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions 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 in Fiscal Year 2010-11, 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, and 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%, and 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 of LACERA (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, which are described below.

Investment Policy

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.

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, (the "2010 Investigation of Experience"), 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.

In October 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 were projected to increase the County's required contribution to LACERA by $24.6 million in Fiscal Year 2012-13, $57.7 million in Fiscal Year 2013-14, and $90.7 million in Fiscal Year 2014-15. The cumulative impact of the lower assumed rates of return were projected to be $173.0 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 did 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. 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 compared 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 2010 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 2010 Actuarial Valuation reported that the AAL increased by $2.177 billion to $46.646 billion, and the UAAL increased by $2.88 billion to $7.807 billion from June 30, 2009 to June 30, 2010.

The 2010 Actuarial Valuation did 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 recognized only two-fifths of the substantial investment losses that occurred in Fiscal Year 2008-09. To demonstrate the impact of utilizing an asset smoothing period, the actuary estimated 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 provided the basis for establishing the contribution rates effective July 1, 2011. For Fiscal Year 2011-12, the County's required contribution rate increased by 2.09% to 16.31% 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 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.

For the June 30, 2011 Actuarial Valuation (the "2011 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 20.4%, which corresponds to a $6.018 billion or 18.0% increase in the market value of assets from June 30, 2010. The market rate of return compared favorably to the 7.70% assumed rate of return, but was mostly offset by large deferred asset losses from prior years that were partially recognized in the 2011 Actuarial Valuation. The actuarial value of Retirement Fund assets increased by $355 million to $39.194 billion, and the Funded Ratio decreased by 3.1% from 83.3% to 80.6% as of June 30, 2011. The 2011 Actuarial Valuation reported that the AAL increased by $1.953 billion to $48.599 billion, and the UAAL increased by $1.598 billion to $9.405 billion from June 30, 2010 to June 30, 2011.

The 2011 Actuarial Valuation does not include $606.8 million of net deferred investment losses that will be recognized in future years. The net deferred loss is primarily due to the fact that the 5-year asset smoothing method has recognized only three- fifths of the substantial investment losses that occurred in Fiscal Year 2008-09, which has been partially offset by strong investment performance during Fiscal Years 2009-10 and 2010-11. If the actual market value of Retirement Fund assets was used as the basis for valuation, the actuary estimates that the Funded Ratio would have been 79.4% as of June 30, 2011, and the required County contribution rate would be 18.05% for Fiscal Year 2012-13. These numbers are very close to the corresponding actuarial calculations and demonstrate the leveling effect of using an asset smoothing period to help insulate the County's funding requirements from the year-to year volatility of investment returns.

The 2011 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2012. The County's required contribution rate will increased from 16.31% to 17.54% of covered payroll in Fiscal Year 2012-13, which represents a 7.5% increase from the current Fiscal Year. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 6.47% to 7.89%, and a decrease in the normal cost contribution rate from 9.84% to 9.65%. 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, but was partially offset by strong investment returns in Fiscal Years 2009-10 and 2010-11, and other positive variances from the economic and demographic assumptions.

In Fiscal Year 2011-12, LACERA is reporting a 2.2% return on Retirement Fund assets for the nine-month period ended March 31, 2012. The asset allocation percentages for the Retirement Fund as of March 31, 2012 were 24.0% domestic equity, 27.0% international equity, 26.0% fixed income, 10.0% real estate, 8.0% private equity, 3.0% commodities and 2.0% cash.

A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio"), and a summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-10.

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 $129.2 million to $1.028 billion. In Fiscal Year 2012-13, the required contribution payments to LACERA are projected to increase by $99.0 million to $1.127 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-10.

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, 2011. 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.

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, 2011, $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 in the 2011 Actuarial Valuation that may be granted in the future. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would increase by .52% to 18.06%, and the Funded Ratio would decrease by 1.2% to 79.4% in Fiscal Year 2012-13. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $32 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.

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 $405.6 million, respectively. For Fiscal Year 2011-12, the County is estimating $422.6 million in payments to LACERA for retiree health care. In Fiscal Year 2012-13, payments to LACERA for retiree health care are projected to be $439.5 million. 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 reported 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.

For the Fiscal Year ended June 30, 2011, the County reported an OPEB ARC of $1.96 billion and a net increase in the OPEB liability of $1.550 billion. The $411 million "pay-as-you-go" contribution is 21% of the County's OPEB ARC, representing a decrease from the 23.9% funding level in Fiscal Year 2009-10. As of June 30, 2011, the County reported an unfunded Net OPEB obligation of $5.348 billion.

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. If this requirement was to be implemented by 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, 2009-10 and 2010-11, the County made total DBP payments of $29 million, $32 million, $33 million and $35 million, respectively. For Fiscal Years 2011-12 and 2012-13, the County is projecting total DBP payments of $39.0 million and 43.0 million, respectively. The $951.8 million AAL for the County's long-term DBP is reported as a component of the $5.348 billion net OPEB obligation as of June 30, 2011. 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 had to decide whether to pursue their overtime pay litigation on an individual basis. Of the 104 adult protective services social workers, only 24 filed individual actions. Those actions have all been resolved through negotiations, with the total amount of the anticipated settlement being approximately $949,000. 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 ended in May 2011.

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. In August 2009, the Board of Supervisors approved a settlement of the case. The trial court gave preliminarily approval of the proposed settlement, which provided for a total maximum payout amount, including all fees and costs, of $45 million. The trial court entered judgment in September 2011, approving the final resolution of the litigation, and barring any recovery for those who did not file claims. The County reserved $35 million for the expected fees and costs to settle this lawsuit, and has paid all submitted and approved claims, including legal fees, in the total amount of $30 million.

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 areas. After the Ninth Circuit denied the motion for reconsideration, the Flood Control District filed a petition for writ of certiorari with the U.S. Supreme Court. The Supreme Court has asked for the Solicitor General's view on whether to grant the petition, and is expected to act on the petition within the next several months. If the Supreme Court does not correct what the Flood Control District believes to be a judgment based on an error of law and fact, the Flood Control District will be liable for these additional areas. 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 58 cities and other public entities for equitable indemnity and contribution. In March 2010, the County and the Flood Control District filed a complaint in state court for equitable indemnity, contribution, and nuisance against two cities. The complaint was dismissed in November 2011, and an appeal of the dismissal is pending. If the only liability found is for the Malibu site, this appeal will be dismissed. Any potential liabilities to the County or the Flood Control District will not have a significant and material impact to the County budget.

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. On remand in January 2012, the trial court issued a statement of decision regarding calculation of the statutory payments which reduced the County's exposure from the previously reported range of $24 to $38 million to a range of $3 to $8 million. The County has reserved $31.5 million for the expected resolution of this lawsuit.

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 was briefed in March 2011, and at the Court’s request, Supplemental Letter Briefs were filed in November 2011.

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
06/30/2006	$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%
06/30/2011	39,452,011	39,193,627	48,598,166	9,404,539	80.65%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2011.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return
2005-06	$35,185,589	13.0%
2006-07	40,908,106	19.1%
2007-08	38,724,671	-1.5%
2008-09	30,498,981	-18.3%
2009-10	33,433,888	11.6%
2010-11	39,452,011	20.4%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2011.

TABLE 3: COUNTY PENSION RELATED PAYMENTS
(in thousands)

Fiscal Year	Cash Payment to LACERA	Transfer From Excess Earnings	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
2005-06	$676,667	$179,368	$356,883	$1,212,918	-
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	1,028,778 *	-	-	1,028,778	-19.1%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2011 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 remainder 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 eight fund groups through which the County's resources are allocated and controlled. These groups include the General Fund and Hospital Enterprise Fund (which represents the General County Budget), Special Revenue Funds, Capital Project Special Funds, Special District, Other Enterprise, Internal Services, and Agency Funds.

The General County Budget accounts for approximately 76.6% of the 2012-13 Recommended Budget and appropriates funding for 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 Revenue Funds represent approximately 10.4% of the 2012-13 Recommended 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.

Capital Project Special Funds account for approximately 1.9% of the 2012-13 Recommended Budget and provide funding for the acquisition or construction of major capital facilities that are not financed through other funding sources. Special District Funds account for approximately 8.3% of the 2012-13 Recommended 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, Internal Services and Agency Funds account for 2.8% of the 2012-13 Recommended 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 ballot 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. 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. With the exception of administrative reviews of previously denied claims, claim processing for the settlement has been 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. Resolution of the motion is expected by the summer of 2012.

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 raised a constitutional question, which the Court determined must be ruled on together with the motion in the Oronoz case related to the 2008 election issue. The case proceeded with the discovery phase and a bench trial was held on April 26, 2012 . Resolution of the merits phase is expected by the summer 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 approximately $193.8 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 Proposition 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 by local ordinance, and that the increase in the TOT does not impose a new tax subject to Proposition 62.. The County has placed the TOT on the June 2012 ballot for ratification. Plaintiff's summary judgment and class motions will be considered by the Court following the outcome of the election.

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Proposition 218

Proposition 218, a 1996 ballot 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. The State is further prohibited from reallocating 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 State borrowing 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-XX] of this Appendix A, $4.8 billion of the $18.2 billion 2012-13 Recommended General County Budget is received from the Federal government and $4.7 billion is funded by the State. The remaining $8.7 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 52% 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 created the Joint Select Committee on Deficit Reduction (the "Joint Committee"), which was mandated to draft legislation to reduce the deficit by at least $1.2 trillion over 10 years. Because the Joint Committee failed to recommend legislation with $1.2 trillion of deficit reduction, annual "sequestration" spending reductions, divided equally between defense and non-defense spending, were triggered pursuant to the BCA. The spending reductions will begin in FFY 2013 and be spread evenly over nine years through FFY 2021.

Because Congress can opt to spare selected programs from the triggered sequestration cuts and enact alternative measures for reducing the Federal budget deficit, the fiscal impact to the County from the BCA and any future Federal deficit reduction measures are unknown at this time. If the triggered cuts are eventually implemented, 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. The President released his Proposed Federal Fiscal Year (FFY) 2013 Budget on February 13, 2012. The future impact to the County from the FFY 2013 Budget process is unknown at this time. However, it is clear that Congress will not finalize the federal budget for FFY 2013 until after the November 2012 election and that any newly enacted federal spending cuts are unlikely to affect the County until after Fiscal Year 2012-13.

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 recent economic downturn. The State's budgetary decisions in response to the recent 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 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 in March 2011, 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 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 proposed a November 2012 ballot initiative to seek voter approval for a constitutional amendment to provide such funding protection.

The financial impact to the County from the State Budget Act was 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.

On August 30, 2011, the County adopted the Los Angeles County Public Safety Realignment Implementation Plan. Until constitutional funding protection is established by the State for Public Safety Realignment, all required staff will be hired either as temporary monthly employees 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 within the current funding allocation. The State allocated $124.5 million to the County to fund the custody, legal, probation supervision, and community services necessary to manage the increase in the local inmate, parolee and probationer populations.

The State Budget Act also included provisions for automatic trigger cuts if projected revenues fail to meet certain target levels. 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. On December 13, 2011, Governor Brown announced that State revenue projections would be $2.2 billion short of budgeted amounts, which triggered $908.8 million in funding reductions beginning as of January 1, 2012. The following table provides an estimate of the potential budgetary effect on County programs from the State's Tier I budget cuts. Tier 2 or Tier 3 State budget cuts are not expected to have an impact on the County budget.

Program Description	Budget Cost/(Savings)
Medi-Cal Managed Care Plan	$1,000,000
IHSS Anti-Fraud Initiatives	(1,500,000)
Reduction to IHSS Service Hours	(20,100,000)
Youthful Offenders Placements	20,000,000
Vertical Prosecution Grants	700,000
Public Library Grants	300,000
Overall Estimated Impact	**$400,000**

On December 1, 2011 a federal district court issued a temporary restraining order requiring the State to halt all actions to implement the 20% reduction to IHSS service hours. In January 2012, a district judge issued a preliminary injunction that continues to block implementation of the reduction of hours. The State is expected to appeal the order, and as a result, any savings to the County associated with service hour reductions are on hold until the matter is resolved by the courts.

Redevelopment Agencies ***(To Be Updated)***

[In response to an ongoing budget crisis, the State Budget Act included two measures intended to stabilize school funding by reducing or eliminating the diversion of property taxes from school districts to the State's community redevelopment agencies. ABX1 26 (the "Redevelopment Dissolution Act") bars redevelopment agencies from engaging in new business and provides for their wind down and dissolution. ABX1 27 (the "Alternative Redevelopment Program") allowed redevelopment agencies to continue if the cities and counties that created them agree to make payments into funds benefiting the state's schools and special districts.

The California Redevelopment Association and other entities challenged both measures as unconstitutional and sought relief from the State Supreme Court. The California Supreme Court ruled in *California Redevelopment Association v. Matosantos* that the Redevelopment Dissolution Act was constitutional, while declaring the Alternative Redevelopment Program as unconstitutional. As a result of the State Supreme Court's bifurcated decision, all redevelopment agencies were dissolved under the Redevelopment Dissolution Act as of February 1, 2012, and will not have an opportunity to continue their existence under the Alternative Redevelopment Program.

ABX1 26 requires that successor agencies be created to take over from the former redevelopment agencies and perform the following functions:

- Continue making payments on existing legal obligations and not incur any additional debt.
- Wind down the affairs of the former redevelopment agencies and return the funds of liquidated assets to the county auditor-controller, who will in turn distribute these funds to all taxing entities.

Any tax increment remaining after the payment of enforceable legal obligations, pass-through payments and limited administrative costs will be distributed as property tax revenue to the appropriate taxing entities, including the County general fund. The actual amount of property tax revenue to be received by the County general fund will be based on an audit of the legal obligations of each redevelopment agency. Pursuant to ABX1 26, an Oversight Board will be established for each of the 71 successor agencies within the County. The Oversight Boards and the Auditor-Controller are required to evaluate and approve the successor agencies' remaining enforceable legal obligations. The Auditor-Controller is also responsible for conducting audits and disbursing future tax increments in accordance with provisions of ABX1 26. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County was approximately $453.0 million. Until the legal obligations are evaluated by the Oversight Boards and the Auditor-Controller, the County is unable to quantify the expected increase in property tax revenue to the County General Fund.]

