



MARK J. SALADINO
TREASURER AND TAX COLLECTOR

**COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR**

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May 20, 2014

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

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

53 May 20, 2014

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Supervisors:

**ISSUANCE AND SALE OF
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(ALL DISTRICTS) (3 VOTES)**

SUBJECT

The Los Angeles County Capital Asset Leasing Corporation, a California nonprofit public benefit corporation (the "Corporation"), previously issued Bond Anticipation Notes (the "BANs") to provide temporary financing for the purchase of capital equipment for participating County departments. The Corporation will issue 2014 Series A Lease Revenue Bonds (the "2014 Bonds") in an aggregate principal amount not to exceed \$40,000,000, the proceeds of which will be applied towards the redemption of the outstanding BANs.

IT IS RECOMMENDED THAT THE BOARD:

Adopt the Resolution authorizing the County to lease certain capital equipment from the Corporation, and to execute a Lease Agreement and Continuing Disclosure Certificate in connection with the issuance and sale of Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) Lease Revenue Bonds, 2014 Series A in an aggregate principal amount not to exceed \$40,000,000.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The LAC-CAL Equipment Program (the "Equipment Program") has been in place for over 30 years, and has provided a cost-effective method for the County to finance the purchase of capital equipment. Under the terms of a Lease Agreement, the Corporation leases the equipment to the County, with the repayment of the 2014 Bonds secured by monthly base rental payments from the

participating County departments. The proceeds generated from the sale of the 2014 Bonds, when combined with cash on hand from the lease payments collected from County departments, will be applied towards the redemption of \$49,000,000 million of outstanding BANs. It has been your Board's policy to redeem outstanding BANs through the issuance and sale of tax-exempt lease revenue bonds or certificates of participation.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #2: Fiscal Sustainability by providing a cost effective program to finance the purchase of capital equipment for County departments.

FISCAL IMPACT/FINANCING

The Equipment Program provides participating County Departments with a cost-effective financing option for capital equipment needs. The most recent Equipment Program financing (Lease Revenue Bonds, 2011 Series A) completed in December 2011 resulted in a borrowing cost to the County of 1.28%. The monthly lease payments collected from participating County departments, however, have been significantly higher than bond debt service and are based on an estimated maximum interest rate of 3.75% for the Equipment Program. As a result of this differential, the equipment financed by the 2011 Lease Revenue Bonds will generate excess lease revenue to LAC-CAL of more than \$10.5 million.

It is expected that the lease payments associated with the 2014 Bonds will also exceed bond debt service and should result in a significant amount of surplus revenue credited to LAC-CAL. For the 2014 Bonds, this amount is currently estimated at approximately \$2.8 million and is lower than the prior equipment financing due to the shorter average life and smaller par amount of the 2014 Bonds. To ensure that those Departments that purchased the equipment receive benefit of this excess revenue, the Treasurer and Tax Collector will work with the Chief Executive Office and the Auditor-Controller to establish a methodology for crediting all excess revenue (on both the 2011 Lease Revenue Bonds and the 2014 Bonds) to the budgets of participating County departments. This will ensure that the departmental lease payments more accurately reflect the true borrowing cost for the Equipment Program.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The 2014 Bonds will be issued as fixed-rated obligations with a maximum true interest cost of 3.0% and a final maturity of not to exceed five (5) years.

Consistent with previous bond transactions for the Equipment Program, the Treasurer and Tax Collector is recommending that the sale of the 2014 Bonds be conducted through a competitive bid process. The basic structure and terms of this financing, and the market's familiarity with the Equipment Program, support this recommendation. The Treasurer and Tax Collector will award the 2014 Bonds based on the lowest cost bid received by Parity, the electronic bidding platform that will be used for this bond sale.

Public Resources Advisory Group has been selected as the financial advisor for this transaction, and Hawkins Delafield & Wood LLP will serve as bond counsel.

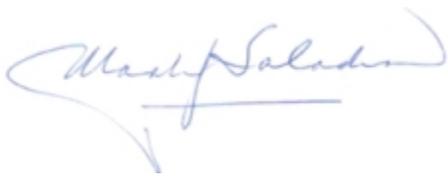
IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services or projects.

CONCLUSION

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mark J. Saladino", with a horizontal line underneath the name.

MARK J. SALADINO

Treasurer and Tax Collector

MJS:GB:DB:JP:KC

:pab

Enclosures

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES AUTHORIZING THE LEASING OF CERTAIN PROPERTY AND THE EXECUTION AND DELIVERY OF A LEASE AGREEMENT AND A CONTINUING DISCLOSURE CERTIFICATE IN CONNECTION WITH THE ISSUANCE OF NOT TO EXCEED \$[MAXIMUM PRINCIPAL AMOUNT] AGGREGATE PRINCIPAL AMOUNT OF LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION LEASE REVENUE BONDS, 2014 SERIES A (LAC-CAL EQUIPMENT PROGRAM) AND OTHER MATTERS RELATED THERETO

WHEREAS, the Los Angeles County Capital Asset Leasing Corporation, a California nonprofit public benefit corporation (the "Corporation"), issued and sold its bond anticipation notes which are presently outstanding in the aggregate principal amount of \$49,000,000 (the "BANs") and used the proceeds to purchase certain equipment (the "Equipment"); and

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

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

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

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

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

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

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

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

- a. the Indenture;
- b. the Lease;

- c. a Preliminary Official Statement (the “Preliminary Official Statement”) for the Bonds;
- d. an Official Notice Inviting Bids (the “Official Notice Inviting Bids”) and Notice of Intention to Sell Bonds (the “Notice of Intention to Sell Bonds”) relating to the Bonds; and
- e. a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) to be executed and delivered by the County relating to the Bonds.

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

SECTION 2. The form of the Indenture by and between the Corporation and the Trustee providing for the issuance of and security for the Bonds on file with this Board is hereby approved, including with such changes therein as may be approved as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof by the Corporation.

SECTION 3. The form of the Lease by and between the County and the Corporation on file with this Board is approved. The officers of the County and their authorized representatives (each an “Authorized Representative”) are, and each of them acting alone is, authorized and directed for and in the name of, and on behalf of the County, to execute by manual or facsimile signature and to deliver the Lease, substantially in the form on file with this Board, with such changes therein as may be necessary or as they may approve, in their discretion, as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof.

SECTION 4. Pursuant to Section 4.3(d) of the Lease, consent is hereby given to the Corporation to assign its right to receive and collect Base Rental and prepayments thereof and certain other of its rights to the Trustee as provided in the Indenture. The Authorized Representatives are, and each of them acting alone is, authorized and directed for and in the name of, and on behalf of the County, to execute by manual or facsimile signature and to deliver evidence in writing of such consent, with such changes therein as they may approve, in their discretion, as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof.

SECTION 5. The Authorized Representatives are hereby authorized to prepare and distribute a Preliminary Official Statement and an Official Statement in connection with the offering and sale of the Bonds. The Authorized Representatives are authorized to provide information regarding the County in connection with the preparation of such document or documents. The successful bidder on the Bonds and the Authorized Representatives are hereby authorized to distribute to persons who may be interested in the purchase of the Bonds a Preliminary Official Statement in substantially said form with such changes therein, deletions therefrom and additions thereto as may be approved by an Authorized Representative or by Hawkins Delafield & Wood LLP or such other counsel as the Board may determine (“Bond

Counsel”). Upon approval of such changes by the Authorized Representative as evidenced by execution of a certificate, the Preliminary Official Statement shall be deemed final as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2 12 promulgated under the Securities and Exchange Act of 1934, as amended. The Authorized Representatives are, and each of them acting alone is, authorized, for and in the name of and on behalf of the County, to approve a final Official Statement for the Bonds authorized hereby, in substantially the form of said Preliminary Official Statement, with such insertions and changes therein as the Authorized Representative or Bond Counsel may require or approve, such approval to be conclusively evidenced by the distribution and delivery thereof. The successful bidder on the Bonds and the Authorized Representatives are hereby authorized and directed to deliver copies of the final Official Statement to all actual purchasers of the Bonds.

SECTION 6. The forms of the Official Notice Inviting Bids and Notice of Intention to Sell Bonds on file with this Board are approved, including such changes therein as may be in the best interests of the County, such approval to be evidenced conclusively by the publication and dissemination thereof by the Corporation. The Authorized Representatives are, and each of them acting alone is, authorized and directed for and in the name of, and on behalf of the County to accept the final terms of the Bonds based on the lowest responsible bid received by Ipreo LLC’s Parity® electronic bid submission system, the approved electronic bidding service, provided that the aggregate principal amount of Bonds shall not exceed the sum of \$50,000,000 and the true interest cost of the Bonds shall not exceed 3.0%.

SECTION 7. The form of the Continuing Disclosure Certificate, to be executed and delivered by the County, on file with this Board is approved. The Authorized Representatives are, and each of them acting alone is, authorized and directed for and in the name of, and on behalf of the County, to execute by manual or facsimile signature and to deliver the Continuing Disclosure Certificate, substantially in the form on file with this Board, with such changes therein or as they may approve, in their discretion, as being in the best interests of the County, such approval to be evidenced conclusively by the execution and delivery thereof.

SECTION 8. The County hereby authorizes the execution of the Bonds by the Corporation and the authentication and issuance of the Bonds by the Trustee all in accordance with the terms and provisions of the Indenture (as executed and delivered).

SECTION 9. Each Authorized Representative is authorized to take any and all actions they deem necessary to carry out the purposes of this Resolution and all actions previously taken by any of them, and any other County representative, with respect to the issuance and sale of the Bonds or in connection with or related to any of the documents referenced in this Resolution or the financing of the Equipment are approved, confirmed and ratified. Without limiting the foregoing, each Authorized Representative is further authorized to execute and deliver, for and in the name of and on behalf of the County, such amendments or supplements to the Lease and the Continuing Disclosure Certificate as may be necessary or desirable, in the judgment of such Authorized Representatives, to effectuate the issuance and sale of the Bonds in more than one series.

SECTION 10. Any Authorized Representative and the Executive Officer - Clerk of the Board are hereby authorized and directed to attest to the signature of any other Authorized

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

SECTION 11. This Resolution shall take effect immediately upon its passage.

The foregoing resolution was on the 20th day of May, 2014, duly adopted by the Board of Supervisors of the County of Los Angeles and *ex officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



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

By: 
Deputy

Approved as to form:

JOHN F. KRATTLI
County Counsel

By: 
Principal Deputy County Counsel

[Signature Page to County Resolution]

INDENTURE OF TRUST

Dated as of June 1, 2014

by and between

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION,
as Lessor

and

U.S. BANK NATIONAL ASSOCIATION
as Trustee

Relating to the

[\$[PRINCIPAL AMOUNT]]
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(LAC-CAL EQUIPMENT PROGRAM)

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EXHIBIT A – FORM OF BOND

EXHIBIT B – FORM OF REQUISITION

INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture"), dated as of June 1, 2014, is made and entered into by and between the LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION, a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California (the "Lessor") and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"):

WITNESSETH:

WHEREAS, the Lessor has issued and sold certain bond anticipation notes on November 1, 2011, April 6, 2012, December 5, 2012, June 10, 2013, October 4, 2013 and February 28, 2014, all of which are presently outstanding in the aggregate principal amount of \$49,000,000 (the "BANs"), the proceeds of which were applied towards the acquisition and delivery of certain equipment (the "Equipment") which is described in Exhibit B to the Lease (as defined below);

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

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

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

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

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

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

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

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

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

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

ARTICLE I

DEFINITIONS; ASSIGNMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

“Cede & Co.” means Cede & Co., the initial Nominee of DTC.

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

“Code” means the Internal Revenue Code of 1986.

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

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

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

“County Contribution” means the sum of \$ _____ contributed by the Lessee on the Closing Date.

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

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

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

“Equipment” has the meaning set forth in the Lease.

“Equipment Component” has the meaning set forth in the Lease.

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

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

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

“Fitch” means Fitch Ratings, New York, New York, its successors and assigns.

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

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

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

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

“Interest Payment Date” means June 1 and December 1 in each year, commencing on December 1, 2014, except that if such date is on a date which is not a Business Day then payment will be made on the next succeeding Business Day without incurring additional interest.

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

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

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

“Lease Payment Date” has the meaning set forth in the Lease.

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

“Lessee” means the County of Los Angeles.

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

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

“Lessor Representative” means the Treasurer and Tax Collector of the Lessee as *ex officio* officer of the Lessor or any other employee of the Lessee designated and authorized in writing by such officer to

act on behalf of the Lessor with respect to this Indenture and all other related agreements, including but not limited to the Lease.

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

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

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

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

(2) any Bond for the payment or redemption of which funds and/or investments of the type described in clause (A) of the definition of Qualified Investments in the necessary amount shall have been deposited with the Trustee (whether on or prior to the maturity or redemption date of such Bond (as provided in Section 10.01 of this Indenture));

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

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

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

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

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

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

“Principal Corporate Trust Office” means the office of the Trustee at the address set forth in Section 10.03 of this Indenture except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

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

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

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

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

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

Any security used for defeasance pursuant to Section 10.01 hereof must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

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

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

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

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

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

(5) Investments in a money market fund that is either (i) restricted to investing in securities described in clause (a) above or (ii) rated “AAAm” or “AAAm-G” or better by S&P;

(6) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and, (i) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in one of

the two highest long-term rating categories of Moody's or S&P; or (ii)(A) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting of cash or securities as described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate;

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

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

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

(10) The Los Angeles County Treasury Pool; and

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

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

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

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

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

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

"Reserve Requirement" means, as of any date of calculation, the lesser of (i) \$1,000,000 or (ii) the total remaining unpaid principal and interest on the Bonds.

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

“State” means the State of California.

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

“Trustee” means U.S. Bank National Association, and its successors and assigns.

Section 1.02 Rules of Construction.

(a) In this Indenture, unless the context otherwise requires:

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

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

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

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

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

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

Section 1.03 Assignment. The Lessor hereby transfers, assigns and sets over to the Trustee, for the benefit of the Bondowners, all of the Lessor’s rights under the Lease (excepting only the Lessor’s rights under Section 2.2(c), Section 2.2(f), Section 4.6 as to payments due the Lessor, and Section 7.4 of

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

ARTICLE II

THE BONDS

Section 2.01 Designation. The Lessor is hereby authorized and directed to execute, and the Trustee is hereby authorized and directed upon written request from any officers of the Lessor or their designees, to authenticate and deliver the Bonds to the original purchaser or purchasers of the Bonds. The Bonds shall be designated “Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program).”

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

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

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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The interest payable on each Bond shall accrue and be calculated from the Interest Payment Date next preceding the date of issuance of such Bond, unless such Bond is executed by the Lessor and authenticated and delivered by the Trustee on an Interest Payment Date or after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest on such Bond shall accrue and be calculated from such Interest Payment Date or unless it is executed by the Lessor and authenticated and delivered by the Trustee on or before December 1, 2014, in which event interest on such Bond shall accrue and be calculated from its date of delivery; *provided, however*, that if

at the time of execution by the Lessor and authentication and delivery by the Trustee of such Bond interest on such Bond is in default, interest shall accrue and be calculated from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from its date of delivery.

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

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

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

Section 2.05 Transfer and Exchange. The registration of any Bond may be transferred upon the Bond Register upon surrender of the Bond to the Trustee. The Bond shall be endorsed or accompanied by delivery of the written instrument of transfer shown on the Bond, duly executed by the Bondowner or his attorney duly authorized in writing. Upon such registration of transfer, a new Bond or Bonds, in authorized denominations, for the same aggregate principal amount, maturity and interest rate will be executed by the Lessor and authenticated and delivered by the Trustee to the transferee in exchange therefor.

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

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

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

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

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

Section 2.07 Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by the Bondowners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, shall be sufficient for any purpose of this Indenture (except as otherwise herein provided) if made in the following manner: the fact and date of the execution by any Bondowner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the person signing such instrument acknowledged before such officer or notary public the execution thereof. Where any such instruments are executed by an officer of a corporation or association or a member of a partnership or a limited liability company on behalf of such corporation, association, partnership or limited liability company, such certificate shall also constitute sufficient proof of the officer's or member's authority.

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

the same Bond in respect of anything done or suffered to be done by the Trustee pursuant to such request or consent.

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

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

Section 2.10 Unclaimed Money. All money which the Trustee shall have received from any source and set aside for the purpose of paying or purchasing any Bond shall be held in trust for the Bondowner, but any money which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the Bondowner for a period of one year after the date on which any payment with respect to the Bond shall have become due and payable shall be paid to the Lessor; *provided, however*, that the Trustee, before making any payment, shall at the expense of the Lessee cause notice to be mailed to the Bondowner, by first class mail, postage prepaid not less than 30 days prior to the date of the payment to the effect that the money has not been claimed and that after a date named therein any unclaimed balance of the money then remaining will be returned to the Lessor. Thereafter, the Bondowner shall look only to the Lessor for payment and then only to the extent of the amount so returned to the Lessor without any interest thereon, and the Trustee shall have no responsibility with respect to the money.

Section 2.11 Book-Entry System; Limited Obligation.

(a) Except as provided in paragraph (c) of this Section 2.11, the registered owner of all of the Bonds shall be DTC and all such Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal or interest for any Bond registered in the name of Cede & Co. shall be made by wire transfer of the New York Clearing House or equivalent next day funds or by wire transfer of same day funds to the bank account of Cede & Co. at the address indicated on the regular Record Date or special record date for Cede & Co. in the registration books of the Trustee.

(b) The Bonds shall be initially issued in the form of a separate single authenticated fully registered Bond for each separate stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books of the Trustee in the name of Cede & Co., as nominee of DTC. The Lessor and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondowners under this Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondowners and for all other purposes whatsoever, and neither the Lessor nor the Trustee shall be affected by any notice to the contrary. Neither

the Lessor nor the Trustee shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant or any other person which is not shown on the registration books as being a Bondowner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Bonds; any notice which is permitted or required to be given to Bondowners under this Indenture; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as a Bondowner. The Trustee shall pay, from funds held under the terms of this Indenture or otherwise provided by the Lessor, all principal or redemption price of and interest on the Bonds only to DTC as provided in the Representation Letter and all such payments shall be valid and effective to satisfy and discharge fully the Lessor's obligations with respect to the principal or redemption price of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond evidencing the obligation of the Lessor, to make payments of principal or redemption price and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the name "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

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

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

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

ARTICLE III

FUNDS AND ACCOUNTS

Section 3.01 Application of Proceeds of Sale of the Bonds. Upon the receipt by the Trustee and the Lessor of payment for the Bonds when the Bonds shall be sold to the original purchaser or

purchasers of the Bonds, the net proceeds of the sale of the Bonds in the amount of \$_____ shall be applied as follows:

(a) The Trustee shall deposit into the Reserve Fund the sum of \$1,000,000, representing the Reserve Requirement upon issuance of the Bonds.

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

(c) The Lessor shall deposit into the General Account of the Acquisition Fund the sum of \$_____ (inclusive of the \$500,000 bid security deposit).

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

(a) General Account. There shall be deposited into the General Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to Section 3.01(c) hereof. Such amounts, together with the County Contribution in the amount of \$_____, shall be transferred to the paying agent for the BANs pursuant to instructions received from the Lessee, to be applied to pay and redeem the \$_____ aggregate principal amount of the BANs, plus accrued interest due thereon.

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

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

Section 3.03 Establishment and Application of Bond Fund. There is established in trust a special fund designated the "Bond Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the Bond Fund as provided in this Section 3.03. The Bond Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the provisions of the Lease, or until such date as there are

no Bonds Outstanding. Within the Bond Fund, the Trustee shall establish the following accounts: (a) Base Rental Account; (b) Interest Account; (c) Principal Account; and (d) Redemption Account.

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

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

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

(c) Redemption Account. Any proceeds of insurance (other than rental interruption insurance proceeds) not required to be used for repair, reconstruction or replacement of the Equipment and, under the terms of Section 3.09 hereof, required to be deposited into the Redemption Account, and any other amounts provided for the redemption of Bonds in accordance with Sections 3.09 or 4.01(b) hereof, shall be deposited by the Trustee in the Redemption Account. Amounts in the Redemption Account shall be used to pay the redemption price with respect to the Bonds.

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

required to be deposited in the Reserve Fund pursuant to Section 3.01(a) hereof and all other amounts required to be deposited in the Reserve Fund pursuant to this Section 3.04.

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

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

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

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

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

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

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

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

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

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

If within 60 days following the receipt by the Trustee of any proceeds of any insurance, including the proceeds of any self-insurance fund relating to any Equipment Component, the Lessee does not exercise its option to repair or replace the affected Equipment Component, such proceeds shall be, at the direction of the Lessee, transferred to the Lessee if and to the extent that the Base Rental due under the Lease does not exceed the fair rental value of the remaining Equipment or deposited into the Redemption Account and applied to the redemption of Bonds in the manner provided in Section 4.01 hereof.

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

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

Section 3.11 Investments Authorized. Except as otherwise provided herein, money held by the Trustee in any fund or account under this Indenture shall be invested by the Trustee in such Qualified Investments as the Lessor shall direct in writing, provided that amounts in the Reserve Fund shall be invested in Qualified Investments that will mature not more than five years after the date the Trustee acquires the investment. The Qualified Investments shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee. Absent timely written directions from the Lessor, the Trustee shall invest any funds held under this Indenture by it in securities described in subsection (5) of the Qualified Investments definition set forth in Section 1.01 hereof. The Lessor agrees that it will give direction to invest only in Qualified Investments and the Trustee shall have no obligation to inquire into the accuracy of the Lessor's determination that such investments are Qualified Investments. Absent direction from the Lessor to the contrary, the Trustee may commingle any of the funds held by it pursuant to this Indenture into a separate fund or funds for investment purposes only; *provided, however*, that all funds and accounts held by the Trustee shall be accounted for separately notwithstanding such commingling by the Trustee, including separate accounting of the earnings on such commingled investments. The Trustee may purchase or sell to itself or any affiliate as principal or agent, investments authorized by this Section 3.11 and shall be entitled to customary fees therefor. Any investments and reinvestment shall be made giving full consideration to the time at which funds are required to be available under this Indenture. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment or as a sponsor or advisor with respect to any investment. The Lessor acknowledges that to the extent the Comptroller of the Currency or other applicable regulatory entity grant the Lessor the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the Lessor specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Lessor periodic cash transaction statements which will include detail for all investment transactions made by the Trustee hereunder.

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

Section 3.13 Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account, except for the Reserve Fund, all Qualified Investments shall be valued annually on or before December 1 of each year at the lower of the cost of such investments (exclusive of accrued interest) or the market value thereof. The Reserve Fund shall be valued as provided in Section 3.04. The Trustee may sell or present for redemption any Qualified Investment purchased by the Trustee

whenever it shall be necessary in order to provide money to meet any required payment, transfer, withdrawal or disbursement from any fund or account, and the Trustee shall not be liable or responsible for any loss resulting from such investment or sale except for any loss resulting from its own negligence or willful misconduct.

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

Section 3.15 Amounts Held for Payments then Due. Any amounts which are segregated within the Principal Account, Interest Account or Redemption Account or which are transferred by the Trustee to a separate fund or account to be held and used to pay principal of, premium, if any, and/or interest on the Bonds which have become due and payable, whether upon maturity or call for redemption, shall be held as provided in Sections 2.09, 2.10, 4.05 or 11.01 hereof for the benefit of the Bondowners.

ARTICLE IV

REDEMPTION

Section 4.01 Redemption. The Bonds are subject to redemption as follows:

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

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

Section 4.02 Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Bonds to be redeemed shall be selected proportionately among maturities, and, within a maturity, the Trustee shall select Bonds for redemption by lot. The portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Section 4.03 Notice of Redemption. When redemption is required pursuant to Section 4.01 hereof, the Trustee shall give notice at the expense of the Lessee, of the redemption of the Bonds to each owner of a Bond to be redeemed. The notice shall specify: (a) that the Bond or a designated portion thereof (in the case of redemption of a Bond in part but not in whole) is to be redeemed, identifying each such Bond by its Bond number unless all Outstanding Bonds or all Outstanding Bonds of the particular maturity or maturities are to be redeemed, in which case the notice need only indicate that all Outstanding Bonds, or all Outstanding Bonds of a particular maturity or maturities (specifying each such maturity) are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) CUSIP numbers (if

any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the amount of such Bond to be redeemed, and (g) the original date and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified redemption date, the redemption price, together with interest accrued to the redemption date, shall become due and payable and that, from and after such date, interest on the Bonds to be redeemed on the redemption date shall cease to accrue and be payable. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers set forth therein or on the Bonds. Such redemption notice may state that such redemption may be conditional upon the receipt by the Trustee of moneys sufficient to pay the principal of, and interest on such Bonds to be redeemed.

The Trustee shall give notice by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the redemption date to the owners of Bonds designated for redemption at their addresses appearing on the Bond Register as of the close of business on the day before such notice is given. Neither failure to receive any such notice nor any defect in such notice shall affect the sufficiency of the proceedings for the redemption of any Bond.

In addition to the notice described in the foregoing paragraphs, such redemption notice shall be given at least 30 days before the redemption date, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service, to the following securities depository: The Depository Trust Company, 55 Water Street, 1st Floor, New York, New York, 10041-0099, Facsimile transmission: (212) 855-8440. At least 30 days before the redemption date, such redemption notice shall be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services. Neither failure to give the notice described in the immediately preceding sentences nor any defect in the notices shall in any manner affect the redemption of any Bond.

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

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

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

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

ARTICLE V

THE TRUSTEE

Section 5.01 Appointment of Trustee. The Trustee is appointed to act solely as set forth in this Indenture, to receive, hold and disburse in accordance with the terms of this Indenture the moneys to be paid to it, to authenticate and deliver Bonds secured by Base Rental to be paid by the Lessee under the Lease, to apply and disburse payments received pursuant to the Lease to Bondowners, all as provided in this Indenture. By executing and delivering this Indenture, the Trustee accepts the duties and obligations provided in this Indenture.

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

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

Section 5.04 Resignation of Trustee. The Trustee or any successor may at any time resign by giving written notice to the Lessor and by giving notice by first class mail, postage prepaid, to the Bondowners of its intention to resign and of the proposed date of resignation, which shall be a date not less than 45 days after mailing of the notice, unless an earlier appointment of a successor trustee shall have been effected. Upon receiving the notice of resignation, the Lessor shall promptly appoint a successor Trustee by an instrument in writing; *provided, however*, that in the event the Lessor fails to appoint a successor Trustee within 30 days following receipt of the written notice of resignation or following its removal of the Trustee, the retiring Trustee may, at the expense of the Lessor, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee. Any successor Trustee approved by the Bondowners, the Lessor or any court shall satisfy the qualifications set forth in Section 5.03 hereof.

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

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

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

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

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

The Trustee may become a Bondowner with the same rights it would have if it were not Trustee; may acquire and dispose of bonds or other evidences of indebtedness of the Lessor and enforce its rights as Bondowner thereof to the same extent as if it were not Trustee; and may act as a depository for and

permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners, whether or not such committee shall represent the Bondowners of a majority in aggregate principal amount of the Bonds then Outstanding.

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

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

In accepting the trust created by this Indenture, the Trustee acts solely as Trustee for the Bondowners and not in its individual capacity and all persons, including without limitation the Bondowners and the Lessor having any claim against the Trustee arising from this Indenture shall look only to the funds and accounts and collateral held by the Trustee hereunder for payment except as otherwise provided in this Indenture. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

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

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

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

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

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

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

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

ARTICLE VI

AMENDMENTS

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

Section 6.02 Amendments to Lease. The Lease may be amended in writing by agreement among the parties to the Indenture. The Lease may be modified or amended at any time, and the Trustee may consent to such modification or amendment without the consent of any Bondowners, if such modification or amendment is (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture; (b) in regard to questions arising under the Lease which the Lessee and the Lessor may deem necessary or desirable and not inconsistent with the Lease and which shall not adversely affect the interests of the Bondowners then Outstanding; (c) to modify or amend the equipment description set forth in Exhibit B to the Lease to reflect the substitution of Equipment Components; (d) to modify or amend Exhibit B to the Lease to reflect the acquisition of Equipment Components after the Closing Date, if applicable; (e) to modify or amend Exhibit A to the Lease to reflect the prepayment of Base Rental pursuant to Section 4.8 of the Lease; or (f) for any other reason; *provided* such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and *provided further* that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Lease or in giving consent to such amendment or modification upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment to the Lease shall impair the right of a Bondowner to receive such Bondowner's share of Base Rental in accordance with the terms of his Bond, decrease the amount of Base Rental payable or postpone the dates upon which such payments are to be made without the prior written consent of the Bondowner so affected.

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

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

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

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

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

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

ARTICLE VII

COVENANTS

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

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

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

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

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

Section 7.06 Tax Covenants. The Lessor shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Lessor agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds. The Trustee agrees to comply with any written instructions received from the Lessor which the Lessor indicates must be followed in order to comply with the Tax Certificate.