2012-13 PROPOSED STATE BUDGET

On January 5, 2012, the Governor released his Fiscal Year 2012-13 Proposed State Budget (the "Proposed State Budget"), which estimates that, without corrective action, the State will end Fiscal Year 2012-13 with a $9.2 billion deficit. The deficit is comprised of a $4.1 billion State General Fund deficit through the end of Fiscal Year 2011-12 (rather than the $1.5 billion reserve balance assumed in the 2011-12 State Budget Act) and a $5.1 billion excess of expenditures over revenues for Fiscal Year 2012-13. The Proposed State Budget includes $10.3 billion in expenditure reductions and increased revenues generated from a temporary increase in income and sales taxes, which would be authorized by a proposed November 2012 ballot initiative (the "2012 Tax Initiative") to balance the State budget for Fiscal Year 2012-13 and to rebuild its reserves.

Assuming passage of the 2012 Tax Initiative, the Proposed State Budget estimates Fiscal Year 2012-13 revenues and transfers of $95.4 billion, total expenditures of $92.6 billion and a year-end surplus of $1.9 billion (net of the negative $985 million prior-year State General Fund balance). The Proposed State Budget allocates the projected surplus to the reserve for the liquidation of encumbrances ($719 million) and the special fund for economic uncertainties ($1.1 billion).

The Proposed State Budget relies in part on passage of the 2012 Tax Initiative, pursuant to which the personal income tax rates for certain high income earners would increase for five years (2012 through 2016) and State sales and use tax would increase by one-half percent for four years (2013 through 2016). The Proposed State Budget projects that the 2012 Tax Initiative, if approved, would generate approximately $6.9 billion through Fiscal Year 2012-13, and billions of dollars per year thereafter until its expiration in 2016. The tax revenue would be deposited into the State's General Fund to pay for Proposition 98 school funding obligations and certain State programs. In the event the Governor's proposed ballot proposition fails to pass, the Proposed State Budget specifies approximately $5.4 billion in expenditure reductions, including funding reductions for education (accounting for 90% of the targeted reductions) and judicial branch appropriations.

The Proposed State Budget continues the realignment plans set forth in the 2011-12 State Budget Act with respect to Public Safety Realignment, including the transfer of various public safety programs and the supervision of lower level offenders from the State to local governments. In addition, the Proposed

State Budget would transfer full responsibility for all juvenile offenders to counties, and to fund the transfer by providing counties with a one-time $10 million State General Fund allocation in Fiscal Year [2011-12]. The Proposed State Budget would also allocate revenue from a 1.0625 percent sales tax rate increase, and approximately $460 million in Vehicle License Fee revenue in Fiscal Year 2012-13 to fund Public Safety Realignment. The 2012 Tax Initiative would also provide constitutional funding protection to counties for the revenues that are pledged to fund Public Safety Realignment in the State Budget Act.

The Proposed State Budget estimates that the dissolution of redevelopment agencies will provide $1.05 billion in additional statewide property tax revenue for school districts, $340 million for counties, $220 million for cities and $170 million for special districts. Revenues that would previously have been directed to the redevelopment agencies will be used to make pass-through payments to local agencies and to successor agencies for the payment existing legal obligations and certain administrative costs of the redevelopment agencies.

While the Proposed State Budget will have a major impact on the residents of the County, it will not have a significant financial impact on the County Budget. The Proposed State Budget is projected to result in an estimated net loss of $12.06 million to the County in Fiscal Year 2012-13, with the impact to specific programs and services described in the following table:

Mental Health	
County Beds for Civil Commitments Adjustment Rate	($8,000,000)
Social Services	
Increased funding for CalWORKs Child Care Programs	15,200,000
Savings from IHSS Program Reductions	32,000,000
Child Support Services Collections Suspension	(11,360,000)
General Government	
Suspension or Repeal of Most SB 90 Mandate Claims	(16,500,000)
Delay of Deferred Mandate Payments (Prior to FY 2004-05)	(13,000,000)
Health Services	
Dual Medi-Cal and Medicare Eligibles	(10,400,000)
TOTAL	($12,060,000)

The County will continue to maintain its commitment to not backfill State program cuts. The funding reductions to In-Home Support Services (IHSS) would actually result in budgetary savings, as the County would eliminate certain domestic assistance services related to this Program.

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 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. The passage of Proposition 1A 2004 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 recent economic downturn. To illustrate this point, average median home prices in the County declined by 48% from their peak in August 2007 ($562,346) to a cyclical low in January 2012 ($290,890), 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, while seeing a 1.36% growth in assessed valuation in FY 2011-12. 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.

In FY 2012-13, the Assessor is forecasting an increase in the Net Local Roll of 0.49% or $5.135 billion from the current fiscal year. The largest factors contributing to the projected increase in assessed valuation in FY 2012-13 are transfers in ownership ($10.33 billion), new construction ($2.72 billion) and an increase in the consumer price index ($15.767 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 are expected to contribute $17.724 billion in reductions to the projected Net Local Roll in FY 2012-13.

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 and subsequent reviews in the first quarter of 2012. Since the Assessor initiated the Proposition 8 review process in 2008, the forecasted Net Local Roll for FY 2012-13 reflects the cumulative impact of $102.424 billion of decline in value adjustments. 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, and using reserves and capital funding appropriations to achieve a balanced budget. The County has implemented structural changes to the budget through departmental curtailments of approximately $360.5 million over the last four years along with the elimination of over 2,000 budgeted positions. To control costs the County has also aggressively pursued savings through its efficiency initiative program and implemented a hard-hiring freeze and a freeze on non-essential services, supplies and equipment. Throughout this period, employee labor groups have agreed to zero salary increases, and step increases for County managers have been suspended. 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. 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 $360.5 million. As illustrated in the following table, the budget gap was driven primarily by decreases in revenue and increases in assistance caseloads.

Fiscal Year 2009-10 NCC Budget Gap

Revenue Reductions	$191,900,000
Assistance Caseload Increases	85,300,000
Net Program Changes	11,700,000
Unavoidable Cost Increases	57,200,000
Indigent Defense Cost Increases	14,400,000
Total Budget Gap	**$360,500,000**

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	$162,900,000
Capital Program Designations	115,500,000
Federal Stimulus Funding	77,700,000
Other Savings Initiatives	4,400,000
Total Budget Gap Solutions	**$360,500,000**

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	$113,100,000
Public Safety Sales Tax	18,200,000
Realignment Sales Tax	10,300,000
Registrar-Recorder Shortfall	19,000,000
Various Revenue Changes	(4,400,000)
Assistance Caseload Increases	
General Relief	82,400,000
In-Home Support Services	16,000,000
Other Caseload Changes	8,700,000
Expiration of FMAP Extension	38,800,000
Unavoidable Cost Increases	
Pension Costs	80,500,000
Health Insurance Premiums	50,400,000
Net Program Changes	30,300,000
Supplement Reserves	28,300,000
Total Projected Budget Gap	$491,600,000

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 (FY 2009-10)	$61,200,000
Ongoing Departmental Budget Curtailment	175,000,000
Ongoing Revenue Solutions	11,000,000
Capital Program Designations	76,700,000
Federal Stimulus Funding	26,200,000
Labor-Management Savings	51,000,000
Reserve for Rainy Day Fund	27,800,000
Budgetary Reserves	52,100,000
Other Solutions	10,600,000
Total Budget Gap Solutions	**$491,600,000**

2011-12 FINAL ADOPTED COUNTY BUDGET

Similar to recent County budgets, the 2011-12 Final Adopted Budget continues to be affected by the recent 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 a significantly smaller NCC budget gap compared to Fiscal Years 2009-10 and 2010-11. The primary factors contributing to the projected $175.4 million budget gap are described in the following table.

Fiscal Year 2011-12 NCC Budget Gap

2010-11 One Time Budget Solutions	$262,000,000
Expiration of Federal Stimulus Funding	63,900,000
Unavoidable Cost Increases	
Pension Costs	47,300,000
Health Insurance Subsidy	28,700,000
Net Program Changes	29,100,000
Assistance Caseload Changes	
General Relief	49,900,000
In-Home Support Services	(17,200,000)
Revenue Increases	
Property Tax	(74,600,000)
Various Revenue Changes	(28,800,000)
Public Safety Sales Tax	(27,700,000)
Realignment Sales Tax	(24,000,000)
Retirement of Pension Obligation Bond:	(106,600,000)
Labor-Management Savings	(42,100,000)
State Budget Changes	(8,400,000)
Various One-time Programs/Projects	23,900,000
Total Projected Budget Gap	**$175,400,000**

The County utilized 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	$35,700,000
Restored Public Safety Curtailments	(45,500,000)
Capital Program Designations	116,700,000
Retiree Health Insurance Premium Refund	36,100,000
Other One-time Solutions	32,400,000
Total Budget Gap Solutions	**$175,400,000**

FISCAL YEAR 2012-13 RECOMMENDED COUNTY BUDGET

Similar to recent County budgets, the 2012-13 Recommended Budget continues to be affected by the recent 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 four years. The primary factors contributing to the projected $75.8 million budget gap are outlined below.

The 2012-13 Recommended Budget, which was approved by the Board of Supervisors on April 17 2012, appropriates $23.8 billion, representing a 0.2% decrease from the prior fiscal year. For General County purposes (General Fund and Hospital Enterprise Fund), the 2012-13 Recommended Budget appropriates $18.2 billion, which represents a 1.5% decrease from the 2011-12 Final Adopted Budget. The 2012-13 Recommended Budget reflects a net increase of 185 budgeted positions from the Final Adopted Budget in FY 2011-12.

Expiration of Prior Year One-Time Budget Solutions

The County has utilized one-time funding solutions to help balance the budget during the economic crisis. The impact on the 2012-13 Recommended Budget from the expiration of the one-time funding solutions utilized in FY 2011-12 is projected to be a negative $185.3 million.

Unavoidable Cost Increase

The primary components of the unavoidable cost increases are higher expenditures related to pension funding requirements and employee health insurance. The County's required retirement contributions will increase by five percent (5%) in FY 2012-13, primarily due to the losses sustained by LACERA in FY 2008-09 as a result of the global financial crisis. In addition, increases in health insurance premiums for County employees and the restoration of the deferred compensation match are contributing factors affecting unavoidable cost increases.

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	112,487	(Budget)
2011-12	108,216	(Estimated)
2012-13	101,518	(Projected)

The 2011-12 Final Adopted Budget assumed that the GR caseload would peak in December 2011 and gradually decline ending 2011-12 with an average caseload of 112,487. With the drop in the unemployment rate and the County's GR restructuring efforts being implemented, the County is beginning to see a decline in the GR caseload. The GR caseload appears to have peaked in August 2011 at 113,034 and the January 2012 caseload was at 106,186. This drop in GR caseload has resulted in a $27.4 million reduction in cost to the 2012-13 Recommended Budget.

<u>Revenue Increases</u>

As the local economy stabilizes and starts to improve, the County is forecasting increases in a variety of locally generated revenues along with an increase in statewide sales tax revenue.

For the second year in a row, the Assessor is forecasting an increase in assessed valuation. On December 15, 2011, the Assessor released his initial forecast for assessed valuation in Fiscal Year 2012-13, which projected a 1.77% increase in the Net Local Roll. Property tax revenue estimates included in the 2012-13 Recommended Budget were based upon the Assessor's initial December 2011 forecast. On April 4, 2012, after the 2012-13 Recommended Budget had already gone to print, the Assessor issued a revised forecast, which reflected a significantly lower increase in the Net Local Roll of 0.49%. According to the Assessor, the reduction in assessed valuation from the December 2011 forecast was primarily driven by a reassessment of properties due to a recent decline in home values. This subsequent event could result in a decrease in property tax revenue by as much as $47.9 million. On April 10, 2012, the Board of Supervisors directed the County Auditor-Controller to conduct a review of the Assessor's April 2012 forecast.

For the second year in row, 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 3.5% growth rate for all sales tax projections in the 2012-13 Recommended Budget.

Fiscal Year 2012-13 NCC Budget Gap

2011-12 One Time Budget Solutions	$185,245,000
Unavoidable Cost Increases	
Pension Costs	24,604,000
Health Insurance Subsidy	34,814,000
Restore Deferred Comp Match	42,090,000
Various	2,200,000
Program Changes	31,528,000
Revenue Increases	
Property Tax	(79,984,000)
Realignment Sales Tax	(80,162,000)
Public Safety Sales Tax	(35,750,000)
Various	8,216,000
Assistance Caseload Changes	
General Relief	(27,367,000)
In-Home Support Services	(5,553,000)
In-Home Support Services	(201,000)
Ongoing Funding Used for One-Time Needs in 2011-12	(23,883,000)
Total Projected Budget Gap	**$75,797,000**

The County intends to utilize the following combination of ongoing structural solutions and one-time solutions to close the projected budget gap in FY 2012-13.

Fiscal Year 2012-13 NCC Budget Gap Solutions

County Designation	18,191,000
Retiree Health Insurance Premium Refund	11,387,000
2011-12 Projected Excess Fund Balance	46,219,000
Total Budget Gap Solutions	**$75,797,000**

<u>One-Time Bridge Funding</u>

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 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 used to close the FY 2012-13 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.

Health Services Budget

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals. Two of the hospitals operate trauma centers and emergency rooms, one hospital operates an emergency room, and the other hospital operates an acute rehabilitation facility. Outpatient services are provided at all four hospitals as well as multiple other facilities, including two Multi-Service Ambulatory Care Centers, six comprehensive health centers, 11 health centers, and over 100 contracted Community Partner clinics located throughout the County. DHS also manages the emergency medical services system for the entire County. In collaboration with the University of Southern California and the University of California at Los Angeles, the County provides training for approximately 1,360 physician residents annualy .

As a safety net provider, the County is the provider of last resort for millions of medically indigent County residents. Historically, the cost of providing health services has exceeded the combined total of DHS revenues and the annual subsidies from the County General Fund, which has resulted in an ongoing structural deficit for DHS. By developing new revenue sources, implementing efficiencies and hiring freezes, and using one-time reserve funds, DHS has been able to cover its prior years structural deficits. The 2011-12 Final Adopted Budget includes $160.0 million in budgetary savings related to the cost cutting and revenue generating initiatives implemented through the Financial Stabilization Plan.

DHS is currently projecting a budgetary surplus of $9.6 million for Fiscal Year 2011-12. The improvement in the DHS fiscal outlook is largely due to the approval by the Centers for Medicare and Medicaid Services ("CMS") of a five-year Section 1115 Hospital Financing Waiver ("Waiver") for public hospitals in California, which became effective November 1, 2010. The Waiver permits the Federal government to waive certain Medicaid (referred to as Medi-Cal in California) statutory requirements and allowing California to receive federal matching funds for Medicaid services that would otherwise not be eligible for federal funding. Federal health care reform provided 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 DHS' structural deficit by providing coverage for many of its previously uninsured indigent patients who are now able to qualify under the Waiver's early expansion program, thus providing a source of additional revenue.

The new Medicaid Coverage Expansion ("MCE") program provides 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. DHS anticipates that the MCE program, known as the Healthy Way LA (HWLA) in Los Angeles County, will provide the opportunity for early enrollment into Medi-Cal coverage for many of its currently uninsured patients, thereby leading to a significant improvement in the payer mix. In addition, the Waiver provides continued funding to partially finance uncompensated care and provides a new funding source for system improvements at public hospitals through the Delivery System Reform Incentive Pool (DSRIP). Since the DSRIP revenue is performance-based, DHS is focusing its efforts on developing and implementing the structural and operational changes necessary to meet specific goals and outcomes in order to maximize this funding source. DHS is also allocating significant resources toward a restructuring of its ambulatory care systems in order to maximize service capacity, increase the quality of care, and ensure the best possible outcomes for patients.

The gross estimated DSRIP revenue for FY 2011-12 is $442.5 million with an associated intergovernmental transfer of $221.3 million. A mandated semi-annual report was submitted to the State in March 2012, which indicated that the required performance goals were achieved. DHS expects to receive the first DSRIP payment by April 2012. The next semi-annual report is due to the State by September 2012. It is expected that DHS will continue to meet all of the performance goals and that the remainder of the proceeds will be received in late 2012.

During Fiscal Year 2011-12, DHS transitioned the Office of Managed Care ("OMC")/Community Health Plan's ("CHP") Medi-Cal and In-Home Supportive Services lines of business to L.A. Care. DHS is transforming OMC into a medical services organization and will no longer provide the managed care administrative functions (capitation accounting, contract negotiations, etc.) that L.A. Care will now provide. Other managed care administrative operations such as claims processing and adjudication, patient call centers, and grievance and appeals functions remain with DHS.

The FY 2012-13 Recommended Budget includes a revenue placeholder of $132.0 million. There are major changes taking place in the DHS' operations and Medi-Cal revenue streams as a result of the Waiver, particularly the HWLA program, the transition of SPD into Medi-Cal managed care, the full transfer of OMC/CHP's lines of business to L.A. Care, and the State's transfer of various programs to the County, including additional health care for inmates previously in the State prison system. These significant program and system changes as well as implementation timetables are complex and require DHS to develop new methodologies of projecting revenue based on new types of patient and payer mixes and different utilization patterns. The historical data previously used as the basis for the revenue projections are no longer applicable.

DHS is currently working with the County CEO on a financing plan to fund an electronic health record ("EHR") information system to improve patient safety as well as the quality and efficiency of care provided to its patients. DHS issued a Request for Proposals for the EHR system in November 2011, and is currently evaluating the proposals received. DHS plans to complete the review process and proceed with a contract in late 2012.

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 Federal and State governments are the primary sources 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 February 29, 2012, the amount of General Fund cash advances to the Hospital Funds was approximately $891.0 million.

In addition to the advances described above, the County's General Fund has also advanced cash to the Hospital Funds for certain long-term receivables that are owed by the State to the hospitals. The receivables are associated with the Cost Based Reimbursement Clinics (CBRC) program. Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. The State has recently completed the audit for FY 2007-08. The State has also increased the CBRC interim reimbursement rate and indicated their intent to accelerate the audit process to achieve the goal of being only one-year in arrears in relation to the current fiscal year. At the end of FY 2011-12, the overall receivable balance is estimated to be $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 fund the County's budgetary requirements.

Martin Luther King Jr. – Harbor Hospital

In August 2007, 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 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. While the County's share of the State settlement was 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 2012, the County received [$87.3] 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 an electronic health record information system.

BUDGET TABLES

The 2012-13 Recommended Budget is supported by $3.8 billion in property taxes, $4.8 billion in federal funding, $4.7 billion in State funding, $0.1 billion in cancelled reserves and designations, $1.2 billion in fund balance and approximately $3.6 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 2012-13 Recommended Budget with the 2011-12 Final Adopted Budget.

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

Fund	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12	Recommended 2012-13
General Fund	$ 16,273,308	$ 16,368,794	$ 16,380,905	$ 16,229,826	$ 15,880,741
Hospital Enterprise Fund	1,897,508	2,121,468	2,127,184	2,268,712	2,343,256
Total General County Budget	$ 18,170,816	$ 18,490,262	$ 18,508,089	$ 18,498,538	$ 18,223,997

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

	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12	Recommended 2012-13
Requirements					
Social Services	$ 5,166,283	$ 5,503,085	$ 5,707,144	$ 5,539,798	$ 5,529,722
Health	5,322,713	5,338,390	5,424,321	5,600,822	5,648,770
Justice	4,719,253	4,693,943	4,745,700	4,697,762	4,723,020
Other	2,962,567	2,954,844	2,630,924	2,660,156	2,322,485
Total	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 18,223,997**
Revenue Sources					
Property Taxes	$ 3,840,369	$ 3,789,308	$ 3,676,161	$ 3,750,746	$ 3,830,730
State Assistance	4,818,285	4,554,097	4,528,710	4,670,351	4,720,893
Federal Assistance	4,104,390	4,730,605	4,868,199	4,712,400	4,761,290
Other	5,407,772	5,416,252	5,435,019	5,365,041	4,911,084
Total	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 18,223,997**

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

	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12	Recommended 2012-13
Financing Requirements					
Salaries & Employee Benefits	$ 8,792,005	$ 8,974,526	$ 9,004,826	$ 8,895,017	$ 9,140,327
Services & Supplies	6,192,312	6,350,306	6,530,982	6,706,121	6,564,613
Other Charges	3,233,859	3,350,510	3,503,195	3,621,050	3,451,169
Capital Assets	1,436,772	1,257,509	1,077,873	890,217	809,383
Other Financing Uses	985,458	726,958	704,520	640,310	605,752
Residual Equity Transfers Out	181	295	-	-	-
Interbudget Transfers[1]	(1,579,769)	(1,325,677)	(1,452,816)	(1,419,532)	(1,407,859)
Gross Appropriation	$ 19,060,818	$ 19,334,427	$ 19,368,580	$ 19,333,183	$ 19,163,385
Less: Intrafund Transfers	912,753	915,868	946,497	975,236	939,388
Net Appropriation	$ 18,148,065	$ 18,418,559	$ 18,422,083	$ 18,357,947	$ 18,223,997
Reserves					
General Reserve	$ 5,400	$ 3,000	$ -	$ -	$ -
Designations/Other Reserves	17,351	68,703	86,006	140,591	-
Total Financing Requirements	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 18,223,997**
Available Financing					
Fund Balance	$ 1,808,804	$ 1,713,428	$ 1,628,644	$ 1,601,571	$ 1,224,955
Cancellation of Reserve/Designation	345,500	437,653	409,097	271,027	137,560
Property Taxes: Regular Roll	3,735,359	3,732,264	3,654,517	3,709,801	3,791,811
Supplemental Roll	105,010	57,044	21,644	40,945	38,919
Revenue	12,176,143	12,549,873	12,794,187	12,875,194	13,030,752
Total Available Financing	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 18,223,997**

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 2012-13, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $19.6 billion.

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2011-12 BUDGET TO RECOMMENDED BUDGET 2012-13
Net Appropriation: By Function
(In thousands)

Function	2011-12 Final Budget [1]	2012-13 Recommended Budget [2]	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 821,381.0	$ 827,515.0	$ 6,134.0	0.75%
General Services	648,837.0	553,954.0	(94,883.0)	-14.62%
Public Buildings	797,208.0	214,532.0	(582,676.0)	-73.09%
Total General	$ 2,267,426.0	$ 1,596,001.0	$ (671,425.0)	-29.61%
Public Protection				
Justice	$ 4,405,690.0	$ 4,439,143.0	$ 33,453.0	0.76%
Other Public Protection	263,197.0	212,177.0	(51,020.0)	-19.38%
Total Public Protection	$ 4,668,887.0	$ 4,651,320.0	$ (17,567.0)	-0.38%
Health and Sanitation	5,586,704.0	6,134,470.0	547,766.0	9.80%
Public Assistance	5,495,787.0	5,510,251.0	14,464.0	0.26%
Recreation and Cultural Services	271,449.0	264,261.0	(7,188.0)	-2.65%
Insurance and Loss Reserve	67,694.0	67,694.0	-	0.00%
Reserves/Designations	140,591.0	-	(140,591.0)	-100.00%
Total Requirements	**$ 18,498,538.0**	**$ 18,223,997.0**	**$ (274,541.0)**	**-1.48%**
AVAILABLE FUNDS				
Property Taxes	$ 3,750,746.0	$ 3,830,730.0	$ 79,984.0	2.13%
Fund Balance	1,601,571.0	1,224,955.0	(376,616.0)	-23.52%
Cancelled Prior-Year Reserves	271,027.0	137,560.0	(133,467.0)	-49.24%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 422,147.0	$ 307,812.0	$ (114,335.0)	-27.08%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	1,633,512.0	1,658,862.0	25,350.0	1.55%
Other Public Assistance	538,857.0	563,121.0	24,264.0	4.50%
Public Protection	769,325.0	813,277.0	43,952.0	5.71%
Health and Mental Health	888,411.0	961,246.0	72,835.0	8.20%
Capital Projects	10,764.0	37,502.0	26,738.0	248.40%
Other State Revenues	72,069.0	43,121.0	(28,948.0)	-40.17%
Total State Revenues	$ 4,355,585.0	$ 4,405,441.0	$ 49,856.0	1.14%
Federal Revenues				
Public Assistance Subventions	$ 2,285,213.0	$ 2,306,288.0	$ 21,075.0	0.92%
Other Public Assistance	247,226.0	232,965.0	(14,261.0)	-5.77%
Public Protection	233,184.0	223,631.0	(9,553.0)	-4.10%
Health and Mental Health	1,042,427.0	1,099,416.0	56,989.0	5.47%
Capital Projects	13,945.0	9,966.0	(3,979.0)	-28.53%
Other Federal Revenues	45,166.0	39,379.0	(5,787.0)	-12.81%
Total Federal Revenues	$ 3,867,161.0	$ 3,911,645.0	$ 44,484.0	1.15%
Other Governmental Agencies	156,443.0	154,335.0	(2,108.0)	-1.35%
Total Intergovenmental Revenues	$ 8,379,189.0	$ 8,471,421.0	$ 92,232.0	
Fines, Forfeitures and Penalties	226,565.0	221,262.0	(5,303.0)	-2.34%
Licenses, Permits and Franchises	46,620.0	50,352.0	3,732.0	8.01%
Charges for Services	3,005,897.0	3,118,501.0	112,604.0	3.75%
Other Taxes	169,431.0	171,211.0	1,780.0	1.05%
Use of Money and Property	153,481.0	130,759.0	(22,722.0)	-14.80%
Miscellaneous Revenues	331,426.0	304,661.0	(26,765.0)	-8.08%
Operating Contribution from General Fund	562,585.0	562,585.0	-	0.00%
Total Available Funds	**$ 18,498,538.0**	**$ 18,223,997.0**	**$ (274,541.0)**	**-1.48%**

(1) Reflects the Final Adopted 2011-12 General County Budget approved by the Board of Supervisors on October 4, 2011.
(2) Reflects the 2012-13 Recommended General County Budget approved by the Board of Supervisors on April 17, 2012

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
Debt Service	-	-	-
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.

COUNTY OF LOS ANGELES
RECOMMENDED BUDGET 2012-13 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	$ 827,515.0	$ -	$ 827,515.0
General Services	553,954.0	-	553,954.0
Public Buildings	214,532.0	-	214,532.0
Total General	$ 1,596,001.0	$ -	$ 1,596,001.0
Public Protection			
Justice	$ 4,439,143.0	$ -	$ 4,439,143.0
Other Public Protection	212,177.0	-	212,177.0
Total Public Protection	$ 4,651,320.0	$ -	$ 4,651,320.0
Health and Sanitation	$ 3,791,214.0	$ 2,343,256.0	$ 6,134,470.0
Public Assistance	5,510,251.0	-	5,510,251.0
Recreation and Cultural Services	264,261.0	-	264,261.0
Insurance and Loss Reserve	67,694.0	-	67,694.0
Reserves/Designations	-	-	-
Appropriation for Contingency	-	-	-
Total Requirements	**$ 15,880,741.0**	**$ 2,343,256.0**	**$ 18,223,997.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,830,730.0	$ -	$ 3,830,730.0
Fund Balance	1,224,955.0	-	1,224,955.0
Cancelled Prior-Year Reserves	137,560.0	-	137,560.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 307,812.0	$ -	$ 307,812.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,658,862.0	-	1,658,862.0
Other Public Assistance	563,121.0	-	563,121.0
Public Protection	813,277.0	-	813,277.0
Health and Mental Health	919,264.0	41,982.0	961,246.0
Capital Projects	37,502.0	-	37,502.0
Other State Revenues	43,121.0	-	43,121.0
Total State Revenues	4,363,459.0	41,982.0	4,405,441.0
Federal Revenues			
Public Assistance Subventions	$ 2,306,288.0	$ -	$ 2,306,288.0
Other Public Assistance	232,965.0	-	232,965.0
Public Protection	223,631.0	-	223,631.0
Health and Mental Health	858,410.0	241,006.0	1,099,416.0
Capital Projects	9,966.0	-	9,966.0
Other Federal Revenues	39,379.0	-	39,379.0
Total Federal Revenues	$ 3,670,639.0	$ 241,006.0	$ 3,911,645.0
Other Governmental Agencies	154,335.0	-	154,335.0
Total Intergovenmental Revenues	$ 8,188,433.0	$ 282,988.0	$ 8,471,421.0
Fines, Forfeitures and Penalties	221,262.0	-	221,262.0
Licenses, Permits and Franchises	50,226.0	126.0	50,352.0
Charges for Services	1,829,722.0	1,288,779.0	3,118,501.0
Other Taxes	171,211.0	-	171,211.0
Use of Money and Property	130,586.0	173.0	130,759.0
Miscellaneous Revenues	96,056.0	208,605.0	304,661.0
Operating Contribution from General Fund	-	562,585.0	562,585.0
Total Available Funds	**$ 15,880,741.0**	**$ 2,343,256.0**	**$ 18,223,997.0**

(1) Reflects the 2012-13 Recommended General County Budget approved by the Board of Supervisors on April 17, 2012

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 from Fiscal years 2007-08 through 2011-12.