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

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

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

- (a) An event of default shall have occurred under Section 9.1 of the Lease.
- (b) Breach by the Lessor of any other terms, covenants or conditions contained in this Indenture or the Lease, and failure to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee to the Lessor, or to the Lessor and the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; *provided, however*, if such breach cannot be remedied within the 60-day period, the Lessor, the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall not unreasonably withhold their consent to an extension of time if corrective action is instituted by the Lessee within the 60 day period and diligently pursued until the default is corrected.

Section 8.02 Notice of Events of Default. In the event an Event of Default has occurred and is continuing and the Trustee has actual knowledge of such Event of Default, the Trustee shall give notice, at the expense of the Lessor, of the Event of Default to the Bondowners. The notice shall state that the Lessor is in default and shall provide a brief description of the default. The Trustee in its discretion may withhold notice if it deems it in the best interest of the Bondowners. The notice to Bondowners provided for in this Section 8.02 shall be given by first class mail, postage prepaid, to the Bondowners within 30 days of the occurrence of the Event of Default, to the extent such Event of Default is actually known to the Trustee.

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

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

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

Section 8.06 Action by Bondowners. Subject to Section 8.08 hereof and in the event the Trustee fails to take any action to eliminate an Event of Default under Section 9.2 of the Lease or under this Indenture, including the collection of Base Rental when due, the Bondowners of a majority in aggregate principal amount of the Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Lease or this Indenture, but only if such Bondowners, shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Lease or this Indenture or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with the request within a reasonable time.

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

Section 8.07 Application of Proceeds in Event of Default. Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses) incurred in and about the performance of its powers and duties under this Indenture, to the extent necessary to pay all principal and interest then due and unpaid with respect to all Outstanding Bonds and to make the deposit into the Base Rental Account required to be made pursuant to Section 4.3 of the Lease, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under this Indenture or Section 9.2 of the Lease shall be deposited by the Trustee into the Base Rental Account and transferred, first, to the Interest Account and, then, to the Principal Account to pay the interest and principal due with respect to the Bonds. If the amount deposited into the Interest Account is not sufficient to pay all overdue interest payments, the amounts deposited shall, if paid to the owners of the Bonds, be distributed *pro rata* to such owners on the basis of the amount of interest due and unpaid to the owners. If the amount deposited into the Principal Account is not sufficient to pay all overdue principal payments, the amount deposited shall, if paid to such owners, be distributed *pro rata* to such owners on the basis of the amount of principal due and unpaid to the owners.

To the extent not required to be deposited into the Base Rental Account pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under this Indenture or Section 9.2 of the Lease shall be applied as follows in the order of priority indicated: (a) first, deposited into the Reserve Fund to the extent that the

amount in the Reserve Fund is less than the Reserve Requirement; (b) second, deposited in the separate fund to be established for Additional Rental pursuant to this Indenture and used to pay Additional Rental then due and payable; and (c) thereafter, any remaining amounts shall be deposited into the Base Rental Account.

ARTICLE IX

LIMITATION OF LIABILITY

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

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

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

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

Section 9.05 Indemnification. To the extent permitted by law and regardless of any agreement to maintain insurance, the Lessor shall indemnify and save and hold the Trustee harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses, including the costs of defense, and damages suffered by it as a result thereof (which includes legal fees and expenses), where and to the extent such claim, suit or action arises out of the performance of its duties under this Indenture, or the actions of any other party to this Indenture or the Lease, including but not limited to the ownership, operation or use of the Equipment, the defense of any suit or the enforcement of any remedies under this Indenture, the Bonds (including the offering, issuance, sale or resale thereof) or any related document. Such indemnification shall not extend to judgments or settlements obtained against the Trustee and expenses of litigation in connection therewith based upon

failure of the Trustee to perform and carry out the duties specifically imposed upon and to be performed by the Trustee pursuant to this Indenture, unless the Lessor has agreed in writing that the Trustee not perform such duty. In the event the Lessor is required to indemnify the Trustee as herein provided, the Lessor shall be subrogated to the rights of the Trustee to recover such losses or damages from any person or entity. This Section 9.05 shall survive the termination of this Indenture and the earlier removal or resignation of the Trustee.

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

ARTICLE X

MISCELLANEOUS

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

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

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

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

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

Section 10.03 Notices. All notices under this Indenture by any party shall be in writing (unless otherwise specified herein) and shall be sufficiently given and served upon the parties named below if

delivered by hand directly to the offices named below or sent by United States first class mail, postage prepaid, and addressed as follows:

(a) if to the Lessee, to County of Los Angeles, Kenneth Hahn Hall of Administration, 500 West Temple Street, Room 432, Los Angeles, California 90012, Attention: Assistant Treasurer & Tax Collector;

(b) if to the Trustee, to U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, CA 90071, Attention: Global Corporate Trust Services;

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

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

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

(f) if to Moody's, to Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Attention: MSPG Surveillance;

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

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

Section 10.04 Benefits of the Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Lessor, the Trustee and the Bondowners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Lessor or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Lessor, the Trustee and the Bondowners.

Section 10.05 Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 10.06 Partial Invalidity. Any provision of this Indenture found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Indenture.

Section 10.07 Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

[Remainder of page intentionally left blank.]

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

**LOS ANGELES COUNTY CAPITAL ASSET
LEASING CORPORATION**

By: _____
Judith Frank
President

[SEAL]
Attest:

By: _____
Assistant Secretary

U.S. Bank National Association, as Trustee

By: _____
Authorized Officer

[Signature Page – Indenture –
Lease Revenue Bonds, 2014 Series A
(LAC-CAL Equipment Program)]

Exhibit A

BOND FORM

NO.

\$

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

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(LAC-CAL EQUIPMENT PROGRAM)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP NO.</u>
%			54466L

REGISTERED BONDOWNER: CEDE & CO.

PRINCIPAL AMOUNT : \$

THIS IS TO CERTIFY THAT the Registered Bondowner identified above or registered assignee, is the registered owner of this Bond (the "Bond") which is secured by Base Rental payments to be made by the County of Los Angeles (the "Lessee"), a political subdivision of the State of California (the "State"), under a Lease Agreement, dated as of June 1, 2014 (the "Lease"), by and between the Lessee and the Los Angeles County Capital Asset Leasing Corporation (the "Lessor"). This Bond is one of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program) (the "Bonds") in an aggregate principal amount of \$[Principal Amount] issued by the Lessor under the terms of an Indenture, dated as of June 1, 2014 (the "Indenture"), by and between the Lessor and U.S. Bank National Association, as Trustee (together with any successors thereto, the "Trustee").

The registered owner of this Bond is to receive, subject to the terms of the Lease and unless sooner paid in full, on the maturity date identified above, the principal amount identified above, representing such portion of the Base Rental designated as principal coming due on such date, and on each June 1 and December 1, commencing December 1, 2014 (the "Interest Payment Dates"), until the maturity date identified above or earlier redemption hereof, the registered Bondowner's proportionate share of the Base Rental payments designated as interest coming due on such dates. Such proportionate share of the Base Rental payments designated as interest to be paid to the owner of this Bond on each Interest Payment Date shall be equal to the amount determined by applying the annual interest rate shown

above to the principal amount shown above and based upon a 360-day year composed of twelve 30-day months.

The interest payable on this Bond shall accrue and be calculated from the Interest Payment Date next preceding the date of issuance of this Bond, unless this Bond is executed by the Lessor and authenticated and delivered by the Trustee on an Interest Payment Date or after a May 15 or November 15 (each a "Record Date") and before the close of business on the immediately following Interest Payment Date, in which event interest on this Bond shall accrue and be calculated from such Interest Payment Date or unless it is executed by the Lessor and authenticated and delivered by the Trustee on or before November 15, 2014, in which event interest on this Bond shall accrue and be calculated from its date of delivery; *provided, however*, that if at the time of execution by the Lessor and authentication and delivery by the Trustee of this Bond interest on this Bond is in default, interest shall accrue and be calculated from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from its date of delivery.

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

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

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

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

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

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

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

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

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

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

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

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

DATE OF EXECUTION: _____

**LOS ANGELES COUNTY CAPITAL
ASSET LEASING CORPORATION,**
as Lessor

By: _____
Authorized Signatory

ATTEST:

By: _____
Authorized Signatory

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

Date: _____

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

ASSIGNMENT

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

Dated: _____, ____

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

Tax I.D. _____

Signature Guaranteed: _____

Note: The signature must be guaranteed by an eligible guarantor member of the medallion signature guarantee program or such other program acceptable to the Trustee.

Exhibit B
[Letterhead of County of Los Angeles]

**FORM OF REQUISITION
(Costs of Issuance Account)**

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention: Global Corporate Trust Services

PAYMENT REQUEST NO. _____

Attention: Corporate Trust

Re: \$[Principal Amount] Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program)

Pursuant to Section 3.02(b) of the Indenture, dated as of June 1, 2014 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Lessor") and you, you are instructed to disburse the sum of \$_____ from the Costs of Issuance Account established under the Indenture. You are further instructed to pay this disbursement to the order of the following payee and for the following costs(s) and/or expense(s) or to the order of the payees and for the purposes listed on Exhibit A attached hereto:

Payee: _____
Address: _____

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

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

Dated:

COUNTY OF LOS ANGELES

By: _____
Lessee Representative

LEASE AGREEMENT

Dated as of June 1, 2014

between the

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
as Lessor

and the

COUNTY OF LOS ANGELES, CALIFORNIA
as Lessee

relating to

[\$[Principal Amount]
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(LAC-CAL Equipment Program)

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LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease"), dated as of June 1, 2014, is made and entered into by and between the LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, as lessor (the "Lessor"), and the COUNTY OF LOS ANGELES, CALIFORNIA, a political subdivision of the State of California, as lessee (the "Lessee").

RECITALS:

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

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

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

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

WHEREAS, the Lessor has issued and sold certain bond anticipation notes which are presently outstanding in the aggregate principal amount of \$49,000,000 (the "BANs"); and

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

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

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

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

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, capitalized terms used in this Lease shall, for all purposes of this Lease, have the meanings specified in that certain Indenture of Trust, dated as of June 1, 2014 (the “Indenture”), by and between the Lessor and U.S. Bank National Association, as trustee (the “Trustee”), and the additional terms defined in this Section 1.1 shall, for all purposes of this Lease, have the meaning specified in this Lease.

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

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

“Bonds” means the \$[Principal Amount] aggregate principal amount of Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program).

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

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

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

“Lease Payment Date” has the meaning set in Section 4.3(a)(i) hereof.

“Rental Payments” means the Base Rental plus the Additional Rental payments.

“Term” or “Term of this Lease” has the meaning set forth in Section 4.2 of this Lease.

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

Section 1.2. Rules of Construction. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms, as used in this Lease, refer to this Lease as a whole, and all references herein to “Sections” and other subdivisions hereof are to the corresponding Sections or subdivisions of this Lease as originally executed. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

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

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

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

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

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

(b) Authority, Validity and Enforceability. The Lessee has the authority to enter into this Lease, to consummate the transactions contemplated by this Lease and to perform all of its obligations under this Lease, and the Lessee has been duly authorized to execute and deliver this Lease under the terms and provisions of a resolution of the Board of Supervisors of the Lessee, adopted on June 20, 2104, and this Lease constitutes the legally valid and binding obligation of the Lessee enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally.

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

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

(e) No Violation. The Lessee is not in breach of or default under, and no event has occurred and is continuing which with the passage of time and/or the giving of notice would constitute a breach of or default under, any applicable State law, administrative regulation, judgment, decree or order, or any loan agreement, indenture, bond, note, resolution, agreement or any other instrument to which the Lessee is a party or is otherwise subject, which breach or default could reasonably be expected to materially adversely affect the Lessee's ability to enter into or perform its obligations under this Lease.

(f) No Litigation. To the best knowledge of the Lessee, there is no action, suit, proceeding, hearing or investigation of or by any court or governmental agency or body pending or threatened against the Lessee to restrain or enjoin the execution and delivery of this Lease and

the issuance, sale and delivery of the Bonds, or the payments to be made pursuant to this Lease, or in any way contesting or affecting the validity of this Lease, the Indenture or the Bonds or contesting the powers of the Lessee to enter into or perform its obligations under this Lease or to consummate the transactions contemplated by this Lease, or in which a final adverse decision could reasonably be expected to materially adversely affect the consummation of the transactions contemplated by, or the performance of the Lessee's obligations under, this Lease.

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

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

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

Section 2.2. General Covenants of the Lessee.

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

(b) Financial Statements. During the Term of this Lease, the Lessee will provide by February 1 of each year, beginning February 1, 2015, to the Lessor or its assigns with current audited financial statements and provide such other financial information at such times and in such manner as may be reasonably requested in writing by the Lessor or its assignees relating to the ability of the Lessee to continue this Lease.

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

(d) Performance of this Lease by the Lessee.

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

(ii) Anything in this Lease to the contrary notwithstanding, (A) the Lessee shall remain liable under any contracts or agreements for the acquisition, installation or delivery of any Equipment Component, to the extent set forth in such contracts or

agreements, to perform all of its duties and obligations under such contracts or agreements to the same extent as if this Lease had not been executed, (B) the exercise by the Lessor or the Trustee of any of their respective rights under this Lease shall not release the Lessee from any of its duties or obligations under such contracts or agreements, and (C) neither the Lessor nor the Trustee shall have any obligation or liability under any of such contracts or agreements, nor shall they be obligated to perform any of the obligations or duties of the Lessee under such contracts or agreements.

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

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

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

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

(a) Due Organization and Existence; Enforceability. The Lessor is a nonprofit public benefit corporation duly organized, existing and in good standing under and by virtue of the laws of the State, and has the power to enter into this Lease and the Indenture, and is possessed of full power to own and hold real and personal property, and to lease and sell the real and personal property; and has duly authorized the execution and delivery of all of the aforementioned agreements. This Lease and the Indenture constitute the legal, valid and binding obligations of the Lessor, enforceable in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally.

(b) No Conflicts, No Liens. Neither the execution and delivery of this Lease or the Indenture, nor the fulfillment of or compliance with the terms and conditions of this Lease or the Indenture, nor the consummation of the transactions contemplated by this Lease or the Indenture,

conflicts with or constitutes a breach of the terms, conditions or provisions of the Articles of Incorporation or Bylaws of the Lessor or any restriction or any agreement or instrument to which the Lessor is now a party or by which the Lessor is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Lessor, or upon the Equipment, except as contemplated therein.

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

Section 2.4. General Covenants of the Lessor.

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

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

ARTICLE III

ACQUISITION OF THE EQUIPMENT; AGENCY

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

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

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

ARTICLE IV

LEASE TERMS

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

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

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

Section 4.3. Base Rental.