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

REDEVELOPMENT AGENCIES

Pursuant to ABX1 26 (the "Redevelopment Dissolution Act"), all redevelopment agencies were dissolved effective February 1, 2012, ABX1 26 bars redevelopment agencies from engaging in new business, provides for their eventual wind down and dissolution, and requires that successor agencies be created to take over from the former agencies. Any tax increment remaining after the payment of enforceable legal obligations, pass-through payments and limited administrative costs will be distributed as property tax revenue to the appropriate taxing entities, including the County general fund.

The actual amount of property tax revenue to be received by the County general fund will be based on an audit of each redevelopment agencies' legal obligations. The Auditor-Controller is responsible for conducting the audits and disbursing future tax increments in accordance with provisions of ABX1 26. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County was approximately $453.0 million. A more detailed discussion of the redevelopment agency dissolution is provided in the Budgetary Information section of this Appendix A.

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	559,663,200 (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 January 2012.

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	$	481,729,167
January, 2012		390,000,000
February, 2012		130,000,000
March, 2012		65,000,000
April, 2012		260,000,000
Total	$	1,326,729,167

* 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	$ 3,701,664
Other Taxes	176,349	144,945	154,228	137,907	154,967
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	225,034
Investment and Rental Income	295,191	204,889	133,640	123,582	114,739
State In-Lieu Taxes	459,242	422,053	424,760	401,679	356,360
State Homeowner Exemptions	21,765	21,827	21,966	21,616	21,558
Charges for Current Services	1,516,390	1,671,756	1,673,098	1,574,709	1,565,552
Miscellaneous Revenue, incl. Tobacco Settlement	302,248	262,766	192,973	181,859	328,443
TOTAL UNRESTRICTED RECEIPTS	$ 6,632,284	$ 6,910,486	$ 6,670,138	$ 6,474,877	$ 6,521,975

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 utilize 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 March 2012.

General Fund Cash Flow Statements

The Fiscal Year 2010-11 General Fund Cash Flow Statement and the projected Fiscal Year 2011-12 General Fund Cash Flow Statement, with actual amounts through March 31, 2012 are provided at the end of this Financial Summary 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 $197.7 million.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has the delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of February 29, 2012, 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	$ 7.199
Schools and Community Colleges	12.812
Independent Public Agencies	3.586
Total	$ 23.597

Of these entities, the involuntary participants accounted for approximately 84.80% and all discretionary participants accounted for 15.20% 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 20, 2012, 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 March 30, 2012, the February 29, 2012 book value of the Treasury Pool was approximately $23.597 billion and the corresponding market value was approximately $23.657 billion.

The County maintains a strong internal controls system for monitoring the cash accounting and investment process. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances on a daily basis. 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 (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis to ensure compliance with the approved Investment Policy.

The following table identifies the types of securities held by the Treasury Pool as of February 29, 2012:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	44.01
Certificates of Deposit	20.08
Commercial Paper	32.78
Bankers Acceptances	0.00
Municipal Obligations	0.03
Corporate Notes & Deposit Notes	3.10
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of February 29, 2012 approximately 54.03% of the investments mature within 60 days, with an average of 583 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, 2011, 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 2011-12 Final Adopted Budget included an available (unreserved and undesignated) General Fund balance of $1,601,571,000 as of June 30, 2011.

The 2011-12 Final Adopted Budget uses the fund balance language of the County Budget Act, which has not yet been updated to reflect Governmental Accounting Standards Board (GASB) Statement No. 54. As such, the County has not presented the Statement of Revenue, Expenditures, and Changes in Fund Balance-with the GASB Statement No. 54 terminology for changes in reserves and designations.

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 the budgetary basis of accounting. The major areas of difference are described as follows:

- For budgetary purposes, reserves and designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County recognizes them as a use of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriations are recorded as other financing sources.

- Under the budgetary basis of accounting, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary accounting 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 of accounting, revenues are not recognized until the qualifying expenditures are incurred.

- 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 a one-year period as of the fiscal 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.

- In conjunction with the sale of Tobacco Settlement Asset-Backed Bonds in 2005-06, the County sold a portion of its future rights to tobacco settlement revenues. Under the budgetary basis of accounting, the bond proceeds were recognized as revenues. Under the modified accrual basis, the bond proceeds were recorded as a sale of future revenues and were 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 2010-11 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- Under the budgetary basis of accounting, property tax revenues are recognized to the extent that they are collectible within a one-year period as of the fiscal year end. Under the GAAP basis of accounting, 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 of accounting, the effects of such fair value changes have already been recognized as a component of investment income.

- In conjunction with the implementation of GASB Statement No. 45, the County determined that certain assets were held by LACERA (as the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the GAAP basis, the expenditures are adjusted to recognize the OPEB Agency assets at fiscal year end.

The table below provides a reconciliation of the General Fund's June 30, 2011 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 2006-07 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, 2011 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$	1,601,571
Adjustments:		
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP		153,766
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund		136,142
Accrual of liabilities for accrued vacation and sick leave not required by GAAP		47,379
Change in revenue accruals related to encumbrances		(34,788)
Deferral of property tax receivables		(81,534)
Deferral of unearned investment income		0
Deferral of sale of tobacco settlement revenue		(257,345)
Change in fair value of Investments		197
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$	1,565,388

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2007, 2008, 2009, 2010 and 2011.
GENERAL FUND-GAAP BASIS (in thousands of $)

ASSETS

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011*
Pooled Cash and Investments	$ 2,668,854	$ 2,343,525	$ 1,841,579	$ 1,689,490	$ 2,151,267
Other Investments	6,400	6,236	6,099	5,839	16,589
Taxes Receivable	248,095	340,784	301,269	246,288	210,914
Other Receivables	1,357,683	1,804,965	1,907,656	1,808,478	1,763,649
Due from Other Funds	370,124	357,416	326,379	436,441	356,860
Advances to Other Funds	400,280	571,872	825,017	1,018,161	1,063,061
Inventories	42,561	43,906	46,486	44,279	54,145
Total Assets	$ 5,093,997	$ 5,468,704	$ 5,254,485	$ 5,248,976	$ 5,616,485

LIABILITIES

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011*
Accounts Payable	$ 300,087	$ 252,794	$ 247,337	$ 266,916	$ 286,597
Accrued Payroll	392,779	472,007	504,374	286,407	289,546
Other Payables	86,055	151,700	121,665	454,244	1,039,126
Due to Other Funds	602,358	561,540	495,105	501,705	464,170
Deferred Revenue	338,714	380,322	343,386	346,829	382,897
Advances Payable	278,023	263,500	361,964	382,476	411,508
Third-Party Payor liability	15,537	12,401	13,836	14,588	20,198
Total Liabilities	$ 2,013,553	$ 2,094,264	$ 2,087,667	$ 2,253,165	$ 2,894,042

EQUITY

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011*
Fund Balance (Deficit)					
Reserved/Nonspendable	$ 478,280	$ 597,466	$ 539,851	$ 784,428	
Unreserved/Restricted					
Designated	1,235,325	1,152,639	971,579	618,899	
Undesignated	1,366,839	1,624,335	1,655,388	1,592,484	
Total Unreserved	2,602,164	2,776,974	2,626,967	2,211,383	-
Nonspendable					$ 259,127
Restricted					35,377
Committed					
Assigned					763,038
Unassigned					1,664,901
Total Equity	3,080,444	3,374,440	3,166,818	2,995,811	2,722,443
Total Liabilities and Equity	$ 5,093,997	$ 5,468,704	$ 5,254,485	$ 5,248,976	$ 5,616,485

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2007, 2008, 2009, 2010 and 2011.
*Due to the implementation of a new accounting pronouncement (GASB Statement 54 "Fund Balance Reporting and Government Fund Type Definitions") in FY 2010-11, the fund balance as of June 30, 2011 was reported under new fund categories as required by GASB 54.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2006-07THROUGH 2010-11 (in thousands of $)

	2006-07	2007-08	2008-09	2009-10	2010-11
REVENUES:					
Taxes	$ 3,572,932	$ 3,796,296	$ 3,970,566	$ 3,864,654	$ 3,843,366
Licenses, Permits & Franchises	61,138	58,799	54,877	49,079	56,656
Fines, Forfeitures and Penalties	234,747	251,933	264,375	258,842	244,787
Use of Money and Property	294,511	280,803	183,772	124,049	130,140
Aid from Other Government	7,050,121	7,261,668	7,211,150	7,337,716	7,506,492
Charges for Services	1,467,608	1,695,004	1,654,173	1,659,224	1,641,399
Miscellaneous Revenues	189,636	282,818	198,837	191,878	145,414
TOTAL	$ 12,870,693	$ 13,627,321	$ 13,537,750	$ 13,485,442	$ 13,568,254
EXPENDITURES					
General	$ 854,052	$ 919,534	$ 946,008	$ 859,319	$ 883,854
Public Protection	3,855,819	4,222,644	4,420,786	4,412,935	4,401,985
Health and Sanitation	2,126,233	2,345,484	2,480,693	2,421,615	2,476,524
Public Assistance	4,410,224	4,619,225	4,796,019	5,025,312	5,217,560
Recreation and Cultural Services	217,221	231,584	242,999	247,094	263,046
Debt Service	294,301	308,207	247,248	271,378	278,477
Capital Outlay	818	97,270	772	2,115	32,598
Total	$ 11,758,668	$ 12,743,948	$ 13,134,525	$ 13,239,768	$ 13,554,044
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,112,025	$ 883,373	$ 403,225	$ 245,674	$ 14,210
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	$ (771,788)	$ (780,902)	$ (612,505)	$ (419,756)	$ (340,128)
Sales of Capital Assets	1,111	1,036	886	960	9,027
Capital Leases	818	97,270	772	2,115	43,523
OTHER FINANCING SOURCES (USES)-Net	$ (769,859)	$ (682,596)	$ (610,847)	$ (416,681)	$ (287,578)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	$ 342,166	$ 200,777	$ (207,622)	$ (171,007)	$ (273,368)
Beginning Fund Balance	2,738,278	3,173,663	3,374,440	3,166,818	2,995,811
Residual Equity Transfers from (to) Other Funds-Net	0	0	0	0	0
Ending Fund Balance	$ 3,080,444	$ 3,374,440	$ 3,166,818	$ 2,995,811	$ 2,722,443

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2007, 2008, 2009, 2010 and 2011.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2010-11: 12 MONTHS ACTUAL
2011-12: 09 MONTHS ACTUAL

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	313,703	985,919	1,105,096
Auditor Unapportioned Property Tax	424,944	176,780	155,871	205,077	824,123	2,308,144
Unsecured Property Tax	134,975	67,818	133,422	152,165	115,517	82,721
Miscellaneous Fees & Taxes	7,682	7,849	11,662	25,884	19,638	11,159
State Redemption Fund	40,926	71,880	68,451	52,786	29,755	30,925
Education Revenue Augmentation	16,296	15,001	0	0	0	54,496
State Reimbursement Fund	0	0	0	0	481	11,174
Sales Tax Replacement Fund	0	0	0	0	717	40,121
Vehicle License Fee Replacement Fund	11,695	94,496	157,705	157,705	162,067	401,786
Property Tax Rebate Fund	(11,223)	(25,990)	(36,756)	(57,662)	(54,096)	(28,969)
Utility User Tax Trust Fund	7,812	903	6,612	9,063	5,832	11,137
Subtotal	$ 696,226	$ 446,306	$ 531,443	$ 858,721	$ 2,089,953	$ 4,027,790
VARIOUS TRUST GROUP						
Departmental Trust Fund	445,183	444,842	448,248	419,295	436,779	452,918
Payroll Revolving Fund	46,662	45,767	42,822	54,396	43,733	45,290
Asset Development Fund	39,846	39,896	39,911	39,975	40,163	40,176
Productivity Investment Fund	5,173	5,102	5,126	5,129	5,131	5,069
Motor Vehicle Capital Outlays	2,122	2,122	2,122	2,122	2,122	2,122
Civic Center Parking	59	24	169	103	62	202
Reporters Salary Fund	671	977	628	761	1,138	1,036
Cable TV Franchise Fund	9,983	9,719	10,276	10,435	10,454	11,089
Megaflex Long-Term Disability	19,215	19,166	19,078	19,063	18,940	18,834
Megaflex Long-Term Disability & Health	5,882	5,964	6,061	6,136	6,227	6,298
Megaflex Short-Term Disability	26,423	26,802	27,145	27,512	27,919	28,278
Subtotal	$ 601,219	$ 600,381	$ 601,586	$ 584,927	$ 592,668	$ 611,312
HOSPITAL GROUP						
Harbor-UCLA Medical Center	7,992	4,627	3,088	1,069	4,564	194
Olive View-UCLA Medical Center	2,817	2,342	1,248	(4)	2,379	2,634
LAC+USC Medical Center	12,097	13,039	(789)	(85)	1,810	3,254
MLK Ambulatory Care Center	(2,087)	2,258	5,592	4,686	3,846	3,773
Rancho Los Amigos Rehab Center	3,687	890	426	607	225	532
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 24,506	$ 23,156	$ 9,565	$ 6,273	$ 12,824	$ 10,387
GRAND TOTAL	**$ 1,321,951**	**$ 1,069,843**	**$ 1,142,594**	**$ 1,449,921**	**$ 2,695,445**	**$ 4,649,489**