(a) Obligation to Pay.

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

Base Rental payable by the Lessee shall be due before each Interest Payment Date (as defined in the Indenture) during the Term of this Lease, each such date being a “Lease Payment Date.” The interest component of Base Rental payable on or before June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the interest component of Base Rental payable on or before December 1 in any year shall be for the period of June 1 of such year (or from the Closing Date in the case of the first year) to November 30 of such year. The principal component of Base Rental payable on or before June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the principal component of Base Rental payable on or before December 1 in any year shall be for the period of June 1 of such year (or from the Closing Date in the case of the first year) to November 30 of such year. To secure the performance of its obligation to pay Base Rental, the Lessee shall deposit the Base Rental payable on each Lease Payment Date with the Trustee in immediately available funds before that Lease Payment Date, in each case for application by the Trustee in accordance with the terms of Section 3.03 of the Indenture. The obligation of the Lessee to pay Base Rental shall commence on the Closing Date.

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

(ii) Lessee Budget and Appropriation; Nature of Obligations. Base Rental shall be paid from any source of legally available funds of the Lessee and, so long as any Equipment Component is available for the Lessee’s use, the Lessee covenants to take such actions as may be necessary to include all Rental Payments due under this Lease in any Fiscal Year during the Term in its annual budget for the Fiscal Year and to make the necessary annual appropriations for all such Rental Payments, which covenants of the Lessee shall be deemed to be, and shall be, ministerial duties imposed by law, and it shall be the duty of each and every public official of the Lessee to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Lessee to carry out and perform the covenants made by the Lessee under this Lease. Subject to Section 6.1 of this Lease, the Lessee’s obligation to make Rental Payments when due shall be absolute and unconditional without any right of set-off or counterclaim. The obligation of the Lessee to make Rental Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the Lessee to make Rental Payments under this Lease constitute indebtedness of the Lessee, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

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

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

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

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

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

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

Section 4.4. Use and Possession. During the Term of this Lease, the Lessor shall provide the Lessee with quiet use and possession of the Equipment, and the Lessee shall during such Term peaceably and quietly have and use and possess the Equipment, without suit, trouble or hindrance from the Lessor or any person or entity claiming any right or interest under or through the Lessor except as expressly set forth in this Lease. The Lessor shall, at the request of the Lessee, join in any legal action in which the Lessee asserts its right to such quiet use and possession to the extent the Lessor may lawfully do so. Notwithstanding the foregoing, the Lessor shall have the right to inspect the Equipment as provided in Section 7.3 of this Lease.

Section 4.5. Title to the Equipment.

(a) Lessor Holds Title During Term. Notwithstanding any records on file with State of California Department of Motor Vehicles to the contrary, including but not limited to the Lessee's being listed as the registered owner on any certificates of title in connection with the Equipment, and except as provided in subsection (c) of this Section 4.5, during the Term of this

Lease, the Lessor shall hold and shall be deemed to hold title to all Equipment Components and any and all additions which comprise repairs, replacements or modifications thereto.

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

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

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

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

Section 4.7. Substitution of Equipment Components. The Lessee shall, at any time, have the right to substitute any item of personal property of comparable value to and a Useful Life not less than the remaining Useful Life of, the Equipment Component to be substituted, but only by providing the Trustee with (a) a written certificate (i) describing both the new Equipment Component and the Equipment Component for which it is to be substituted, and stating that such new Equipment Component is of comparable value and has a Useful Life not less than the Useful Life of the Equipment Component for which it is being substituted and (ii) stating that such

substitution will not result in an abatement of Rental Payments, and (b) a new Exhibit B to this Lease, which shall include the substitute Equipment Components and which shall supersede in its entirety the existing Exhibit B to this Lease. All costs and expenses incurred in connection with such substitution, including without limitation the cost of acquiring such property, shall be borne by the Lessee. In the event of such substitution, the Equipment Component substituted for the original Equipment Component shall become fully subject to the terms hereof. As a result of any substitution of Equipment Components pursuant to this Section, there shall be no reduction in the Base Rental due from the Lessee hereunder and there shall be no reduction in the aggregate fair rental value of the Equipment as a result of such substitution. The Lessee shall give notice of any substitution of Equipment Components in accordance with the provisions of this Section 4.7 to the Rating Agencies in the event the aggregate of such substituted Equipment Components, within any six-month period, shall have a rental value of at least 5% of the Base Rental due hereunder.

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

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

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

On any Business Day as to which the Lessee shall properly have exercised the option granted it pursuant to this Section 4.8(a), and shall have paid or made provision (as set forth in the preceding paragraph) for the payment of the required option price, the Lessor and the Trustee shall execute and deliver to the Lessee bills of sale or quitclaim deeds and releases, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in each Equipment Component. If the Lessee shall properly exercise the option provided in this Section 4.8(a) prior to the expiration of the Term of this Lease, and the Lessor and the

Trustee shall execute and deliver the bills of sale or quitclaim deeds and releases, as appropriate, for each Equipment Component as aforesaid, then this Lease shall terminate, but such termination shall not affect the Lessee's obligation to pay the option price on the terms herein set forth.

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

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

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

(c) Effect of Exercise of Purchase Option.

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

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

ARTICLE V

MAINTENANCE; TAXES AND INSURANCE

Section 5.1. Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance. The Lessee shall, at its own expense, maintain the Equipment, or cause the same to be maintained, in good order, condition and repair and furnish all parts, mechanisms, devices and servicing required therefor so that the value and condition of the Equipment will at all times be maintained, ordinary wear and tear excepted. All such parts, mechanisms and devices shall immediately, without further act, become part of the Equipment, without cost to the Lessor. The Lessee shall provide or cause to be provided all maintenance service, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Equipment. The Lessee shall cause all Equipment Components which constitute equipment to be operated in accordance with the manufacturer's or supplier's instructions or manuals, by duly qualified personnel only and in compliance with all laws and regulations applicable to such Equipment Components and with all insurance which the Lessee is required to maintain under this Lease. It is understood and agreed that in consideration of the payment by the Lessee of the Rental Payments provided for in this Lease, the Lessee is entitled to use and possession of the Equipment and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Equipment during the Term of this Lease. The Lessor shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever to the Equipment. The Lessee expressly waives the right to make repairs

or to perform maintenance of the Equipment at the expense of the Lessor and (to the extent applicable and to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating to repairs and maintenance. The Lessee shall keep the Equipment free and clear of all liens, charges and encumbrances, other than those existing on the Closing Date, and any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed on or materials furnished in connection with the Equipment which are not due and payable or the amount, validity or application of which is being contested in accordance with Section 5.5 of this Lease.

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

Section 5.2. Modification of the Equipment. The Lessee shall, at its own expense, have the right to make additions, modifications, and improvements to any Equipment Component if such improvements are necessary or beneficial for the use of such Equipment Component. Such additions, modifications and improvements (a) shall not in any way damage any Equipment Component or cause it to be used for purposes other than those authorized under the provisions of State and federal law, (b) shall not impair the tax-exempt status of the interest components of the Base Rental attributable to such Equipment Component, and (c) shall not cause the Equipment Component, upon completion of any additions, modifications and improvements made pursuant to this Section, to be of a value that is less than the value of the Equipment Component immediately prior to the making of such additions, modifications and improvements. All such additions, modifications and improvements shall thereafter comprise part of the Equipment Component and be subject to the provisions of this Lease.

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

Such insurance shall consist of:

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

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

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

(d) Workers’ Compensation. Workers’ compensation insurance issued by a responsible carrier authorized under the laws of the State or by qualified self-insurance programs, to insure against liability for compensation under the Workers’ Compensation Insurance and Safety Act in force in the State, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof.

Section 5.4. Other Insurance Provisions.

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

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

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

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

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

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

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

steps necessary to facilitate compliance by the Lessor with its covenants under Section 7.06 of the Indenture.

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

ARTICLE VI

CONDEMNATION, DAMAGE AND DESTRUCTION; USE OF INSURANCE PROCEEDS

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

Section 6.2. Application of Insurance Proceeds. If the Lessee shall receive insurance proceeds as a result of any Equipment Component being condemned, stolen, damaged or destroyed and the fair rental value of the remaining Equipment exceeds the Base Rental due hereunder, such insurance proceeds may be retained by the Lessee without any obligation to repair or replace the condemned, stolen, damaged or destroyed Equipment Component. If the Lessee shall receive insurance proceeds as a result of any Equipment Component being condemned, stolen, damaged or destroyed and the fair rental value of the remaining Equipment is less than the Base Rental due hereunder, the Lessee shall either promptly repair or replace the condemned, stolen, damaged or destroyed Equipment Component so long as such repair or replacement can be completed within the period during which rental interruption insurance proceeds will be available if Base Rental is to be abated as a result of any such condemnation,

theft, damage or destruction, or apply any insurance proceeds received as a result of such condemnation, theft, damage or destruction to the extraordinary redemption of the Bonds as provided in the Indenture so that the remaining Base Rental due hereunder shall be at least equal to the fair rental value of the remaining Equipment.

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

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

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS

Section 7.1. Disclaimer of Warranties. NEITHER THE LESSOR NOR ITS ASSIGNEES (INCLUDING THE TRUSTEE) MAKES ANY EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION OF ANY KIND WHATSOEVER WITH RESPECT TO ANY EQUIPMENT COMPONENT TO THE LESSEE OR ANY OTHER CIRCUMSTANCE WHATSOEVER WITH RESPECT THERETO, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OR REPRESENTATION WITH RESPECT TO: THE MERCHANTABILITY OR THE FITNESS OR SUITABILITY THEREOF FOR ANY PURPOSE; THE DESIGN OR CONDITION THEREOF; THE SAFETY, WORKMANSHIP, QUALITY OR CAPACITY THEREOF; COMPLIANCE THEREOF WITH THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO; ANY LATENT DEFECT; THE TITLE TO OR INTEREST OF THE LESSOR THEREOF BEYOND THAT TITLE OR INTEREST WHICH THE LESSEE OBTAINS FROM THE LESSOR PURSUANT HERETO; THE ABILITY THEREOF TO PERFORM ANY

FUNCTION; THAT THE PROCEEDS DERIVED FROM THE SALE OF THE BONDS WILL BE SUFFICIENT (TOGETHER WITH OTHER AVAILABLE FUNDS OF THE LESSEE) TO PAY THE COSTS OF ACQUIRING, DELIVERING AND INSTALLING ANY EQUIPMENT COMPONENT; OR ANY OTHER CHARACTERISTIC OF ANY EQUIPMENT COMPONENT; IT BEING AGREED THAT ALL RISKS RELATING TO ANY EQUIPMENT COMPONENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR BY THE INDENTURE ARE TO BE BORNE BY THE LESSEE, AND THE BENEFITS OF ANY AND ALL IMPLIED WARRANTIES AND REPRESENTATIONS OF THE LESSOR ARE WAIVED BY THE LESSEE. THE LESSEE ACKNOWLEDGES THAT THE LESSOR IS NOT A MANUFACTURER OF EQUIPMENT OR A DEALER THEREIN, AND THAT THE LESSEE IS LEASING THE EQUIPMENT COMPONENTS ON AN "AS IS" BASIS.

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

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

Section 7.2. Lessee's Right to Enforce Warranties. The Lessor irrevocably appoints the Lessee its agent and attorney-in-fact during the Term of this Lease, which power of attorney is coupled with an interest, so long as the Lessee shall not be in default hereunder, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, respecting the Equipment Components which the Lessor may have against any vendor or contractor. The Lessee's sole remedy for the breach of any such warranty, indemnification or representation shall be against the vendor or contractor with respect thereto, and not against the Lessor, nor shall such matter have any effect whatsoever on the rights and obligations of the Lessor with respect to this Lease, including the right to receive full and timely Rental Payments and all other payments due hereunder. The Lessee shall be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Lessor shall, upon the Lessee's request and at the Lessee's expense, do all things and take all such actions as the Lessee may request in connection with the assertion of any such claims and rights.

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

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

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

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

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

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

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

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

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

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

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

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

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

Without limiting any other remedies available to the Trustee under this Lease or at law, the Trustee shall have the right, at its option, without any further notice (a) to recover rent as it

becomes due under this Lease, and (b) to exercise any other right or remedy which may be available to it under applicable law or to proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach of this Lease or to rescind this Lease. In addition, unless and until this Lease has been terminated pursuant to the terms of this Lease, the Lessee shall be liable for all unpaid rent and other amounts due under this Lease before or during the exercise of any of the foregoing remedies and for all legal fees, taxes, governmental charges and other costs and expenses incurred by reason of the occurrence of any event of default or the exercise of the Trustee's remedies with respect thereto.

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

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

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

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

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

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

(c) Trustee and Bondowners to Exercise Rights. Such rights and remedies as are given to the Lessor under this Article IX have been assigned by the Lessor to the Trustee under the Indenture, to which assignment the Lessee consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture. The Trustee is hereby designated a third party beneficiary hereunder for the purpose of enforcing any of the rights and remedies assigned to the Trustee hereunder.

ARTICLE X

MISCELLANEOUS

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

If to the Lessee: County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 432
Los Angeles, California 90012
Attention: Assistant Treasurer and Tax Collector

If to the Lessor: Los Angeles County Capital Asset Leasing Corporation
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 383
Los Angeles, California 90012
Attention: Executive Officer-Clerk of the Board of Supervisors

If to the Trustee: U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention: Global Corporate Trust Services

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

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

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

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

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

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

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

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

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

Section 10.9. No Merger. If both the Lessee’s and the Lessor’s estate under this or any other lease relating to the Equipment or any portion thereof shall at any time or for any reason become vested in one owner, this Lease and the estate created hereby shall not be destroyed or terminated by the doctrine of merger unless the Lessee so elects as evidenced by recording a written declaration so stating, and unless and until the Lessee so elects, the Lessee shall continue to have and enjoy all of its rights and privileges as to the separate estates.

[Remainder of page intentionally left blank.]

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

COUNTY OF LOS ANGELES

[SEAL]

By: _____
Don Knabe
Chairman, Board of Supervisors

Attest:

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

By: _____
Deputy

Approved as to form:

JOHN KRATTLI
County Counsel

By: _____
Principal Deputy County Counsel

**LOS ANGELES COUNTY CAPITAL ASSET
LEASING CORPORATION**

By: _____
Judith Frank
President

Attest:

By: _____
Assistant Secretary

EXHIBIT A

BASE RENTAL SCHEDULE

<u>Lease Payment Date ⁽¹⁾</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Base Rental Payment</u>
	\$	\$	\$

(1) Due before each Interest Payment Date.

EXHIBIT B

GENERAL DESCRIPTION OF EQUIPMENT COMPONENTS

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

PRELIMINARY OFFICIAL STATEMENT DATED JUNE __, 2014

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

NEW ISSUE - BOOK-ENTRY-ONLY

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

[\$[PRINCIPAL AMOUNT]* LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION LEASE REVENUE BONDS, 2014 SERIES A (LAC-CAL Equipment Program)

Dated: Date of Delivery

Due: June 1 and December 1, as shown on the inside cover page

The Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program) (the "Bonds"), are being issued to finance the acquisition of certain equipment, machinery, vehicles and other tangible personal property to be leased to the County of Los Angeles, California (the "County") pursuant to a Lease Agreement, dated as of June 1, 2014 (the "Lease") by and between the County, as lessee, and the Los Angeles County Capital Asset Leasing Corporation, as lessor (the "Corporation"). Principal of and interest on the Bonds are payable from Base Rental payments to be made by the County pursuant to the Lease and from certain other sources, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds will be issued in authorized denominations of \$5,000 and any integral multiple thereof. Interest on the Bonds will be payable semiannually each June 1 and December 1, commencing on December 1, 2014. The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS" herein and APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

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

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

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

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

Dated: June __, 2014

* Preliminary, subject to change.

MATURITY SCHEDULE

**[\$[PRINCIPAL AMOUNT]*
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(LAC-CAL Equipment Program)**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP[†]</u>
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* Preliminary, subject to change.

[†] Copyright 2014, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the County or the Corporation and are included solely for the convenience of the registered owners of the Bonds. Neither the County nor the Corporation are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

COUNTY OF LOS ANGELES

**LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(LAC-CAL Equipment Program)**

Board of Supervisors

Don Knabe
Fourth District, Chairman

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third 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
County Counsel

Mark J. Saladino
Treasurer and Tax Collector

John Naimo
Acting Auditor-Controller

Public Resources Advisory Group
Financial Advisor

U.S. Bank National Association
Trustee

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. All estimates, projections, forecasts or matters of opinion are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future.

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

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

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

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[\$[PRINCIPAL AMOUNT]*
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(LAC-CAL Equipment Program)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the entire Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to in this Official Statement do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings set forth in the Indenture and the Lease. See APPENDIX C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Definitions."

General Description

This Official Statement, including the cover page and attached Appendices (the "Official Statement"), provides certain information concerning the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program) (the "Bonds") in the aggregate principal amount of \$[Principal Amount]*. The Bonds will be issued pursuant to Chapter 10 (commencing with Section 5800) of Division 6 of Title 1 of the California Government Code and an Indenture of Trust, dated as of June 1, 2014 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be used to (1) redeem certain bond anticipation notes of the County (the "BANs"), whose proceeds were originally used to finance the acquisition of certain equipment, machinery, vehicles, and other tangible personal property (as more fully described herein, the "Equipment"), (ii) fund the Reserve Fund established pursuant to the Indenture and (iii) pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Equipment will be leased pursuant to the Lease Agreement, dated as of June 1, 2014 (the "Lease"), by and between the Corporation and the County of Los Angeles (the "County").

General Terms of the Bonds

The Bonds are dated and will mature on the dates and in the principal amounts and will bear interest at the respective rates per annum, all as set forth on the cover page of this Official Statement. Interest on the Bonds is payable on June 1 and December 1, commencing on December 1, 2014 (each, an "Interest Payment Date"). The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. The Bonds will be delivered in book-entry form only and when issued and authenticated, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds are not subject to optional redemption prior to maturity, but are subject to extraordinary redemption as described herein. See "THE BONDS" herein.

Security and Sources of Payment for the Bonds

Under the Lease, in consideration for the use and possession of the Equipment, the County is required to make certain payments designated as Base Rental ("Base Rental") in the amounts, at the times and in the manner set forth in the Lease. The County is also required to make certain payments designated as Additional

* Preliminary, subject to change.

Rental (“Additional Rental”) pursuant to the Lease. Pursuant to the Indenture, the Trustee will apply Base Rental payments received from the County to pay principal of and interest on the Bonds.

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

Payments under the Lease, except for certain moneys more particularly described in the Lease, will be abated in whole or in part during any period in which, by reason of damage, destruction or theft, there is substantial interference with the County’s right of use or possession of the Equipment or any portion thereof. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

The County

The County is located in the southern coastal portion of the State of California (the “State”) and covers 4,084 square miles. The County was established under an act of the State Legislature on February, 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 43 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For additional economic and demographic information with respect to the County, see APPENDIX A – “COUNTY OF LOS ANGELES INFORMATION STATEMENT” and APPENDIX B – “COUNTY OF LOS ANGELES FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013.”

Limited Liability

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

Continuing Disclosure

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

ESTIMATED SOURCES AND USES OF FUNDS

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

SOURCES:

Principal Amount of Bonds
Original Issue Premium
County Contribution

TOTAL SOURCES

USES:

Redemption of BANs	\$49,000,000
Debt Service Reserve Fund	1,000,000
Costs of Issuance Account ⁽¹⁾	
Underwriter's Discount	

TOTAL USES

⁽¹⁾ Includes rating agency fees, certain legal fees, financial advisory fees, trustee fees, electronic bid fees and printing costs.

THE BONDS

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

General Provisions

The Bonds will be dated, will mature on the dates in the respective principal amounts, and will bear interest at the respective rates per annum, all as set forth on the inside cover page of this Official Statement. Interest on the Bonds will be computed using a year of 360 days comprised of twelve 30-day months and is payable on each Interest Payment Date, commencing on December 1, 2014. The Bonds will be delivered in book-entry form only and when issued, authenticated and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive Bonds representing their ownership interests in the Bonds purchased. Principal of and interest on the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to its Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

Redemption

No Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Extraordinary Redemption. The Bonds are subject to extraordinary redemption prior to maturity in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued but unpaid interest to the redemption date, without premium, from amounts deposited in the Redemption Account of the Bond Fund pursuant to the Indenture following an event of theft, damage or destruction of the Equipment or a portion thereof to the extent that Base Rental payments with respect to the remaining Outstanding Bonds do not exceed the fair rental value for the use and possession of the portions of the Equipment not damaged or destroyed, as determined by the County.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Bonds to be redeemed shall be selected proportionately among maturities, and within a maturity, the Trustee shall select Bonds for redemption by lot. The portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption. When redemption is required pursuant to the Indenture, the Trustee shall give notice of the redemption of the Bonds to each owner of a Bond to be redeemed. The notice shall specify: (a) that the Bond or a designated portion thereof (in the case of redemption of a Bond in part but not in whole) is to be redeemed, identifying each such Bond by its Bond number unless all Outstanding Bonds or all Outstanding Bonds of the particular maturity or maturities are to be redeemed, in which case the notice need only indicate that all Outstanding Bonds, or all Outstanding Bonds of a particular maturity or maturities (specifying each such maturity) are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the amount of such Bond to be redeemed, and (g) the original date and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified redemption date, the redemption price, together with interest accrued to the redemption date, shall become due and payable and that, from and after such date, interest on the Bonds to be redeemed on the redemption date shall cease to accrue and be payable. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers set forth therein or on the Bonds. Such redemption notice may state that such redemption may be conditional upon the receipt by the Trustee of moneys sufficient to pay the principal of, and interest on such Bonds to be redeemed.

The Trustee shall give notice by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the redemption date to the owners of Bonds designated for redemption at their addresses appearing on the Bond Register as of the close of business on the day before such notice is given. Neither failure to receive any such notice nor any defect in such notice shall affect the sufficiency of the proceedings for the redemption of any Bond. Such redemption notice shall also be given at least 30 days before the redemption date, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service, to DTC and to one of the Information Services. Neither failure to give the notice described in the immediately preceding sentences nor any defect in the notices shall in any manner affect the redemption of any Bond.

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

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

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

SECURITY AND SOURCES OF PAYMENT OF THE BONDS

Base Rental and Additional Rental

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

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

<u>Lease Payment Date⁽¹⁾</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Base Rental Payment</u>
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⁽¹⁾ Due on or before each Interest Payment Date.

Pursuant to the Indenture, the Corporation has assigned to the Trustee, for the benefit of the Bondowners, all of its rights in and to the Lease, including the right to receive Base Rental payments and the right to enforce payment of Base Rental when due, but excluding the Corporation's rights to the payment of its expenses, to indemnification and certain other rights set forth in the Indenture. See APPENDIX C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS— Indenture."

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

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

Reserve Fund

Amounts on deposit in the Reserve Fund established pursuant to the Indenture are pledged to pay principal of and interest on the Bonds. The Reserve Fund will initially be funded from the proceeds of the Bonds in the amount of \$1,000,000. The Reserve Requirement means, as of any date of calculation, the lesser of (i) \$1,000,000 or (ii) the total remaining unpaid principal and interest on the Bonds. The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease or until there are no longer any Bonds Outstanding. If on any Interest Payment Date, the amount on deposit in the Interest Account and/or the Principal Account is less than the principal and interest payments due with respect to the Bonds on such date, then the Trustee shall transfer from the Reserve Fund for credit to such account or accounts sufficient amounts if available to make up the deficiencies. If the amount on deposit in the Reserve Fund five Business Days prior to any Interest Payment Date is less than the Reserve Requirement, the Trustee shall promptly notify the Lessor and Lessee of such fact. Upon receipt of such notice, the Lessor shall cause the Lessee to transfer to the Trustee for deposit into the Reserve Fund all funds legally available for such use until the amount on deposit in the Reserve Fund equals the Reserve Requirement. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Indenture - Funds and Accounts."

Substitution of Equipment Components

The County shall, at any time, have the right to substitute any item of personal property of comparable value to and a Useful Life not less than the remaining Useful Life of, the Equipment Component to be substituted, but only by providing the Trustee with (a) a written certificate (i) describing both the new Equipment Component and the Equipment Component for which it is to be substituted, and stating that such new Equipment Component is of comparable value and has a Useful Life not less than the Useful Life of the Equipment Component for which it is being substituted and (ii) stating that such substitution will not result in an abatement of Rental Payments, and (b) a new Equipment description for the Lease, which shall include the substitute Equipment Components and which shall supersede in its entirety the then existing description attached to Lease. As a result of any substitution of Equipment Components pursuant to the Lease, there shall be no reduction in the Base Rental due from the Lessee under the Lease and there shall be no reduction in the aggregate fair rental value of the Equipment as a result of such substitution. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease - Substitution of Equipment Components."

Abatement

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

Insurance

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

No Acceleration Upon an Event of Default

In the event of a default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Lease and the Trustee is not empowered to sell the Equipment and use the proceeds of such sale to redeem the Bonds or pay debt service thereon or repossess the Equipment in any way. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Indenture – Events of Default and Remedies of Owners" and RISK FACTORS - "No Acceleration Upon an Event of Default; Limitations on Remedies".

Investment of Funds and Accounts

County General Fund moneys are generally deposited into the County Treasury to the credit of the County and invested in accordance with County investment policies. Pursuant to the Indenture, moneys held by the Trustee in any fund or account under the Indenture shall be invested in Qualified Investments pending application as provided therein, which investment may include the County Treasury Pool. See APPENDIX A - "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT - Los Angeles County Pooled Surplus Investments" and APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Description of the Equipment

The proceeds of the Bonds are to be used to refinance the acquisition of certain equipment, machinery, vehicles and other tangible personal property used by various departments of the County of Los Angeles, including Department of Beaches and Harbors, the Department of Health Services, the Internal Services Department, the Department of Coroner, the Department of Probation, and the Sheriff Department. [Confirm] Such property consists of more than one thousand individual items and includes motor vehicles, medical equipment, and computer systems. The aggregate average useful life of such equipment will not be less than the weighted average maturity of the Bonds, and the individual useful life of such equipment ranges from three to seven years.

THE CORPORATION

The Los Angeles County Capital Asset Leasing Corporation is a California nonprofit corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California (constituting Title 1, Division 2, Part 2 of the California Corporations Code). The Corporation was formed in February 1983 to assist the County, among other things, in financing the purchase of necessary equipment.

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

RISK FACTORS

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

Not a Pledge of Taxes

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

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

Additional Obligations of the County

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

The Base Rental payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Equipment, taxes and other governmental charges levied against the Equipment) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay principal of and interest on the Bonds when due. The County's appropriations have never exceeded the limitation on appropriations under Article XIIB of the California Constitution.

No Acceleration Upon an Event of Default; Limitations on Remedies

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

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

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

Adequacy of County Insurance Reserves or Insurance Proceeds

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

Abatement

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

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

attributable to such abated Base Rental. The failure to make such payments of principal and interest under such circumstances would not constitute a default under the Lease or the Indenture.

Economic Conditions in the State of California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Decreases in the State's General Fund revenues may significantly affect appropriations made by the State to public agencies, including the County. See APPENDIX A – "The County of Los Angeles Information Statement" attached hereto.

TAX MATTERS

Opinion of Bond Counsel

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

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

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

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

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

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

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Original Issue Discount

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

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate

determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

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

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. For example, the Fiscal Year 2015 Budget proposed on March 4, 2014, by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on tax-benefit items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their "modified adjusted gross income," defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CERTAIN LEGAL MATTERS

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

FINANCIAL ADVISOR

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

LITIGATION

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

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not materially impair the ability of the County to make Base Rental payments. See also Note 18 of "Notes to the Basic Financial Statements" included in APPENDIX B, which discusses this liability as of June 30, 2013. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

RATINGS

Fitch, Inc. ("Fitch") has assigned the Bonds a rating of "__," Moody's Investors Service ("Moody's") has assigned the Bonds a rating of "__" and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned the Bonds a rating of "__." Such ratings reflect only the views of Fitch, Moody's and Standard & Poor's, and do not constitute a recommendation to buy, sell or hold the Bonds. Explanation of the significance of such ratings may be obtained only from the respective rating agencies at: Fitch, Inc., One State Street Plaza, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that any of the ratings will be maintained for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. The County undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained or other actions by a rating agency relating to its rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "Disclosure Certificate"), the County has covenanted for the benefit of Bondowners to provide certain financial information and operating data relating to the County by not later than February 1st of each year, commencing February 1, 2015, for the prior fiscal year, in the form of an annual report (the "Annual Report"), and, no later than ten (10) business days after their occurrence, to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be filed by the County with the MSRB through the MSRB's Electronic Municipal

Market Access system (“EMMA”). The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the County’s continuing disclosure obligations are set forth in Appendix E — “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the underwriters in complying with Rule 15c2-12. In the last five years, the County has not failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events.