Detail may not add due to rounding.
Source: Los Angeles County Auditor-Controller

January 2012	February 2012	March 2012	Estimated April 2012	Estimated May 2012	Estimated June 2012	
						PROPERTY TAX GROUP
763,642	321,402	523,561	1,655,347	712,422	130,869	**Tax Collector Trust Fund**
857,864	582,212	530,333	1,551,186	613,865	535,523	**Auditor Unapportioned Property Tax**
72,880	69,983	59,785	55,903	85,791	116,237	**Unsecured Property Tax**
10,472	9,365	8,990	8,051	8,756	8,443	**Miscellaneous Fees & Taxes**
26,752	22,428	21,072	31,047	31,414	22,910	**State Redemption Fund**
28,191	13,511	1,560	43,821	0	1,482	**Education Revenue Augmentation**
21,403	1,336	1,336	3,766	26,538	10,210	**State Reimbursement Fund**
70,339	3,607	11,820	57,333	94,884	0	**Sales Tax Replacement Fund**
583,435	169,993	219,965	384,974	506,135	3,314	**Vehicle License Fee Replacement Fund**
(21,139)	(23,796)	(22,635)	(21,417)	(33,260)	(17,944)	**Property Tax Rebate Fund**
3,228	4,217	9,790	17,390	35,790	10,855	**Utility User Tax Trust Fund**
$ 2,417,067	$ 1,174,258	$ 1,365,577	$ 3,787,401	$ 2,082,335	$ 821,899	**Subtotal**
						VARIOUS TRUST GROUP
510,226	523,602	561,065	422,994	415,335	411,210	**Departmental Trust Fund**
63,993	39,604	41,073	47,850	57,668	47,886	**Payroll Revolving Fund**
40,197	40,219	40,236	39,238	38,487	38,560	**Asset Development Fund**
4,965	4,947	5,560	5,891	7,301	6,976	**Productivity Investment Fund**
2,122	2,122	2,062	2,164	2,303	2,304	**Motor Vehicle Capital Outlays**
139	206	153	54	45	383	**Civic Center Parking**
994	400	788	993	477	989	**Reporters Salary Fund**
11,082	10,847	11,071	9,288	8,721	9,105	**Cable TV Franchise Fund**
18,811	18,726	18,653	19,199	19,288	19,213	**Megaflex Long-Term Disability**
6,383	6,429	6,517	5,671	4,757	4,836	**Megaflex Long-Term Disability & Health**
28,535	28,727	29,016	25,400	20,992	21,354	**Megaflex Short-Term Disability**
$ 687,447	$ 675,829	$ 716,194	$ 578,742	$ 575,374	$ 562,816	**Subtotal**
						HOSPITAL GROUP
873	75	(2,562)	1,000	1,000	1,000	**Harbor-UCLA Medical Center**
391	(120)	(3,676)	1,000	1,000	1,000	**Olive View-UCLA Medical Center**
396	1,787	5,955	1,000	1,000	1,000	**LAC + USC Medical Center**
3,671	3,666	3,454	1,000	1,000	1,000	**MLK Ambulatory Care Center**
37	(1,481)	(358)	1,000	1,000	1,000	**Rancho Los Amigos Rehab Center**
0	0	0	5,000	5,000	5,000	**LAC+USC Medical Center Equipment**
$ 5,368	$ 3,927	$ 2,813	$ 10,000	$ 10,000	$ 10,000	**Subtotal**
$ 3,109,882	**$ 1,854,014**	**$ 2,084,584**	**$ 4,376,143**	**$ 2,667,709**	**$ 1,394,715**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2010-11: 12 MONTHS ACTUAL
2011-12: 09 MONTHS ACTUAL

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	$ 1,097,190	$ 529,972	$ 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	110,337	23,626	14,122	33,593	18,329	30,516
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
Mental Health Services Act Funding	113,690	0	0	28,107	62	31,802
Intrafund Borrowings	0	0	0	0	0	0
TRANs Sold	1,500,000	0	0	0	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	6,277	60,135	244,375	138,754	107,981
Hospital Subsidy Payments	164,601	303,185	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	$ 1,358,347	$ 1,232,777	$ 1,407,855	$ 1,312,801	$ 1,692,969
ENDING BALANCE	**$ 1,438,648**	**$ 1,097,190**	**$ 529,972**	**$ 64,668**	**$ (90,485)**	**$ 321,576**
Borrowable Resources (Avg. Balance)	$ 1,283,246	$ 1,120,676	$ 1,181,379	$ 1,518,338	$ 2,708,336	$ 4,786,688
Total Cash Available	$ 2,721,894	$ 2,217,866	$ 1,711,351	$ 1,583,006	$ 2,617,851	$ 5,108,264

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
23,652	14,707	26,284	102,196	24,339	43,462	465,163
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
18,232	20,282	35,586	20,688	32,620	15,263	316,332
0	0	0	0	0	0	0
0	0	0	0	0	0	1,500,000
$ 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	$ 2,690,507
389,504	388,136	378,366	386,085	375,822	377,097	4,603,608
183,377	195,503	200,086	164,162	181,838	158,972	2,476,073
277,491	258,791	311,005	255,870	319,803	264,593	3,612,833
130,919	82,468	253,899	374,615	182,358	128,077	1,709,858
(233)	0	0	(14,991)	0	0	608,691
91,660	3,021	10,704	76,103	67,895	12,428	431,018
405,000	150,000	120,000	387,623	0	0	1,527,623
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	$ 17,660,211
$ 484,230	**$ 150,599**	**$ (228,785)**	**$ (128,164)**	**$ 628,637**	**$ 568,002**	
$ 3,075,273	$ 1,814,620	$ 1,942,634	$ 4,225,923	$ 2,599,025	$ 1,318,666	
$ 3,559,503	$ 1,965,219	$ 1,713,849	$ 4,097,759	$ 3,227,662	$ 1,886,668	

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

	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011
BEGINNING BALANCE	$ 568,002	$ 1,522,684	$ 1,319,842	$ 909,737	$ 419,044	$ 229,984
RECEIPTS						
Property Taxes	$ 88,164	$ 94,297	$ 739	$ 20	$ 42,191	$ 983,893
Other Taxes	27,857	9,037	8,945	16,728	7,342	8,641
Licenses, Permits & Franchises	1,516	5,301	4,126	3,416	2,909	3,926
Fines, Forfeitures & Penalties	32,221	25,197	11,476	13,038	20,961	11,115
Investment and Rental Income	19,885	8,568	6,419	7,635	10,022	8,752
Motor Vehicle (VLF) Realignment	36,843	49,423	38,885	25,190	24,310	25,762
Sales Taxes - Proposition 172	53,248	46,097	45,271	45,561	55,719	51,421
Sales Taxes Program Realignment	67,972	21,680	112,651	66,499	72,187	73,104
Other Intergovernmental Revenue	173,658	236,590	108,855	132,835	139,473	142,555
Charges for Current Services	210,319	97,334	93,124	113,107	98,205	195,245
Other Revenue & Tobacco Settlement	73,412	34,089	9,414	11,242	37,521	20,257
Transfers & Reimbursements	9,116	3,121	121	12,874	6,917	25,721
Hospital Loan Repayment	75,849	295,436	73,226	8,188	279,011	47,351
Welfare Advances	151,882	300,945	266,236	532,541	321,699	271,246
Mental Health Services Act Funding	108,308	0	0	132	29,477	76,750
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	$ 989,006	$ 1,147,944	$ 1,945,739
DISBURSEMENTS						
Welfare Warrants	$ 191,872	$ 210,504	$ 234,244	$ 234,444	$ 227,186	$ 213,576
Salaries	387,496	384,254	377,532	377,340	377,731	390,475
Employee Benefits	201,511	208,320	160,560	192,698	200,573	201,840
Vendor Payments	461,093	378,887	228,851	435,688	298,798	263,622
Loans to Hospitals	20,987	33,112	29,972	124,591	169,996	160,570
Hospital Subsidy Payments	194,998	194,873	154,665	31,828	32,168	3,175
Transfer Payments	17,611	20,007	3,769	83,110	30,552	20,300
TRANs Pledge Transfer	0	0	0	0	0	481,729
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	$ 1,475,568	$ 1,429,957	$ 1,189,593	$ 1,479,699	$ 1,337,004	$ 1,735,287
ENDING BALANCE	**$ 1,522,684**	**$ 1,319,842**	**$ 909,737**	**$ 419,044**	**$ 229,984**	**$ 440,436**
Borrowable Resources(Avg. Balance)	$ 1,321,951	$ 1,069,843	$ 1,142,594	$ 1,449,921	$ 2,695,445	4,649,489
Total Cash Available	$ 2,844,635	$ 2,389,685	$ 2,052,331	$ 1,868,965	$ 2,925,429	$ 5,089,925

January 2012	February 2012	March 2012	Estimated April 2012	Estimated May 2012	Estimated June 2012	Estimated Total 2011-12
$ 440,436	$ 511,073	$ 182,090	$ (272,434)	$ 170,252	$ 515,583	
$ 820,119	$ 151,453	$ 10,508	$ 709,650	$ 792,025	$ 8,605	$ 3,701,664
23,131	7,707	7,418	6,965	7,330	23,866	154,967
122	10,319	4,310	9,529	4,673	3,510	53,657
12,087	22,076	18,514	14,841	30,400	13,108	225,034
9,605	9,258	7,159	7,447	10,113	9,876	114,739
26,824	27,470	27,263	30,256	21,348	22,787	356,360
39,337	63,675	43,167	39,263	53,439	45,322	581,520
57,871	86,754	69,712	42,006	59,454	49,205	779,096
118,874	162,666	173,554	100,510	112,546	85,306	1,687,422
168,355	79,693	113,041	177,429	109,842	109,858	1,565,552
16,903	21,174	16,971	81,928	14,848	12,803	350,562
24,267	27,269	10,041	8,253	11,332	20,783	159,815
209,756	60,265	91,646	616,143	131,900	94,320	1,983,091
351,803	306,114	289,527	411,890	397,496	501,848	4,103,227
29,482	10,552	26,937	20,519	20,849	20,375	343,382
0	0	0	0	0	0	0
0	0	0	0	0	0	1,300,000
$ 1,908,536	$ 1,046,445	$ 909,768	$ 2,276,629	$ 1,777,597	$ 1,021,573	$ 17,460,090
$ 206,330	$ 215,056	$ 226,194	$ 229,380	$ 245,222	$ 250,149	$ 2,684,158
393,825	391,685	381,128	412,279	406,401	407,762	4,687,908
226,798	223,254	187,984	212,216	234,475	205,681	2,455,909
304,997	261,361	263,030	273,249	341,524	282,564	3,793,664
237,049	147,592	231,283	369,228	134,206	175,946	1,834,532
0	0	4,167	0	0	0	615,874
78,900	6,480	5,506	77,592	70,439	17,337	431,603
390,000	130,000	65,000	260,000	0	0	1,326,729
0	0	0	0	0	0	0
$ 1,837,899	$ 1,375,428	$ 1,364,292	$ 1,833,943	$ 1,432,266	$ 1,339,440	$ 17,830,377
$ 511,073	**$ 182,090**	**$ (272,434)**	**$ 170,252**	**$ 515,583**	**$ 197,716**	
$ 3,109,882	$ 1,854,014	$ 2,084,584				
$ 3,620,955	$ 2,036,104	$ 1,812,150	$ 170,252	$ 515,583	$ 197,716	

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 $1.397 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $542.0 million of the outstanding debt. Revenues from special districts, special funds and Hospital Enterprise Funds will secure the remaining $855.0 million of outstanding 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	46,844,576
Courthouse Construction Funds	31,547,024
Special Districts/Special Funds	3,219,346
Net 2011-12 General Fund Obligation	$70,455,742

Source: Los Angeles County Chief Executive Office

The principal amount of the outstanding General County intermediate and long-term debt obligations decreased to $1.39 billion as of May 1, 2012, which includes debt issuance and repayment activity in Fiscal Year 2011-12. An additional $500.0 million in TRANs, $17.0 million in Bond Anticipation Notes, and $310.0 million in Tax-Exempt Commercial Paper Notes were also outstanding as of May 1, 2012. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2012 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$ 500,000.0
Bond Anticipation Notes	17,000.0
Tax-Exempt Commercial Paper	310,000.0
Intermediate & Long-Term Obligations	
Lease Obligations	1,390,307.8
Total Outstanding Principal	$ 2,217,307.8

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 were satisfied in full as of April 10, 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 May 1, 2012, $17.0 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, 2013.

Commercial Paper Program

The County has authorized a maximum of $400.0 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 May 1, 2012, $310.0 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 Final 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 $273.7 million as of May 1, 2012 due to repayment activity in Fiscal Year 2011-12.