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

ADDITIONAL INFORMATION

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

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

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

**GLENN BYERS
ASSISTANT TREASURER AND TAX COLLECTOR
COUNTY OF LOS ANGELES
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
(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 9.9 million in 2012, 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 certain municipal services to unincorporated areas of the County and operates recreational and cultural facilities throughout the County.

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 to serve four-year terms. 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. In December 2014, the First and Third District Supervisors will reach their term limits. Their successors will be determined by voters in the November 2014 election.

On September 27, 2011, the Board of Supervisors adopted a 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, which was designed to improve the operational efficiency of County governance. 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 Board of Supervisors has retained the exclusive responsibility for establishing County policy, regulations, and organizational direction. In May 2011, the Board of Supervisors further 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 was 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 service level that a city may choose.

Over one million people live in the unincorporated areas of the County. For the residents of these areas, the County Board of Supervisors functions as 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 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 at County facilities and through 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 provider of health care professionals throughout California.

Disaster Services

The County operates and coordinates a comprehensive 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 19,000 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, 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 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. The County also maintains 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.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 85% of the County workforce is represented by sixty (60) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union ("SEIU") Local 721, which has twenty-four (24) collective bargaining units that represent the vast majority of County employees; the Coalition of County Unions ("CCU"), which includes twenty-three (23) collective bargaining units; and the Independent Unions, which encompass thirteen (13) collective bargaining units. 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 (2) fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are

covered by one of the two fringe benefit agreements.

On June 25, 2013, the Board of Supervisors approved successor agreements to four Memoranda of Understanding ("MOUs") covering wages and work rules for the collective bargaining units representing Fire Fighters, Supervising Fire Fighters, Supervising Peace Officers and Supervising Beach Lifeguards. The four MOUs have a two-year term, with the MOUs for the Firefighters, Supervising Firefighters and the Supervising Beach Lifeguards expiring on December 31, 2014, and the MOU for Supervising Peace Officers expiring on January 31, 2015. All four unions will receive a 6% cost of living adjustment over the term of the agreements.

On July 23, 2013, the Board of Supervisors approved successor agreements to two MOUs covering wages and work rules for the collective bargaining units representing Deputy Probation Officers and Peace Officers. The MOUs for both unions have two-year terms expiring on December 31, 2014 and January 31, 2015, respectively. Both unions will receive a 6% cost of living adjustment over the term of the agreements.

On November 12, 2013, the Board of Supervisors approved successor agreements to five MOUs covering wages and work rules for the collective bargaining units representing Interns & Residents, Health Investigative & Support Services, Criminalists, Coroner Investigators and Supervising Coroner Investigators. All five MOUs have a two-year term expiring on September 31, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

On December 17, 2013, the Board of Supervisors approved successor agreements to eight MOUs covering wages and work rules for the collective bargaining units representing Appraisers, Supervising Appraisers, Operating Engineers, Automotive & Equipment Maintenance & Repairmen, Professional Engineers, Supervising Professional Engineers, Engineering Technicians and Supervising Engineering Technicians. The eight MOUs have two-year terms expiring on September 31, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

On February 25, 2014, the Board of Supervisors approved successor agreements to twenty-four (24) MOUs covering wages and work rules for all of SEIU Local 721 bargaining units. The MOUs all have two-year terms expiring on September 31, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

The County has approved successor MOUs with all of its collective bargaining units, with the exception of the Guild for Professional Pharmacists (Unit #301). Negotiations are currently suspended, but neither party has yet to declare an impasse. Non-represented employees will also receive the 6% cost of living adjustment that was negotiated with SEIU, CCU and the Independent Unions.

On February 25, 2014, the Board of Supervisors also approved two additional MOUs covering fringe benefits for the collective bargaining units represented by SEIU Local 721, and the Coalition of County Unions. The fringe benefit agreements, which will expire on September 30, 2015, include a 7.2 percent increase in the County's contribution toward employee cafeteria-style benefit plans in 2014 and 2015 to offset the higher cost of health insurance premiums. The same benefit will be extended to non-represented personnel by reducing the cost of health

insurance premiums for those employees participating in their respective cafeteria-style fringe benefit plans.

The new fringe benefit agreements included provisions to increase the aggregate matching contribution cap for represented employees participating in the County's deferred compensation savings plans. The County increased the current matching contribution cap of \$112 million, which has been in place since Fiscal Year 2008-09, to \$121 million in Fiscal Year 2013-14; and \$130 million in Fiscal Year 2014-15. In Fiscal Year 2015-16, there will be no maximum contribution cap, and represented employees will be eligible to receive a full County match for their deferred compensation plan savings over the entire fiscal year.

On the same day, the Board of Supervisors also approved a \$500 cash bonus for all full-time permanent employees, payable in two equal installments via their cafeteria benefit plans on March 28, 2014 and July 30, 2014. Temporary and part-time employees will receive a similar cash bonus of \$250, also payable in two equal installments.

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.

LACERA is governed by the Board of Retirement (the "Board of Retirement"), which is responsible for the administration of the Retirement Fund, the retiree healthcare program, and the review and processing of disability retirement applications. The Board of Retirement is comprised of four positions appointed by the Board of Supervisors, two positions elected by general LACERA members, two positions (one active and one alternate) elected by LACERA safety members and two positions (one active and one alternate) elected by retired LACERA members. The County Treasurer and Tax Collector is required by law to serve as an ex-officio member of the Board of Retirement.

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, 2013 was 161,950, consisting of 73,951 active vested members, 17,594 non-vested active members, 58,086 retired members and 12,319 terminated vested (deferred) members. Of the 91,545 active members (vested and non-vested), 79,006 are general members in General Plans A through G, and 12,539 are safety members in Safety Plans A through C. 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, 2013, approximately 65% of general members were enrolled in General Plan D, and over 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, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. To illustrate the potential financial impact of the retirement benefit, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary; and 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. By comparison, the County's General Plan D requires six additional years (at age 61) before a participant can retire without a reduction in annual benefits. 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. This compares to the County's Safety Plan B, which only allows for 2.0% annual increases up through the age of 50.

2012 State Pension Reform

On August 28, 2012, the Governor and the State Legislature reached agreement on a new law that will reform pensions for State and local government employees. AB 340, which was signed into law by the Governor on September 12, 2012, established the California Public Employees' Pension Reform Act ("PEPRA") to govern pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA includes pension caps, equal sharing of pension costs, changes to retirement age, and three-year final compensation provisions. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays, and purchases of service credit.

PEPRA applies to all State and local public retirement systems, including county and district retirement systems created pursuant to the County Employees Retirement Law of 1937, independent public retirement systems, and to individual retirement plans

offered by public employers. PEPRA only exempts the University of California system and certain charter cities and counties whose pension plans are not governed by State law. Because the County's retirement system is governed by the County Employees Retirement Law of 1937, LACERA is required to comply with the provisions of PEPRA. Based on a review of AB 340, the County and LACERA have concluded that PEPRA is not expected to result in an increase in the County's future General Fund contributions to LACERA.

As a result of PEPRA, the County implemented General Plan G and Safety Plan C for new hires, effective January 1, 2013. The total employer contribution rate for new employees hired January 1, 2013 and after is 15.61% for General Plan G and 20.98% for Public Safety Plan C. The new employer contribution rates are lower than the comparative rates of 19.82% for General Plan D participants and 24.95% for Public Safety Plan B participants. The basic benefit structure of Plan G using the PEPRA funding formula is "2.5% at 67" and 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 C, the benefit structure is a "2.7% at 57" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. Overall, General Plan G and Safety Plan C is expected to result in a slight decrease to the total normal cost rate and an increase in the average member contribution rate, thus resulting in a decrease in the total employer contribution rate.

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 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 initially 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 returns, and some changes to the demographic assumptions.

In October 2011, based on the 2010 Investigation of Experience, 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.

In December 2013, Milliman released the 2013 Investigation of Experience for Retirement Benefit Assumptions (the "2013 Investigation of Experience"), The 2013 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2013 Actuarial Valuation (the "2013 Actuarial Valuation"). The key changes to the actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return from 7.5% to 7.25%; reductions in the assumed rates for wage growth and price inflation from 3.75% and 3.25% to 3.5% and 3.0%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2013, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions to be used in the 2013 Actuarial Valuation, with the exception of the assumed rate of return, which remained unchanged at 7.5%.

UAAL and Deferred Investment Returns

For the June 30, 2012 Actuarial Valuation (the "2012 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 0.3%, which corresponds to a \$1.145 billion or 2.9% decrease in the market value of assets from June 30, 2011. The market rate of return in Fiscal Year 2011-12 was significantly lower than the 7.60% assumed rate of return. As a result of the five-year smoothing process for prior year gains and losses in market value, the actuarial value of Retirement Fund assets decreased by \$154 million or .4% from \$39.194 billion to \$39.039 billion as of June 30, 2012. The 2012 Actuarial Valuation reported that the AAL increased by \$2.211 billion to \$50.809 billion, and the UAAL increased by \$2.365 billion to \$11,770 billion from June 30, 2011 to June 30, 2012.

The decrease in the actuarial value of Retirement Fund assets combined with the increase in actuarial liabilities resulted in a decrease in the Funded Ratio from 80.6% to 76.8% as of June 30, 2012. The 2012 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2013. The County's required contribution rate will increase from 17.54% to 19.82% of covered payroll in Fiscal Year 2013-14. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 7.89% to 10.09%, and an increase in the normal cost contribution rate from 9.65% to 9.73%.

The 2012 Actuarial Valuation does not include \$1.586 billion of net deferred investment losses that will be recognized in future years. 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 73.7% as of June 30, 2012, and the required County contribution rate would be 21.19% for Fiscal Year 2013-14.

For the 2013 Actuarial Valuation, LACERA reported a rate of return on Retirement Fund assets of 12.1%, which corresponds to a \$3.467 billion or 9.1% increase in the market value of assets from June 30, 2012. The market rate of return in Fiscal Year 2012-13 compared favorably to the 7.50% assumed rate of return. As a result of the five-year smoothing process, the actuarial value of Retirement Fund assets increased by \$893 million or 2.3% from \$39.039 billion to \$39.932 billion as of June 30, 2013. The 2013 Actuarial Valuation reported that the AAL increased by \$1.927 billion to \$53.248 billion, and the UAAL

increased by \$1.034 billion to \$13.315 billion from June 30, 2012 to June 30, 2013.

Despite the strong performance of the Retirement Fund relative to the assumed rate of return in Fiscal Year 2012-13, the Funded Ratio decreased from 76.8% to 75.0% as of June 30, 2013. The Funded Ratio has declined steadily since June 30, 2008 after it reached a cyclical high of 94.5%, prior to the economic downturn. The steady decline in the Funded Ratio over the last five years is primarily driven by continuous growth in the AAL and the partial recognition of significant actuarial investment losses from Fiscal Years 2008-09 and 2011-12 (especially Fiscal Year 2008-09), The \$10.428 billion of actuarial investment losses incurred in Fiscal Year 2008-09 have been fully accounted for in the valuation of the Retirement Fund as of June 30, 2013.

The 2013 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2014. The County's required contribution rate will increase from 19.82% to 21.34% of covered payroll in Fiscal Year 2014-15. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 10.09% to 11.90%, and a decrease in the normal cost contribution rate from 9.73% to 9.44%.

The 2013 Actuarial Valuation does not include \$1.401 billion of net deferred investment gains that will be recognized in future years. 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 77.6% as of June 30, 2013, and the required County contribution rate would be 20.09% for Fiscal Year 2014-15.

In Fiscal Year 2013-14, LACERA is reporting a 12.5% return on Retirement Fund assets for the nine-month period ended March 31, 2014, which compares favorably to the actuarial assumed investment rate of return of 7.5%. The asset allocation percentages for the Retirement Fund as of March 31, 2014 were 25.8% domestic equity, 26.7% international equity, 22.4% fixed income, 9.9% real estate, 8.5% private equity, 2.8% commodities, 1.2% hedge funds and 2.6% 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

Since Fiscal Year 1997-98, the County has funded 100% or more of its annual required contribution to LACERA. In Fiscal Years 2011-12 and 2012-13, the County's total contributions to the Retirement Fund were \$1.027 billion and \$1.119 billion, respectively. In Fiscal Year 2013-14, the County's required contribution payments are estimated to increase by \$144 million to \$1.263 billion. In Fiscal Year 2014-15, the County is budgeting \$1.415 billion

To fund retirement contributions to LACERA A summary of actual and projected County pension payments to LACERA for the seven-year period ending June 30, 2015 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") was \$470.71 million as of June 30, 2012. The County Contribution Credit Reserve has never been included in the actuarial valuation of Retirement Fund assets. In Fiscal Year 2012-13, the County transferred \$448.8 million from the County Contribution Credit Reserve to fund the establishment of an OPEB trust. As of June 30, 2013, the remaining balance of the County Contribution Credit Reserve available to fund other retirement program costs was \$21.891 million.

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, 2013, \$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 2013 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 from 21.34% to 21.89% for Fiscal Year 2014-15, and the Funded Ratio would decrease from 75.6% to 73.8% as of June 30, 2013. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately \$[XX] million in Fiscal Year 2014-15.

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 previously issued pension obligation bonds and certificates in 1994 and transferred the proceeds to LACERA to finance its then-existing UAAL. All of the outstanding pension obligation bonds and certificates related to the 1994 financing were repaid in full as of June 30, 2011.

New Pension Accounting Standards

In June 2012, the Governmental Accounting Standards Board ("GASB") issued new statements to replace the existing pension accounting and reporting requirements for defined pension benefit plans such as LACERA, and employers such as the County.

GASB Statement No. 67, Financial Reporting for Pension Plans, replaces the requirements of GASB Statement No. 25 and is focused on pension plan administrators such as LACERA. GASB 67 will be implemented with the issuance of LACERA's Fiscal Year 2013-14 financial statements and will expand the pension-related note disclosures and supplementary information requirements.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, replaces the requirements of GASB Statement No. 27 and is focused on employers that provide defined pension benefits such as the County. GASB 68 will be implemented with the issuance of the County's Fiscal Year 2014-15 financial statements. Although GASB 68 is not expected to materially affect the existing process for calculating the UAAL, it will require the County to recognize a net pension liability directly on the Statement of Net Assets (government-wide balance sheet). The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) held by LACERA to pay pension benefits. The new requirement to recognize a liability in the financial statements represents a significant and material change to the existing standards, which only require disclosure of such amounts in the notes to the financial statements. GASB 68 also includes additional requirements which will expand the existing pension-related note disclosures and supplementary information requirements.

The new GASB pension standards are only applicable to the accounting and reporting for pension benefits in the County's financial statements. Accordingly, there will be no impact on the County's existing statutory obligations and policies to fund the pension benefits.