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 May 1, 2012 ; and

5. The County's overlapping debt statement as of May 1, 2012.

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 MAY 1, 2012

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE (1)
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	$ 70,455,742	$ 46,844,575	$ 31,547,024	$ 3,219,346	$ 152,066,688
2012-13	77,260,028	40,559,201	25,709,969	3,285,646	146,814,844
2013-14	59,184,425	38,804,433	27,324,194	3,347,721	128,660,774
2014-15	62,875,876	46,658,545	26,513,038	3,415,709	139,463,168
2015-16	47,809,363	45,012,157	25,635,249	3,486,084	121,942,852
2016-17	41,588,364	36,214,324	21,865,780	3,554,834	103,223,301
2017-18	40,589,615	30,514,399	16,975,475	3,625,159	91,704,648
2018-19	41,400,346	30,515,050	16,976,475	3,696,640	92,588,511
2019-20	42,231,205	30,517,285	16,965,725	3,773,750	93,487,965
2020-21	43,073,047	30,479,268	16,957,350	3,846,250	94,355,915
2021-22	43,973,635	30,476,286	16,954,300	3,927,000	95,331,221
2022-23	44,917,234	30,471,106	16,951,625	-	92,339,965
2023-24	20,740,952	30,464,064	16,943,875	-	68,148,890
2024-25	20,733,346	30,452,893	16,933,500	-	68,119,740
2025-26	20,728,722	30,446,102	16,929,000	-	68,103,824
2026-27	20,723,957	30,439,103	16,918,875	-	68,081,936
2027-28	20,718,900	30,431,675	16,906,750	-	68,057,326
2028-29	20,712,320	30,422,010	16,905,750	-	68,040,080
2029-30	20,706,986	30,414,175	16,893,613	-	68,014,774
2030-31	20,699,541	30,403,241	9,432,600	-	60,535,382
2031-32	20,692,657	30,393,130	9,431,488	-	60,517,275
2032-33	20,686,831	30,384,573	6,918,000	-	57,989,404
2033-34	20,678,510	30,372,350	6,918,750	-	57,969,610
2034-35	20,671,547	30,362,124	-	-	51,033,671
2035-36	20,663,546	30,350,372	-	-	51,013,918
2036-37	20,654,663	30,337,325	-	-	50,991,988
2037-38	20,647,344	30,326,574	-	-	50,973,919
2038-39	20,637,744	30,312,475	-	-	50,950,219
2039-40	20,630,169	30,301,348	-	-	50,931,518
2040-41	20,621,310	30,288,336	-	-	50,909,647
2041-42	-	-	-	-	-
Total	$ 987,707,928	$ 983,968,501	$ 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	$ 542,361,492	$ 553,579,617	$ 271,616,645	$ 29,910,000	$ 1,397,467,754
2012-13	506,789,923	536,038,547	252,834,288	28,050,000	1,323,712,758
2013-14	460,812,508	519,920,907	239,074,099	26,040,000	1,245,847,515
2014-15	431,735,249	504,822,824	223,014,357	23,875,000	1,183,447,430
2015-16	398,406,016	480,938,257	207,011,017	21,550,000	1,107,905,289
2016-17	379,872,062	457,585,096	191,140,940	19,050,000	1,047,648,098
2017-18	367,828,810	442,119,969	178,385,000	16,375,000	1,004,708,778
2018-19	357,229,811	431,723,340	170,020,000	13,520,000	972,493,152
2019-20	346,315,670	420,800,187	161,225,000	10,475,000	938,815,857
2020-21	335,070,149	409,323,738	151,990,000	7,225,000	903,608,886
2021-22	315,246,768	397,383,232	142,290,000	3,740,000	858,660,000
2022-23	285,456,455	384,993,545	132,110,000	-	802,560,000
2023-24	253,351,021	372,118,979	121,425,000	-	746,895,000
2024-25	244,225,086	358,714,914	110,200,000	-	713,140,000
2025-26	234,683,968	344,701,032	98,410,000	-	677,795,000
2026-27	224,677,034	330,002,966	86,020,000	-	640,700,000
2027-28	214,179,981	314,585,019	73,005,000	-	601,770,000
2028-29	203,164,455	298,405,545	59,335,000	-	560,905,000
2029-30	191,606,152	281,428,848	44,965,000	-	518,000,000
2030-31	179,476,720	263,613,280	29,895,000	-	472,985,000
2031-32	166,749,828	244,920,172	21,735,000	-	433,405,000
2032-33	153,395,098	225,304,902	13,170,000	-	391,870,000
2033-34	139,380,124	204,719,876	6,750,000	-	350,850,000
2034-35	124,674,529	183,120,471	-	-	307,795,000
2035-36	109,235,780	160,444,220	-	-	269,680,000
2036-37	93,021,347	136,628,653	-	-	229,650,000
2037-38	75,992,750	111,617,250	-	-	187,610,000
2038-39	58,166,190	85,433,810	-	-	143,600,000
2039-40	39,576,097	58,128,903	-	-	97,705,000
2040-41	20,198,169	29,666,831	-	-	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			
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	
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:					
Michael D. Antonovich Antelope Valley Courthouse	$ 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			
Olive View Medical Center ER/TB Unit	405,737		$ 405,737		
Olive View Medical Center 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	$ 2,388,016	$ 3,507,490	$ 0	$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	$ 1,386,271	$ 1,386,271			
Patriotic Hall Renovation	2,238,578	2,238,578			
Olive View Medical Center ER/TB Unit	2,579,427		$ 2,579,427		
Olive View Medical Center 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	$ 15,181,549	$ 22,298,480	$ 0	$ 0
Total Long-Term Capital Projects	$ 144,813,563	$ 65,840,667	$ 44,206,526	$ 31,547,024	$ 3,219,346
Total Long-Term Obligations	$ 144,813,563	$ 65,840,667	$ 44,206,526	$ 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	$ 70,455,742	$ 46,844,576	$ 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			
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	
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:					
Michael D. Antonovich Antelope Valley Courthouse	$ 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			
Olive View Medical Center ER/TB Unit	7,081,718		7,081,718		
Olive View Medical Center 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	$ 41,680,368	$ 61,219,632	$ 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			
Olive View Medical Center ER/TB Unit	47,349,441		47,349,441		
Olive View Medical Center 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	$ 278,681,262	$ 409,323,738	$ 0	$ 0
Total Long-Term Capital Projects	$ 1,373,062,754	$ 522,118,492	$ 549,417,618	$ 271,616,645	$ 29,910,000
Total Long-Term Obligations	$ 1,373,062,754	$ 522,118,492	$ 549,417,618	$ 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	$ 542,361,492	$ 553,579,618	$ 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 MAY 1, 2012

Title	Outstanding Principal	Total Future Payments		2011-12 FY Payment Remaining
Long-Term Obligations				
Long-Term Capital Projects				
1993 COPs: Disney Parking Project	$ 27,327,758	$ 135,015,000		$ 0
1998 Refg COPs: Disney Parking Project	0	0		0
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding	0	0		0
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	14,670,000	17,412,300		440,100
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	216,600,000	294,715,109		5,196,632
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	29,910,000	38,498,466		2,539,673
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	76,955,000	83,201,669		0
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	92,990,000	152,209,528		0
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	102,900,000	128,622,469		0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,325,125,969	(1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	14,000,000	14,964,953	(1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	75,892,236		0
Total Long-Term Capital Projects	$ 1,314,032,758	$ 2,265,657,697		$ 8,176,405
Total Long-Term Obligations	$ 1,314,032,758	$ 2,265,657,697		$ 8,176,405
Intermediate-Term Obligations				
Equipment				
2009 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 6,800,000	$ 7,118,000		$ 2,730,000
2011 Lease Rev Bonds Series A - LAC-CAL Equipment Program	55,475,000	60,593,032		9,058,044
Total Equipment	$ 62,275,000	$ 67,711,032		$ 11,788,044
Taxable Bonds				
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 14,000,000	$14,603,167		$ 0
Total Intermediate-Term Obligations	$ 76,275,000	$ 82,314,199		$ 11,788,044
Total Obligations	$ 1,390,307,758	$ 2,347,971,896		$ 19,964,450

COPs = Certificates of Participation

(1) Total Future Payments reflects the County's net future payment obligation after receipt of a Federal interest subsidy authorized by the American Recovery and Reinvestment Act (ARRA) of 2009.

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 MAY 1, 2012
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 5/1/12
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			
Los Angeles County Flood Control District	100.000 %	$	37,195,000
Metropolitan Water District	48.392		95,112,056
Los Angeles Community College District	100.000		3,504,910,000
Other Community College Districts	Various (1)		1,985,932,860
Arcadia Unified School District	100.000		169,484,793
Beverly Hills Unified School District	100.000		180,084,540
Glendale Unified School District	100.000		170,984,986
Long Beach Unified School District	100.000		536,652,292
Los Angeles Unified School District	100.000		11,282,720,000
Pasadena Unified School District	100.000		271,585,000
Pomona Unified School District	100.000		206,818,331
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)		2,815,197,702
High School and School Districts	Various (1)		1,393,442,524
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		801,087,204
Los Angeles County Regional Park & Open Space Assessment District	100.000		170,725,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000		140,764,235
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$	25,690,075,090
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			
Los Angeles County General Fund Obligations	**100.000 %**	**$**	**1,487,807,758**
Los Angeles County Office of Education Certificates of Participation	100.000		11,269,678
Community College District Certificates of Participation	Various (2)		70,446,258
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		464,152,747
Pomona Unified School District Certificates of Participation	100.000		28,960,000
Other Unified School District Certificates of Participation	Various (2)		150,030,511
High School and School District General Fund Obligations	Various (2)		156,206,201
City of Beverly Hills General Fund Obligations	100.000		220,835,000
City of Los Angeles General Fund and Judgment Obligations	100.000		1,848,570,000
City of Long Beach General Fund Obligations	100.000		203,590,000
City of Long Beach Pension Obligations	100.000		54,520,000
City of Pasadena General Fund Obligations	100.000		487,996,708
City of Pasadena Pension Obligations	100.000		152,265,319
Other Cities' General Fund Obligations	100.000		1,338,582,613
Los Angeles County Sanitation Districts General Fund Obligations	100.000		292,005,646
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	7,050,013,439
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			(32,953,944)
Cities' self-supporting bonds			(186,549,498)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,812,704,575
GROSS COMBINED TOTAL DEBT		$	32,740,088,529 (3)
NET COMBINED TOTAL DEBT		$	32,502,779,665

(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	2.380 %

RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Gross Combined Direct Debt ($1,487,807,758)	**0.160 %**
Net Combined Direct Debt ($1,470,002,336)	**0.160 %**
Gross Combined Total Debt	3.480 %
Net Combined Total Debt	3.450 %

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 Product of $544.0 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. Still working through the recession, the County's economy experienced mild improvement in 2011, 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 2012, with several sectors of the local economy experiencing growth.

Los Angeles County's unemployment rate averaged 12.2% in 2011, which represents a modest improvement from the 2010 unemployment rate of 12.6%. The economic recovery is expected to continue in 2012, as the average unemployment rate is projected to decline further to 11.5%. The significant job losses during the recession 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, 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, health care, 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 373,000 workers employed in this sector in 2011. 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. 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 over 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 26.4% 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; 8.7% 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 75.9% of the adult population has a high school diploma or higher, and 29% 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. The unemployment rate climbed to 12.6% in 2010 and decreased slightly to 12.2% in 2011. In comparison, the average unemployment rates for the State of California and the nation were approximately 11.8% and 9%, respectively, in 2011. The employment situation in the County showed signs of improvement in 2011, with estimated total net job growth of 15,700 among the various sectors of the local economy. In 2012, total non-farm employment is projected to grow by 0.6% (22,700 jobs), resulting in a lower unemployment rate in the County of 11.4%. Table F details the non-agricultural employment statistics by sector for Los Angeles County from 2007 through 2011.

Personal Income

Total personal income grew in the County by an estimated 4.6% in 2011. The 2011 total personal income of $431 billion represents an estimated 25.6% of the total personal income generated in California. The Los Angeles Economic Development Corporation ("LAEDC") has projected continued growth in personal income of 3% in 2012 and 2013 respectively. Table C provides a summary of the personal income statistics for Los Angeles County from 2007 through 2011.

Consumer Spending

Los Angeles County is a national leader in consumer spending. As reported by LAEDC, the County experienced a 4.8% increase in taxable retail sales in 2011. Consumer spending was projected to grow by 6.1% in 2012. The $88.7 billion of taxable retail sales in the County in 2011 represents over 25.0% of the total retail sales in California. Table D provides a summary of taxable retail sales activity in Los Angeles County from 2007 through 2011.

Industry

[With an estimated annual economic output of $544.0 billion in 2010, Los Angeles County continues to rank among the world's largest economies. Its 2010 Gross Product represents approximately 28.6% of the total economic output in California and 3.7% 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 2007 through 2011.

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 recovered close to the record level attained in 2008. In 2011, the LACD handled approximately $388 billion worth of international trade, which represents a 10.6% increase compared to 2010. With the strong performance of the LACD in 2011, the value of two-way trade has surpassed the previous record level attained in 2008 by 8.3%. The LACD maintained its ranking as the top customs district in the nation for international trade in 2011, with China, Japan, South Korea, Taiwan and Thailand being the top trading partners. The LAEDC has projected an increase of 3.2% for 2012 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 sixth busiest airport in the world and third in the United States for passenger traffic. In 2011, LAX served 61.8 million passengers, representing a 4.73% increase from the previous year. The 1.8 million tons of air cargo handled at LAX in 2011, and the corresponding value of $80 billion, represents a decrease of 3.8% and 4.8%, respectively from the 2010 levels. 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 eighth 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 2011, the port complex experienced a [19.3%] increase in the volume of cargo from 2010. The port complex is projected to experience continued growth in 2012 and 2013 of [4.0%] and [5.0%], respectively.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2011, it was ranked as the busiest container port in the United States for the twelfth 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 2011, the port handled over 7.9 million TEUs, which represents a 1.4% increase in container volume from 2010.

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 eighteenth busiest in the world in 2011. The Port of Long Beach port covers over 3,200 acres with 10 separate piers. In 2011, the port handled over 6.1 million TEUs of container cargo, which represents a decrease of 3.2% from 2010. The decrease in activity was attributed to the loss of one of its seven container terminal customers (Hyundai).

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 2011, the Los Angeles region hosted a record high 26.9 million overnight visitors, representing a 4.2% increase from 2010. 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 2011, with tourists and business travelers spending $15.2 billion (as reported by the Bureau of Economic Analysis), representing a significant increase of 8% from 2010. The new convention center hotel and the higher number of conferences scheduled for 2012 as well as the opening of the 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.

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 41% from a peak of $532,281 in 2007 to a cyclical low of $316,363 in 2011. 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% from $321,550 in 2009 to $335,363 in 2011. Based on more recent data in 2011, it appears that the housing market is continuing to struggle. Despite historically low mortgage rates, the volume of home sales decreased by 4% from 77,313 in 2010 to 74,196 in 2011; and the average median home price decreased to $305,621 in the fourth quarter of 2011. However, other positive trends suggest a stabilizing housing market, as the Notices of Default Recorded decreased by 6% from 68,603 in 2010 to 64,490 in 2011; and the number of foreclosures decreased by 7.5% from 30,907 in 2010 to 28,590 in 2011.

The non-residential real estate sector experienced mixed results in 2011. The total non-residential building valuation of $2.593 billion in 2011 represents a decrease of 3.0% from the $2.674 billion reported in 2010. Construction lending experienced a significant increase of 53.0% from $2.128 billion in 2010 to $3.253 billion in 2011. Office market vacancy rates were unchanged from 2010 to 2011 at 17.0%, and industrial market vacancy rates experienced slight improvement from 3.2% in 2010 to 2.9% in 2011.

Despite the severe downturn in the housing market from 2007 to 2011, 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 2011-12, the Los Angeles County Assessor reported a Net Local Roll of $1.056 trillion, which represented a 1.36% increase from the Net Local Roll of $1.042 trillion in Fiscal Year 2010-11.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

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

	2007	2008	2009	2010	2011*
Los Angeles County	$508,000	$513,600	$499,800	$544,000	TBD
State of California	1,798,300	1,846,800	1,812,400	1,901,100	TBD
United States	13,794,200	14,441,440	14,256,280	14,525,655	TBD
Los Angeles County as a % of California	28.25%	27.81%	27.58%	28.62%	TBD

** Estimated*
Source: Los Angeles Economic Development Corporation - 2012-2013 Economic Forecast and Industry Outlook February 2012

TABLE B: POPULATION LEVELS

	2007	2008	2009	2010	2011
Los Angeles County	9,728,000	9,772,000	9,832,000	9,881,000	9,920,000
State of California	36,186,000	36,538,000	36,888,000	37,319,000	37,579,000
Los Angeles County as a % of California	26.88%	26.74%	26.65%	26.48%	26.40%

Source: Los Angeles Economic Development Corporation - 2012-2013 Economic Forecast and Industry Outlook February 2012

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

	2007	2008	2009	2010	2011*
Los Angeles County	$400,400	$412,600	$402,500	$412,200	$431,100
Orange County	153,400	155,100	148,400	152,600	159,300
Riverside and San Bernardino Counties	123,000	125,000	123,000	125,800	131,100
Ventura County	37,300	37,500	36,900	37,700	39,300
State of California	1,566,400	1,604,200	1,567,000	1,590,300	1,681,900
Los Angeles County as a % of California	25.56%	25.72%	25.69%	25.92%	25.63%

**Estimated*
Source: Los Angeles Economic Development Corporation - 2012-2013 Economic Forecast and Industry Outlook February 2012

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

	2007	2008	2009	2010	2011*
Los Angeles County	$96,100	$89,800	$78,400	$83,900	$88,700
State of California	387,000	357,300	311,200	327,900	354,500
Los Angeles County as a % of California	24.83%	25.13%	25.19%	25.59%	25.02%

** Estimated*
Source: Los Angeles Economic Development Corporation - 2012-2013 Economic Forecast and Industry Outlook February 2012

TABLE E: UNEMPLOYMENT RATES

	2007	2008	2009	2010	2011*
Los Angeles County	5.1%	7.5%	11.5%	12.6%	12.2%
State of California	5.2%	7.2%	11.3%	12.4%	11.8%
United States	4.6%	5.8%	9.3%	9.6%	9.0%

** Estimated*
Source: Los Angeles Economic Development Corporation - 2012-2013 Economic Forecast and Industry Outlook February 2012

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2007	2008	2009	2010	2011*
Government	595.7	603.7	595.8	576.6	567.5
Wholesale & Retail Trade	653.0	640.2	591.5	588.1	588.2
Health Care & Social Assistance	389.7	400.7	404.6	410.5	417.2
Manufacturing	449.2	434.4	389.1	374.1	373.4
Leisure & Hospitality	397.9	401.6	385.6	384.6	390.7
Professional, Scientific & Technical Services	273.9	269.6	250.2	245.7	247.0
Administrative & Support Services	272.7	256.4	225.3	228.3	231.8
Information	209.8	210.3	191.2	192.4	205.0
Transportation & Utilities	165.6	163.1	151.2	150.3	148.3
Finance & Insurance	163.6	153.9	142.3	137.8	135.7
Construction	157.6	145.2	117.3	104.3	100.1
Educational Services	102.9	105.1	110.1	112.2	117.7
Real Estate	80.3	79.4	73.8	71.4	71.1
Management of Enterprises	58.8	56.7	54.4	52.1	51.8
Other	151.5	150.5	142.0	140.5	139.1
Total	4,122.2	4,070.8	3,824.4	3,768.9	3,784.6

** Estimated*

Source: Los Angeles Economic Development Corporation - 2012-2013 Economic Forecast and Industry Outlook February 2012

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

Type of Activity	2007	2008	2009	2010	2011
International Air Cargo (Tons)					
Los Angeles International Airport	1,138.6	996.5	916.0	1,125.2	1,080.7
As Percentage of Total Air Cargo	54.80%	55.47%	55.05%	58.40%	58.30%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,077.5	1,796.5	1,663.9	1,926.8	1,853.7
Bob Hope Airport (Burbank)	53.7	42.9	44.4	48.1	49.1
Total	2,131.3	1,839.4	1,708.2	1,974.9	1,902.8
International Air Passengers					
Los Angeles International Airport	17,663.8	16,684.8	15,100.9	15,936.0	16,731.3
As Percentage of Total Passengers	28.29%	27.89%	26.72%	26.98%	27.05%
Total Air Passengers					
Los Angeles International Airport	62,438.6	59,820.8	56,520.9	59,070.1	61,862.5
Bob Hope Airport (Burbank)	5,921.3	5,331.4	4,588.4	4,461.3	4,301.6
Total	68,359.9	65,152.2	61,109.3	63,531.4	66,164.1
Container Volume (TEUs)					
Port of Los Angeles	8,355.0	7,850.0	6,749.0	7,831.9	7,940.5
Port of Long Beach	7,312.5	6,487.8	5,067.6	6,263.5	6,061.1
Total	15,667.5	14,337.8	11,816.6	14,095.4	14,001.6

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	$283,000	$346,900
New York, NY	294,700	323,600	353,400	266,700	$326,300
Detroit, MI	239,800	248,900	236,400	169,900	$218,100
Houston, TX	162,800	184,700	242,100	165,900	$211,500
New Orleans, LA	149,900	172,700	214,200	149,600	$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	101,300	$110,900
Savannah, GA	82,100	93,400	101,000	87,200	$108,500
San Francisco, CA	110,600	111,700	114,100	86,500	$107,200

Source: Los Angeles Economic Development Corporation - 2011 International Trade Report May 2011

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
Tacoma, WA	32,516	33,753	34,701	28,701	27,507
Seattle, WA	28,692	29,514	28,416	27,872	31,337
Oakland, CA	28,597	29,449	26,731	25,070	29,475
Portland, OR	20,173	23,167	21,683	16,348	19,661
Kalama, WA	8,444	9,624	12,320	9,065	11,563
San Diego, CA	6,705	6,548	5,903	5,135	4,074
Vancouver, WA	5,441	6,173	5,557	3,506	6,110
Port Hueneme	4,603	3,971	3,571	2,998	3,356

Source: Los Angeles Economic Development Corporation - 2011 International Trade Report May 2011

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
Houston, TX	1,607	1,772	1,795	1,797	1,812
Norfolk, VA	2,046	2,128	2,083	1,745	1,895
Charleston, SC	1,864	1,754	1,636	1,368	1,280
Seattle, WA	1,466	1,628	1,376	1,285	2,140
Tacoma, WA	1,211	1,403	1,348	1,076	1,455

Source: Los Angeles Economic Development Corporation - 2011 International Trade Report May 2011

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

Indicator	2007	2008	2009	2010	2011
1. Construction Lending (in millions)	$ 6,866	$ 3,520	$ 2,465	$ 2,128	$ 3,253
2. Residential Purchase Lending (in millions)	$ 38,388	$ 22,256	$ 22,111	$ 22,491	$ 20,460
3. New & Existing Median Home Prices	$ 532,281	$ 397,474	$ 321,550	$ 335,363	$ 316,363
4. New & Existing Home Sales	74,917	65,278	81,072	77,313	74,196
5. Notices of Default Recorded	53,414	84,806	105,433	68,603	64,690
6. Unsold New Housing (at year-end)	4,273	3,117	1,629	1,997	1,517
7. Office Market Vacancy Rates	9.7%	12.2%	16.0%	17.0%	17.0%
8. Industrial Market Vacancy Rates	1.5%	2.2%	3.3%	3.2%	2.9%

Source: Real Estate Research Council of Southern California - 4th Quarter 2011

TABLE L: BUILDING PERMITS AND VALUATIONS

	2007	2008	2009	2010	2011
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	7,509	3,539	2,131	2,439	2,329
b. Multi-Family	12,854	10,165	3,522	5,029	8,051
Total Residential Building Permits	20,363	13,704	5,653	7,468	10,380
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$ 2,048	$ 1,134	$ 798	$ 922	$ 1,018
b. Multi-Family	2,011	1,409	522	811	1,264
c. Alterations and Additions	1,898	1,411	1,073	1,110	1,120
Residential Building Valuations Subtotal	$ 5,956	$ 3,954	$ 2,393	$ 2,843	$ 3,402
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$ 716	$ 446	$ 192	$ 133	$ 156
b. Retail Buildings	493	469	222	263	223
c. Hotels and Motels	343	256	11	28	24
d. Industrial Buildings	109	135	40	56	136
e. Alterations and Additions	2,005	2,158	1,658	1,662	1,776
f. Other	230	1,275	2,368	532	278
Non-Residential Building Valuations Subtotal	$ 3,896	$ 4,739	$ 4,491	$ 2,674	$ 2,593
Total Building Valuations (in millions)	$ 9,852	$ 8,693	$ 6,884	$ 5,517	$ 5,995

Source: Real Estate Research Council of Southern California - 4th Quarter 2011

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

Company (in order of 2011 Ranking)	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1 Kaiser Permanente	Health Care Provider	Oakland, CA	33,600	164,098
2 Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	21,000	75,000
3 University of Southern California	Education-Private University	Los Angeles, CA	16,180	16,180
4 Target Corp.	Retailer	Minneapolis, MN	15,000	355,000
5 Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	13,500	N/A
6 Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	12,068	N/A
7 Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,000	N/A
8 Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	11,520	165,442
9 Providence Health & Services	Health Care	Renton, WA	10,616	N/A
10 The Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,250	300,000
11 Vons	Grocery Retailer	Pleasanton, CA	10,152	25,680
12 Wells Fargo	Diversified Financial Services	San Francisco, CA	9,723	275,000
13 Edison International	Electric Utility	Rosemead, CA	9,171	20,117
14 AT&T Inc.	Telecommunications	Dallas, TX	8,500	260,690
15 California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,400	8,400
16 ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,300	96,000
17 FedEx Corp.	Shipping and Logistics	Memphis, TN	8,000	290,000
18 Catholic Healthcare West	Hospitals	San Francisco, CA	7,192	55,000
19 JP Morgan Chase	Banking and Financial Services	New York, NY	6,500	250,095
20 Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,200	17,100
21 Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	5,605	159,913
22 American Apparel, Inc.	Apparel Manufacturer and Retailer	Los Angeles, CA	5,000	11,300
23 Toyota Motor Sales U.S.A. Inc	Auto Manufacturer	Torrance, CA	4,914	29,089
24 UPS	Transportation and Freight	Atlanta, GA	4,761	400,600
25 99 Cents Only Stores	Retailer	Los Angeles, CA	4,503	12,600

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - September 2011

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes, Fulbright & Jaworski L.L.P., Bond Counsel to the County, proposes to issue an approving opinion in substantially the following form:

County of Los Angeles
500 West Temple Street
Los Angeles, CA 90012

Re $_____________ County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the County of Los Angeles, California (the "County") of $________________ in aggregate principal amount of the County's 2012-13 Tax and Revenue Anticipation Notes, issued as $________ in aggregate principal amount of the County's 2012-13 Tax and Revenue Anticipation Notes, Series A, $________ aggregate principal amount of the County's 2012-13 Tax and Revenue Anticipation Notes, Series B and $___________ aggregate principal amount of the County's 2012-13 Tax and Revenue Anticipation Notes, Series C (collectively, the "Notes"), pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the "Authorizing Law"), and pursuant to a Resolution adopted by the Board of Supervisors of the County on ______ __, 2012 (the "Resolution") and that certain Financing Certificate, dated July 2, 2012, delivered by the County (the "Financing Certificate"). The Notes are being issued to enable the County to meet its budgeted cumulative cash flow deficit. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Resolution.

We have examined the Authorizing Law and other statutes and such instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the authentic original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents, including the *Tax Exemption Certificate*, delivered by the County in connection with the issuance of the Notes (the "Tax Certificate"), dated as of the date hereof, and the statement of reasonable expectations of future events set forth in such Tax Certificate.

Based upon our examination we are of the opinion, under existing law, that:

1. The County is a political subdivision duly organized and existing under the Constitution and laws of the State of California, with power to adopt the Resolution, to perform the agreements contained therein and to issue the Notes.

2. The Resolution has been duly adopted by the County and the Financing Certificate has been duly executed by the County pursuant to the Resolution and each constitutes a legal, valid and binding obligation of the County enforceable against the County in accordance with its terms.

3. The Notes have been duly authorized, executed and delivered by the County in accordance with the Authorizing Law, the Resolution and the Financing Certificate and constitute legal, valid and binding obligations of the County enforceable against the County

in accordance with their terms and payable solely from the sources provided therefor in the Resolution.

4. The Resolution establishes a valid pledge of the Pledged Revenues as security for the Notes, in accordance with the terms of the Resolution.