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 for postemployment benefits 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.

In Fiscal Years 2011-12 and 2012-13, total payments from the County to LACERA for postemployment health care benefits were \$424,406.9 million and \$441.1 million, respectively. In Fiscal Year 2013-14, the County is estimating \$447.9 million in payments to LACERA for retiree health care. For Fiscal Year 2014-15, the County is budgeting \$466.2 million in retiree health care payments to LACERA.

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. GASB 45 does not require the funding of any OPEB liability related to the implementation of this reporting standard.

OPEB Actuarial Valuation

In order to comply with the requirements of GASB 43 and GASB 45, LACERA engaged Milliman to complete actuarial valuations of OPEB liabilities for the LACERA plans. In their OPEB valuations, Milliman has 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 this 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 used in the OPEB valuations are modeled on the assumptions used by LACERA for its pension program. The healthcare cost assumptions are based on discussions with other consultants and actuaries used by the County, LACERA and labor groups. The OPEB valuations have used a 5% discount rate and the Projected Unit Credit actuarial cost method to determine the AAL and the County's annual required contribution to fund this OPEB liability, which is referred to in GASB 45 as the "ARC".

In accordance with the requirements of GASB 43, Milliman completed its third OPEB actuarial valuation as of July 1, 2010 (the "2010 OPEB Valuation"), which was issued in March 2011. In the 2010 OPEB Valuation, Milliman reported an AAL of \$24.03 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 prior 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 used in 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.

In May 2013, Milliman released the OPEB actuarial valuation report ("the 2012 OPEB Valuation") as of July 1, 2012. In the 2012 OPEB Valuation, Milliman reported an AAL of \$26.95 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability is \$25.73 billion, which represents a 12.2% increase from the 2010 OPEB Valuation. The OPEB ARC as of July 1, 2012 is estimated to be \$2.13 billion, which represents approximately 32% of the County's payroll costs and a 9.7% increase from the 2010 OPEB Valuation. The increase in the County's OPEB liability from 2010 to 2012 was the result of several offsetting factors, with the most significant factor being a reduction in the discount rate from 5% to 4.35%.

For the Fiscal Year ended June 30, 2013, the County reported an OPEB ARC of \$2.162 billion, which represents a \$174 million or 8.8% increase from June 30, 2012. The OPEB ARC was partially offset by \$927.5 million in County payment contributions (including the \$448.8 million transfer from the County Contribution Credit Reserve), which resulted in an increase in the net OPEB obligation of \$1.235 billion in Fiscal Year 2012-13. The net OPEB obligation of \$8.154 billion as of June 30, 2013 represents a 17.8% increase from the \$6.919 billion obligation reported as of June 30, 2012. Excluding the transfer from the County Contribution Credit Reserve, the remaining "pay as you go" contribution of \$478.7 million represents approximately 22% of the County's OPEB ARC, which is consistent with the funding level in Fiscal Year 2011-12.

In March 2014, Milliman released the 2013 Investigation of Experience for Other Postemployment Benefits Assumptions for the three-year period ended June 30, 2013 (the "2013 OPEB Investigation of Experience"). The actuarial assumptions derived from the 2013 OPEB Investigation of Experience will provide the basis for the next OPEB actuarial valuation report (the "2014 OPEB Valuation") as of July 1, 2014.

Funding for Other Postemployment Benefits

The County is considering several funding options to reduce its OPEB AAL. In May 2012, the Board of Supervisors approved the establishment of a tax-exempt OPEB trust pursuant to a Trust and Investment Services Agreement (the "OPEB Trust") between LACERA and the County. In accordance with the OPEB Trust, the LACERA Board of Investments will function as the trustee and investment manager, and the Board of Supervisors will have exclusive discretion over the amount of contributions and/or transfers the County may invest or allocate to the OPEB Trust.

Beginning in January 2013, the County transferred \$448.8 million from the County Contribution Credit Reserve to the OPEB Trust Fund over a three-month period ending in March 2013. Although the establishment of the OPEB Trust does not modify the County's retiree benefit programs, the County may consider applying general fund revenues to supplement deposits to the OPEB Trust in the future.

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 new retirees to enroll in

Medicare at age 65; 3) reducing dependent coverage; and 4) reducing the annual County contribution. Furthermore, the County is also considering a requirement that all active employees and new hires enroll in Medicare at age 65. If these cost containment measures were to be implemented by the County, it is estimated that the OPEB liability would be reduced by more than 20% 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.

The County has determined that the liability related to long-term disability benefits is an additional OPEB obligation, which is reported as a component of the OPEB ARC in the CAFR. Following completion of the original OPEB Valuation, the County engaged Buck Consultants to prepare actuarial valuations of the long-term disability portion of its DBP as of July 1, 2009 (the "2009 LTD Valuation") and July 1, 2011 (the "2011 LTD Valuation"). In the 2011 LTD Valuation, the AAL for the County's long-term DBP was \$1.019 billion, which represents a 7.0% increase from the \$951.8 million AAL reported in the 2009 LTD Valuation. In Fiscal Years 2011-12 and 2012-13, the County made total DBP payments of \$36.7 million and \$37.6 million, respectively. In Fiscal Year 2013-14, the County is estimating total DBP payments of \$39.8 million. For Fiscal Year 2014-15, the County is budgeting \$41.9 million for DBP payments. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the County's OPEB obligation. Based on the 2011 LTD Valuation, the June 30, 2013 net OPEB obligation of \$8.153 billion includes \$189 million for long-term disability benefits.

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 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 as preparing patrol cars, preparing reports, working through meal times and other such activities which occurred "off the clock." Taken together, the number of claimants in the collective actions exceeded 3,000, and there is the potential that the number of claimants to the class grievances may include as many as 9,000 public safety personnel. The initial PPOA class action lawsuit settled for a total of \$60,000. In August 2012, a Federal court granted the County's motion with regard to most of the plaintiffs' claims in the two remaining collective actions and granted the County's motion to decertify the collective classes, which resulted in the dismissal of all of the "opt-in" plaintiffs. Following the Federal court's ruling, the plaintiffs in the ALADS case dismissed that case in its entirety, leaving the remaining PPOA case with only three remaining plaintiffs and significantly reducing the County's liability exposure. The County filed a State court action challenging the proposed proceedings involving the class grievances. The State court granted the County's petition for writ of mandate, essentially precluding the cases from proceeding as class grievances. The balance of the State litigation is still in the early stages of the legal process.

Other Litigation

In March, 2008, a lawsuit entitled *Natural Resources Defense Council, Inc., et al. 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 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 watersheds. After the Ninth Circuit denied the Flood Control District's motion for reconsideration, the Flood Control District filed a petition for writ of certiorari with the U.S. Supreme Court. The Supreme Court granted the petition, and issued its opinion on January 8, 2013, reversing the Ninth Circuit ruling. On remand, the plaintiffs have filed a motion requesting the Ninth Circuit to again find the Flood Control District liable for violations in the two watersheds. The Ninth Circuit issued its opinion on August 8, 2013, finding both the County and the Flood Control District liable for violations in the two watersheds, which reversed an earlier ruling in the County and District's favor. After the Ninth Circuit denied the County and Flood Control District's motion for reconsideration, the County and District filed a petition for writ of certiorari with the Supreme Court on January 24, 2014. The petition is still pending. A ruling on the petition is likely to be issued in May, 2014. The cost of the injunctive relief sought has yet to be determined, in the event that such relief is ordered.

In January, 2014, the Board of Supervisors voted to add a Christian cross to the image of the San Gabriel Mission that is depicted on the County seal. The intent of the Board, as reflected in the Board motion to add the cross, was for the depiction of the San Gabriel mission on the County seal to be artistically and historically accurate. In February, 2014, the American Civil Liberties Union, on behalf of a number of plaintiffs, filed an action entitled *Davies v. County of Los Angeles* in federal court, challenging the Board's action. The lawsuit primarily asserts that the Board's action to add a Christian cross

to the County seal violates the Establishment Clause of the United States and California Constitutions by violating the principle separating the church and state. No trial date has been set for this lawsuit.

In 2008, in *Los Angeles Unified School District v. County of Los Angeles, et. al.*, the school district alleged that the Auditor-Controller improperly calculated statutory pass through payments related to the Educational Revenue Augmentation Funds ("ERAF") that were 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 approximately \$17.9 million. On September 7, 2012, LAUSD appealed the trial court's ruling. On June 26, 2013, the Court of Appeal reversed the trial court ruling and sided with LAUSD, stating that the statutory payments due to LAUSD should have included a higher share of the ERAF revenue that was diverted by the Triple Flip and Vehicle License Fee Swap legislation. The California Supreme Court denied the County's petition for review. The Court of Appeal's decision has resulted in higher statutory pass through payments to school districts and lower pass through payments to the County. In response to the Court of Appeal's decision, the County has reserved \$76.7 million for the expected resolution of this lawsuit. Due to changes in the law relating to redevelopment agency dissolution, the potential exposure of the County's General Fund, Library and Flood Control District is \$68.2 million.

In 2008, the City of Alhambra, along with 46 other plaintiff cities, filed a *Petition for Writ of Mandate* against the County alleging that the County and its Auditor-Controller deducted excessive administrative fees from the property tax allocations of the 88 incorporated cities within Los Angeles County. In June 2009, a judgment denying the writ was entered in favor of the County. The plaintiffs filed a notice of appeal in August 2009, and in July 2010, the Court of Appeal reversed the trial court ruling. In October 2010, the County's Petition for Review with the California Supreme Court was granted. In November 2012, the California Supreme Court upheld the appellate court's decision. The case has been remanded to the trial court to resolve outstanding issues regarding the applicable statute of limitations. The County's total liability exposure was estimated at approximately \$40 million. The County settled with the Alhambra plaintiffs and two additional claimants for \$35.4 million. The *Alhambra* case was dismissed on February 28, 2014, concluding the case. Still remaining as a result of the *Alhambra* Supreme Court decision, is the *Agoura Hills v. COLA* lawsuit involving nine cities. In addition, thirty cities have retained counsel or have potential claims for damages seeking return of the excessive administrative fees charged. The County is currently in settlement negotiations with the remaining cities, and has \$17.5 million remaining in reserve to settle the lawsuit. The potential remaining liability for the *Agoura Hills* lawsuit and related claims is between \$22.8 million and \$33.2 million.

On April 8, 2014, a class action lawsuit entitled *Guillory, et al. v. County of Los Angeles* was filed in the Los Angeles Superior Court alleging that the County's administration of its General Relief (GR) program has been contrary to both State and federal law. During a period of 18-months prior to the case filing, the County corrected the alleged deficiencies and negotiated a settlement to resolve liability arising from its past practices. The lawsuit was filed so the court may certify the class, approve the settlement and oversee its administration during the four-year term of the settlement. The settlement includes programmatic

commitments, a settlement fund to be distributed to sub-class members in the amount of \$7.9 million, and a fee award to class counsel in an amount not to exceed \$400,000.

Two lawsuits were filed against the County in 2011 and another in 2013, related to allegations that each of the plaintiffs had been falsely convicted of murder and served over twenty years in prison. The Courts subsequently ordered new trials based on new evidence. In regard to the 2011 lawsuits, one case was retried and the plaintiff was acquitted, and in the other case, the District Attorney has decided not to retry the plaintiff. In regard to the 2013 lawsuit, the District Attorney has not yet decided if the original case will be retried. The potential liability exposure to the County is estimated to be \$15 million for all three lawsuits.

In 2013, Lancaster Hospital Corporation, doing business as Palmdale Regional Medical Center ("PRMC"), filed suit in Los Angeles Superior Court against the State of California, the County of Los Angeles' Community Health Plan, and two other managed care organizations, Care 1st and the LA Care. (*Lancaster Hospital Corporation, dba Palmdale Regional Medical Center v. Douglas, et al.*) PRMC alleges that the amounts paid to it for providing emergency medical care and the subsequent stabilization care to Medi-Cal managed care patients assigned to the various managed care health plans was insufficient. PRMC is seeking damages in excess of \$10 million from all defendants. The County estimates its potential liability for this lawsuit to be significantly lower.

In 2011, the United States Department of Justice ("DOJ") commenced investigations into alleged discriminatory practices by the Los Angeles County Sheriff's Department, the Housing Authority of the County of Los Angeles, and the cities of Lancaster and Palmdale regarding Section 8 participants in the Antelope Valley area of the County. The DOJ found all four public agencies engaged in conduct that was intentionally discriminatory. The DOJ has proposed a consent decree which would impose an injunction prohibiting all agencies from future discrimination, it also includes a requirement that \$12.28 million be deposited into a settlement fund to provide for compensation of an unknown number of affected persons. No litigation has yet been filed.

Los Angeles County, along with nineteen other California counties, has appealed a lower court decision concerning a 1999 statute that makes ancillary outpatient services provided to Medi-Cal eligible individuals between the ages of 21 and 65, who are patients of an Institution for Mental Disease a State-only Medi-Cal responsibility. The County estimates the cost of ancillary outpatient services to be approximately \$16.6 million per year. If the County is not successful on appeal, the State may recoup this annual amount from the County from Fiscal Year 2008-09 to the present.

In February, 2014, a contract provider (Sutherland Health Care Solutions), which provides claim and billing services to the Department of Health Services was the victim of a commercial burglary in which a number of desktop computers were stolen. This resulted in the breach of more than 350,000 individual patient accounts. As a result, four separate class action lawsuits have been filed against the County and Sutherland Health Care Solutions (*A. Doe v. Sutherland Healthcare Solutions, et al., Harasim et al., v. County of Los Angeles, et al., Rogers, et al., v. Sutherland Healthcare Solutions, Inc. et al, and Kamon, et al, v. Sutherland Healthcare Solutions, Inc. et al.*). Because of the size of the potential class, and the statutory damages to which each plaintiff is entitled, the County's potential liability may exceed \$3

billion. However, the litigation is in its initial phase, with many procedural and other issues still to be determined. Furthermore, the contract between the County and Sutherland Health Care Solutions contains indemnification provisions which have yet to be triggered.

payments or otherwise meet its outstanding lease or debt service obligations

In September 2011, a lawsuit entitled City of Cerritos et. al., vs. State of California, et. al. was filed against the State and other defendants, including the County. The lawsuit challenges the constitutionality of the redevelopment dissolution legislation (ABX1 26). On January 27, 2012, the trial court denied the petitioners motion for a preliminary injunction. The petitioners have filed an appeal of the trial court's decision, and as of March 2013, this case has been fully briefed. An oral argument hearing date has not been set. If the petitioners were to prevail, the court could retroactively reinstate redevelopment agencies and require the County to return any residual property tax revenue that it received from the Redevelopment Property Tax Trust Fund. The County estimates the potential liability of this case to be \$674.4 million, which is based on the distribution of the entire property tax residual since the redevelopment agency dissolution in 2011. The probability of the petitioners succeeding on the appeal is low, as all of the cases at the State level challenging the redevelopment agency dissolution have been unsuccessful. A detailed discussion of ABX1 26 and the redevelopment agency dissolution is provided in the Budgetary Information section of this Appendix A.