5. Under existing statutes, regulations, rulings and court decisions, interest on the Notes is exempt from personal income taxes of the State of California and, assuming compliance by the County with the covenants mentioned herein, interest on the Notes is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes and is not included in the computation of the alternative minimum taxable income of the owners thereof for federal income tax purposes. In our further opinion, under existing statutes, regulations, rulings and court decisions, the Notes are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Notes will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on Notes owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income retroactive to the date of issue of the Notes. In the Resolution, the Financing Certificate and the Tax Certificate, the County has made representations relevant to the determination of, and has made certain covenants regarding or affecting, the exclusion of interest on the Notes from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the County with its covenants. We express no opinion with respect to the exclusion pursuant to section 103(a) of the Code of interest on the Notes from the gross income of the owners thereof for federal income tax purposes in the event that any of such representations is untrue or the County should fail to comply with any of its covenants, unless such failure to comply is based on our advice or opinion.

Except as set forth above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Notes. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The foregoing opinions are qualified to the extent the enforceability of the Resolution and the Notes may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Resolution, the Financing Certificate and the Notes is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

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

1. The Depository Trust Company, New York, NY, will act as securities depository for the Notes (the "Notes"). The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on this website is not incorporated herein by reference.

3. Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

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

6. Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

8. Redemption proceeds, distributions, and other payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the County or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the County's designated agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the County's designated agent. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the DTC account of the County's designated agent.

10. DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Trust Agreement with respect to certificated Notes will apply.

12. The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

The Notes are not subject to redemption prior to maturity.

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

TRUST AGREEMENT

This TRUST AGREEMENT, dated July 2, 2012 (the "Agreement"), is by and between the County of Los Angeles (the "County") and ____________________, a national [banking association][trust company] (the "Trustee").

BACKGROUND

The County has duly authorized and provided for the issuance of $1,100,000,000 in aggregate principal amount of County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes, consisting of $____________ in principal amount of fully registered notes, entitled County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes"), $____________ in principal amount of fully registered notes, entitled County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes, Series B (the "Series B Notes") and $____________ in principal amount of fully registered notes, entitled County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes, Series C (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, the "2012-13 TRANs"), pursuant to a resolution adopted by the Board of Supervisors of the County on May ___, 2012 (the "Resolution") and the Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2012-13 Tax and Revenue Anticipation Notes, dated July 2, 2012 (the "Financing Certificate"), executed by the Treasurer and Tax Collector of the County (the "Treasurer and Tax Collector");

The County has requested that the Trustee perform certain trust, paying agent and note registrar functions in connection with the 2012-13 TRANs; and

The Trustee has agreed to serve in such capacities, subject to the terms of this Agreement, the Resolution and the Financing Certificate.

The County and the Trustee therefore agree as follows:

I. APPOINTMENT AND COMPENSATION OF TRUSTEE

Section 1.01. <u>Appointment</u>. The County hereby appoints ______________________________________ to serve as trustee, paying agent and note registrar with respect to the 2012-13 TRANs and to perform the duties set forth in Article III hereof. The Trustee hereby accepts the appointment and agrees to serve as the trustee, paying agent and note registrar for the 2012-13 TRANs.

Section 1.02. <u>Compensation</u>. As compensation for the Trustee's services hereunder, the County agrees to pay the Trustee the fees and amounts set forth in Exhibit A attached hereto for the term of this Agreement. In addition, the County agrees to reimburse the Trustee for all reasonable expenses, disbursements and advances incurred or made by the Trustee in connection with this Agreement (including the reasonable compensation and the expenses and disbursements of the Trustee's agents and counsel).

II. DEFINITIONS

Section 2.01. Definitions. For purposes of this Agreement, all capitalized terms used and not defined herein shall have the meanings ascribed to them in the Financing Certificate.

III. DUTIES

Section 3.01. Duties as Trustee. Pursuant to the Resolution and the Financing Certificate, the Trustee is hereby directed to establish and maintain the "2012-13 TRANs Repayment Fund." The Trustee is hereby authorized to establish any additional subaccounts therein if deemed necessary to effectuate the purposes of the Resolution and the Financing Certificate. The County shall transfer to the Trustee and the Trustee is directed hereby to deposit in the 2012-13 TRANs Repayment Fund the Pledged Moneys as set forth under Section 402 of the Financing Certificate.

The Pledged Moneys in the 2012-13 TRANs Repayment Fund shall be accounted for separately from the other funds of the Trustee and shall be invested in Permitted Investments in accordance with the Financing Certificate, as may be directed by the County from time to time pursuant to Investment Instructions substantially in the form of Exhibit B hereto. The Trustee shall keep a written record of all investments and investment earnings (including any investment of earnings) of amounts in the 2012-13 TRANs Repayment Fund, as well as a written record of disbursements from the 2012-13 TRANs Repayment Fund.

The Pledged Moneys shall be used to pay the 2012-13 TRANs and the interest thereon when the same shall become due and payable and may not be used for any other purpose; provided that earnings on amounts in the 2012-13 TRANs Repayment Fund shall be deposited as and when received into the General Fund of the County. Any amounts remaining in the 2012-13 TRANs Repayment Fund after repayment of all the 2012-13 TRANs and the interest thereon shall be transferred by the Trustee to any account in the General Fund of the County as the Treasurer or any designee may direct.

Section 3.02. Duties as Paying Agent. The Trustee shall pay on behalf of the County the principal of and interest on the 2012-13 TRANs when due, in accordance with the provisions of the Resolution and the Financing Certificate.

Section 3.03. Duties as Note Registrar. The Trustee shall perform the duties of the Note Registrar as set forth in the Financing Certificate, including maintaining the registration books for the 2012-13 TRANs.

IV. PROTECTIONS, OBLIGATIONS AND LIABILITIES OF THE TRUSTEE; FIDUCIARY CAPACITY

Section 4.01. Incorporation of Financing Certificate. The protections, obligations and liabilities of the Trustee set forth under the Financing Certificate are incorporated herein by reference and such provisions shall apply to the Trustee in its various capacities hereunder. Without limiting the foregoing, Section 605 of the Financing Certificate with respect to resignation or removal of Trustee and appointment of a successor is incorporated by this reference and such provisions shall apply to the resignation or removal of the Trustee and appointment of a successor.

Section 4.02. Money Held by Trustee. All funds at any time and from time to time provided to or held by the Trustee hereunder shall be deemed, construed and considered for all purposes as being provided to or held by the Trustee in trust and as a trustee for the benefit of the Holders. The Trustee acknowledges, covenants and represents that it is acting herein in a fiduciary capacity in relation to such funds, and is not accepting, holdings, administering or applying such funds as a banking depository, but solely as trustee and fiduciary for and on behalf of the Holders of the 2012-13 TRANs.

V. MISCELLANEOUS PROVISIONS

Section 5.01. Amendment. This Agreement may be amended only by an agreement in writing signed by each of the parties hereto; provided, however, that all amendments must be consistent with the provisions of the Resolution and the Financing Certificate.

Section 5.02. Assignment. This Agreement may be assigned by the Trustee only with the prior written consent of the County.

Section 5.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the County or the Trustee, respectively, shall be in writing and shall be hand delivered, sent by electronic-mail, facsimile transmission, by first-class United States mail, postage prepaid or such other readily accessible electronic means (so long as such recipient shall agree to the receipt of information by such means), to the addresses set forth below:

If to the County: County of Los Angeles
Treasurer and Tax Collector
500 West Temple Street, Room 437
Los Angeles, California 90012
Attention: Treasurer and Tax Collector

If to the Trustee: [To come.]

Section 5.04. Supplemental Trust Agreement. A supplemental trust agreement (a "Supplemental Trust Agreement") may be executed and delivered by the parties hereto for any one or more of the following purposes, which, without the requirement of consent of any Holders, shall be fully effective upon delivery:

(a) to add to the covenants and agreements of the County herein other covenants and agreements to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate as then in effect;

(b) to add to the limitations and restrictions in this Trust Agreement, as the case may be, other limitations and restrictions to be observed by the County or the Trustee that are not contrary to or inconsistent with the Resolution or the Financing Certificate, as then in effect;

(c) to confirm as further assurance any pledge under, and the subjection to any lien or pledge created or to be created hereby of any moneys, securities or funds or to establish any additional funds or accounts to be held hereunder;

(d) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, as theretofore in effect;

(e) to maintain a rating for the 2012-13 TRANs, or any portion thereof, from any Rating Agency; *provided*, that the County first obtains an Opinion of Bond Counsel to the effect that such Supplemental Trust Agreement does not adversely affect the interests of the Holders; and

(e) for any other purpose; *provided*, that the county first obtains an Opinion of Bond Counsel to the effect that such Supplemental Trust Agreement does not adversely affect the interests of the Holders.

The County shall provide the Rating Agencies notice of execution of any Supplemental Trust Agreement.

Section 5.05. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 5.06. Successors and Assigns. All covenants and agreements herein by the County shall bind its successors and assigns, whether so expressed or not.

Section 5.07. Severability. In case any provision herein shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 5.08. Benefits of Agreement. Nothing herein, express of implied, shall give to any Person, other that the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 5.09. Entire Agreement. This Agreement, the Resolution and the Financing Certificate constitute the entire agreement between the parties hereto and if any conflict exists between this Agreement, the Resolution and the Financing Certificate, the Resolution and the Financing Certificate shall govern.

Section 5.10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 5.11. Termination. This Agreement will terminate on the date of final payment of the principal of and interest on the 2012-13 TRANs to the Holders thereof, or may be earlier terminated by any party upon 60 days' written notice; *provided, however,* that an early termination of this Agreement shall not be effective until (a) a successor Trustee has been appointed by the County and such appointment has been accepted, and (b) notice has been given to the Holders of the 2012-13 TRANs of the appointment of a successor Trustee. The provisions of Article IV shall survive and remain in full force and effect following the termination of this Agreement.

Section 5.12. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COUNTY OF LOS ANGELES

By: ________________________________
Mark J. Saladino
Treasurer and Tax Collector

[________________________],
as Trustee

By: ________________________________
Name:
Title: Vice President

EXHIBIT A

(See attached).

EXHIBIT B

FORM OF INVESTMENT INSTRUCTION

To: __________________________, as Trustee

From: County of Los Angeles

Dated Date: __________________________

Re: County of Los Angeles 2012-13 Tax and Revenue Anticipation Notes

As Trustee under the Trust Agreement, dated July 2, 2012 (the "Trust Agreement"), by and between the County of Los Angeles (the "County") and yourself, in connection with the issuance of the above referenced Notes (the "Notes"), you are hereby instructed to invest, immediately upon receipt, the Pledged Moneys in the 2012-13 TRANs Repayment Fund in ____, which constitutes a Permitted Investment under the Financing Certificate.

If the Pledged Moneys in the 2012-13 TRANs Repayment Fund are to be transferred to the Treasurer and Tax Collector of the County for investment in the Los Angeles County Treasury Pool, such Pledged Moneys shall be deemed to have been delivered to the Trustee by the County in accordance with Section 3.01 of the Trust Agreement and thereafter invested by the Trustee in the Los Angeles County Treasury Pool upon (i) deposit by the County of the Pledged Amounts in a restricted account established on behalf of the Trustee and available exclusively to the Trustee for repayment of the Notes and (ii) notice from the County to the Trustee of such deposit, without the necessity of delivering funds.

Unless otherwise defined or the context otherwise requires, all capitalized terms used in this Investment Instruction shall have the meanings specified in the Trust Agreement.

COUNTY OF LOS ANGELES

By: ____
Name: Mark J. Saladino
Title: Treasurer and Tax Collector

COUNTY OF LOS ANGELES, CALIFORNIA
2012-13 TAX AND REVENUE ANTICIPATION NOTES, SERIES A
2012-13 TAXAND REVENUE ANTICIPATION NOTES, SERIES B
2012-13 TAX AND REVENUE ANTICIPATION NOTES, SERIES C

DISCLOSURE CERTIFICATE OF THE COUNTY

This Disclosure Certificate (this **"Disclosure Certificate"**) is executed and delivered by the County of Los Angeles (the **"County"**) in connection with the issuance of $______ aggregate principal amount of the County's Tax 2012-13 Tax and Revenue Anticipation Notes, Series A, $ _______aggregate principal amount of its 2012-13 Tax and Revenue Anticipation Notes, Series B and $ _______aggregate principal amount of its 2012-13 Tax Tax and Revenue Anticipation Notes, Series C (collectively, the **"Notes"**). The Notes are being issued pursuant to a Resolution adopted by the County on May ____, 2012 (the **"Resolution"**) and a Financing Certificate executed by the Treasurer on July 2, 2012 (the **"Certificate"**). The County covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the **"Rule")**

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

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

"Commission" shall mean the U.S. Securities and Exchange Commission.

"Dissemination Agent" shall initially mean the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system.

"Holders" or **"Noteholders"** shall mean the registered owners of the Notes.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean 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 Underwriters" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean 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.

"State" shall mean the State of California.

SECTION 3. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 3, the County shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Notes:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties of the County;

4. unscheduled draws on any credit enhancement reflecting financial difficulties of the County;

5. substitution of credit or liquidity providers or failure of a credit or liquidity provider to perform its obligations with respect to the Notes;

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

7. modifications to rights of Noteholders, if material;

8. redemption or call of the Notes, if material, and tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the Notes, if material;

11. rating changes;

12. bankruptcy, insolvency, receivership or similar event of the County; *provided* that for the purposes of the in events described in this clausent such an event is considered to occur the upon the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;

13. 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

14. appointment of a successor or additional or Paying Agent the change of name of the Paying Agent, if material.

Certain of the foregoing events may not be applicable to the Notes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall file a notice of such occurrence not later than ten (10) business days after such occurrence with the MSRB through its EMMA System.

SECTION 4. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the payment in full of all the Notes. If such termination occurs prior to the final maturity of the Notes, the County shall give notice of such termination in the same manner as for a Listed Event under Section 3(a).

SECTION 5. 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, 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.

SECTION 6. 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 Section 3(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 Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Notes in the same manner as provided in the Resolution and the Certificate for amendments to the Resolution and the Certificate with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any 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 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 notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los Angeles or in a U.S. District Court in or nearest to Los Angeles County. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution or the Certificate, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. 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 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 reasonable 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 Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

DATED: July 2, 2012

COUNTY OF LOS ANGELES, CALIFORNIA

By: ______________________________________

MARK J. SALADINO
Treasurer and Tax Collector

[Signature Page to Disclosure Certificate for the 2012-13 Tax and Revenue Anticipation Notes]