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

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**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
06/30/2008	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%
06/30/2012	38,306,756	39,039,364	50,809,425	11,770,061	76.83%
06/30/2013	41,773,519	39,932,416	53,247,776	13,315,360	75.00%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2013.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return	Funded Ratio Based on Market Value
2007-08	38,724,671	-1.5%	90.1%
2008-09	30,498,981	-18.3%	66.8%
2009-10	33,433,888	11.6%	69.9%
2010-11	39,452,011	20.4%	79.4%
2011-12	38,306,756	0.3%	73.7%
2012-13	41,773,519	12.1%	77.6%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2013.

**TABLE 3: COUNTY PENSION AND OPEB PAYMENTS
(in thousands)**

Fiscal Year	Pension Payment to LACERA	OPEB Payment to LACERA	Pension Bonds Debt Service	Total Pension & OPEB Payments	Percent Change Year to Year
2008-09	805,300	365,424	320,339	1,491,063	-
2009-10	802,500	384,034	358,165	1,544,699	3.6%
2010-11	898,803	406,937	372,130	1,677,870	8.6%
2011-12	1,026,867	424,030	-	1,450,897	-13.5%
2012-13	1,118,514	441,062	-	1,559,576	7.5%
2013-14	1,263,381	* 447,929	* -	1,711,310	9.7%
2014-15	1,414,762	* 466,166	* -	1,880,928	9.9%

Source: Milliman Actuarial Valuations (of LACERA), Los Angeles County CAFRs and County of Los Angeles Chief Executive Office.

* Estimated

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BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by October 2nd of each year. The CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the State budget, and other projected revenue and expenditure trends. Expanding on this forecast, the CEO prepares a target County budget for the ensuing fiscal year, 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 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 must adopt the Final County Budget by October 2nd.

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 77.8% of the 2014-15 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 9.9% of the 2014-15 Recommended Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, road construction and maintenance programs, and specific automation projects.

Capital Project Special Funds account for approximately 1.4% of the 2014-15 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, which account for approximately 8.2% of the 2014-15 Recommended Budget, 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 2.7% of the 2014-15 Recommended Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A 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 XIII B 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 Fiscal Year 2013-14 is \$19,345,849,874. The 2013-14 Final Adopted Budget included proceeds from taxes of \$7,109,543,000, which is well below the statutory 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 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. Claim processing for the settlement has been completed. All refunds have been issued and all fees and costs have been paid. After these payments were made, approximately \$31 million was transferred to the cy pres fund in addition to an original \$10 million deposit. All cy pres funds, which are required to finance enhanced services within the areas in the County in which the tax was collected, have been earmarked for specific projects that have been approved by the court. Twelve projects have been completed, leaving a remaining balance of approximately \$29.3 million. It is anticipated that the projects will be fully funded between Fiscal Years 2014-15 through 2018-19. In November 2008, the County's utility user tax was approved by the voters in conformity with Proposition 62. The plaintiffs filed a motion alleging that the 2008 election was improperly conducted, which was denied on April 26, 2012. The plaintiffs subsequently appealed the ruling, which was denied by the Court of Appeal on October 2, 2013. Plaintiffs sought a petition for review in the California Supreme Court, which was denied on December 11, 2013. Except for the ongoing implementation of the settlement terms, including the expenditure of the remaining cy pres funds, the case has been fully resolved.

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 was set for a bench trial, which was heard with the *Oronoz* motion on April 26, 2012. The court ruled in favor of the County and issued final judgment. Plaintiffs filed an appeal, which was denied. Plaintiffs petition to the California Supreme Court was also denied. As of December 2013, this case has been completely resolved with no liability to the County.

On March 4, 2011, a new lawsuit, *Rajendra Pershadsingh v. County of Los Angeles*, was filed as a class action and 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 placed the TOT on the June 2012 ballot for ratification, and it was approved by the voters. In November 2012, the Court denied class action status on the grounds that the plaintiff is not a proper class representative. The parties have stipulated to entry of judgment, which was entered by the Court in January 2013. The plaintiff filed an appeal in March 2013. Oral arguments will be heard by the Court in June 2014, and the matter will be decided within 90 days thereafter.

On August 1, 2012, a lawsuit, *Harlan Green v. Dean Logan, Registrar-Recorder*, was filed in Los Angeles Superior Court as an election contest and writ petition challenging the ballot materials that were printed and distributed to the voters for Measure H (the TOT ratification measure), and Measure L, a tax on landfill operators in the County, which were approved by the voters. The complaint alleges that ratification of the prior collection of taxes is unconstitutional and in violation of Propositions 62 and 218. The complaint further alleges that: (1) the impartial analysis prepared by County Counsel failed to inform voters of the effect of a "no" vote, (2) the Board of Supervisors was required to order a fiscal impact statement for the measures if they would increase or decrease the revenues or costs to the County, and (3) the resolutions ordering the elections and the arguments in favor of the two measures resulted in improper advocacy by the County and were misleading to voters. The County filed a demurrer to strike plaintiff's complaint on November 5, 2012. Following a hearing on the case, the Court sustained the County's demurrer on all grounds on December 17, 2012, but allowed the plaintiff 20 days to amend its complaint. The County again demurred to the first amended complaint on February 4, 2013. On March 1, 2013, the Court sustained the County's demurrer without leave to amend and dismissed the action. Plaintiff filed an appeal. All briefs have been filed with the appellate court and resolution is pending. Although the plaintiff is unlikely to prevail, the potential liability to the County for this case is estimated at \$31.4 million.

In *Granados v. County of Los Angeles*, a lawsuit filed in 2006, the class action plaintiff challenged the legality of telephone user tax ("TUT") paid to the County from 2004 through 2008. Pursuant to the County Code, section 4.62.060(a), the County imposes a five percent TUT on amounts paid for telephone services by persons or entities located in unincorporated areas in the County. Excluded from the TUT, however, are amounts paid for telephone services exempt from the tax imposed under the Federal Excise Tax ("FET") (IRC, section 4251), which applies to long distance service charged by time and distance. The plaintiff alleges that most long distance telephone service is charged under a postalized fee structure where the amount of the charge depends only upon the amount of elapsed transmission time and not the distance of the call, and that the FET and the TUT cannot be imposed on such services. In March 2012, the Court of Appeal reversed in part an order of the Superior Court granting the County's demurrer on the basis that this action was barred for failure to file individualized claims. Since that time, this action was on hold pending the outcome of the *Oronoz* litigation. Now that the *Oronoz* case has been settled, *Granados* is expected to resume in the trial court sometime in 2014. The amount of unaddressed liability exposure in *Granados* is estimated at approximately \$5 million.

Proposition 218

Proposition 218, a 1996 ballot initiative that added Articles XIIC and XIID 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, and fees through the initiative process, regardless of the date such charges were imposed. SB 919, the Proposition Omnibus Implementation Act, was enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions to comply with Proposition 218. SB 919 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 XIIC or SB 919, and the scope of the initiative power under Article XIIC 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 Vehicle License Fee ("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 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, \$4.236 billion of the \$20.271 billion 2014-15 Recommended General County Budget is received from the Federal government and \$5.402 billion is funded by the State. The remaining \$10.632 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 48% 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

Deep partisan divisions in Washington, D.C. have contributed to Congressional gridlock on Federal budget matters, which has made it difficult to enact annual appropriations bills needed to fund Federal programs and operations. As a result of the

contentious political environment, it is highly unlikely that Federal legislation will be enacted that would significantly reduce mandatory (entitlement) programs, such as Medicaid, Temporary Assistance for Needy Families, Title IV-E Foster Care and Adoption Assistance, Child Support Enforcement, and the Supplemental Nutrition Assistance Program, through which the County receives the vast majority of its Federal revenue. However, the County's Medicaid revenue is expected to grow significantly due to the expansion of Medicaid under the Affordable Care Act.

The County currently receives its Title IV-E Foster Care revenue through a Federal waiver, which expires on June 30, 2014. Under this waiver, which provides the County with greater flexibility over the use of Federal funds, the County receives annual capped allocations which grow at a rate of 2 percent per year. The State of California is currently negotiating with the Federal government to secure an extension of the waiver. The primary issues in the negotiations over the waiver extension are related to the financial terms and conditions that will determine how much waiver funding is provided by the Federal government in future years. The extension of the waiver is especially important to the County, since under current State law, counties are responsible for financing all non-federal child welfare costs.

In December 2013, Congress enacted the Bipartisan Budget Act, which increased the overall discretionary spending cap to \$1.012 trillion in FFY 2014 and \$1.014 trillion in FFY 2015 from the post-sequester FFY 2013 level of \$986 billion. Although the County does not receive a significant amount of revenue from Federal discretionary programs, the funding for such programs administered by the County is expected to be more stable and reliable compared to recent years.

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 most recent economic downturn starting in 2008. The State's budgetary decisions in response to the economic environment will continue to have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

In Fiscal Year 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.

On June 27, 2013, Governor Brown signed into law AB 85, which provides a mechanism for the State to redirect State health care realignment funding to fund social service programs. With California electing to implement a state-run Medicaid expansion pursuant to the Affordable Care Act, the State anticipates that the cost to counties for providing health care services to the indigent population will decrease as this population becomes eligible for coverage through Medi-Cal or the State-run health insurance exchange. The impact of this legislation to the County is discussed in further detail in the Health Services Budget section

Public Safety Realignment

The approval of the Public Safety Realignment Act of 2011 (AB109) transferred responsibility for the custody and supervision of specific low-level inmates and parolees from the California Department of Corrections and Rehabilitation (CDCR) to counties. Funding for AB109 is financed by redirecting 1.0625% of State sales tax and a portion of Vehicle License Fee revenues from the State to the counties. In November 2012, California voters passed Proposition 30, which created a constitutional amendment prohibiting the Legislature from reducing or removing AB109 funding.

The Governor's 2014-15 Budget estimates AB109 funding at \$1.1 billion. Based on the current 31.77% share of the AB109 funding allocation, the County would expect to receive approximately \$349.5 million in Fiscal Year 2014-15. The current distribution of AB109 funds is based on a short-term agreement between the State and the counties that can be adjusted in the future to more effectively align AB109 funding with the cost of housing inmates transferred to the counties. A more permanent solution to the AB109 funding allocation is expected in Fiscal Year 2014-15.

Redevelopment Agencies

The 2011-12 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") prohibited redevelopment agencies from engaging in new business and provided for their wind down and dissolution. ABx1 27 (the "Alternative Redevelopment Program") would have 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, redevelopment agencies dissolved under the Redevelopment Dissolution Act on February 1, 2012 will not have an opportunity to continue their existence under the Alternative Redevelopment Program.

ABx1 26 requires successor agencies to take over from the former redevelopment agencies and perform the following functions:

- Continue making payments on existing legal obligations without incurring 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 the appropriate local taxing entities.

Under ABx1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes", are to be distributed as property tax revenue to the appropriate local taxing entities, including the County. Oversight Boards have been established for each of the 70 successor agencies and one designated local authority (the City of Los Angeles) within the County. The Oversight Boards are required to evaluate and approve the successor agencies' remaining enforceable legal obligations. The Auditor-Controller is also responsible for conducting an initial audit and disbursing future tax increments in accordance with provisions of ABX1 26 and applicable amendments. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County General Fund was approximately \$453.0 million in Fiscal Year 2009-10.

On June 1, 2012, the Auditor-Controller distributed property tax revenues in accordance with ABx1 26. The County's General Fund received \$37.5 million of residual property tax revenue. On June 27, 2012, AB 1484 was enacted as part of a trailer bill package in conjunction with the 2012-13 State Budget. Provisions of AB 1484 required the Auditor-Controller to identify the 2011-12 property tax revenues that were distributed to each agency prior to the February 1, 2012 dissolution date. This amount was to be compared with approved enforceable obligations for the period from January 1, 2012 to June 30, 2012. If revenues exceeded the obligations, the Auditor-Controller was required by AB 1484 to issue a demand letter to each successor agency, seeking the return of such excess revenues.

On July 9, 2012, the Auditor-Controller issued demand notices to 42 successor agencies, requesting the return of \$121.4 million of excess revenues. Successor agencies were required to make payment no later than July 12, 2012. On July 16, 2012, the Auditor-Controller distributed \$111.4 million of excess revenues recovered as a result of the demand notices, including the County General Fund's share of \$50.7 million, which was accrued as revenue attributable to Fiscal Year 2011-12.

Despite the receipt of residual property tax revenue in Fiscal Year 2011-12, the County's 2012-13 Final Adopted Budget did not include any residual tax revenue from the dissolution of the redevelopment agencies. The estimated amount of such revenues in Fiscal Year 2012-13 was uncertain due to fluctuation in the amounts of enforceable obligations and the potential for disputes between successor agencies and the California Department of Finance, which has the authority to determine the validity of such obligations. AB 1484 contains provisions intended to identify excess assets held by successor agencies and to cause the return of any assets which were improperly transferred from the redevelopment agencies or their successor agencies. Any excess assets, if identified and recovered, would be distributed by the Auditor-Controller as residual tax revenue to local agencies. The estimated amounts of

such assets and the timing of their distribution cannot be determined at this time.

In Fiscal Year 2012-13, the County received the following revenue distributions in accordance with the provisions of ABx1 26 and AB 1484:

- Prior Period Residual Adjustments - \$25.8 million
- January 2013 Residual - \$75.0 million
- Low-to-Moderate Income Housing Funds - \$78.8 million
- Non-Housing Unencumbered Funds - \$56.7 million

In Fiscal Year 2013-14, the County's Final Adopted Budget included \$60.0 million for Residual Property Tax revenue. As of April 2014, the County has received the following revenue distributions in accordance with the provisions of ABx1 26 and AB 1484:

- Prior Period Residual Adjustments - \$5.1 million
- Residual - \$53.1 million
- Low-to-Moderate Income Housing Funds - \$1.3 million
- Non-Housing Unencumbered Funds - \$32.5 million
- Sale of Fixed Assets and Reserves - \$1.4 million

In addition, the County and all of the taxing entities are expected to receive a residual payment and other revenue disbursements in June 2014, which may include additional prior period residual adjustments.

The County's direct involvement in redevelopment activities was limited to unincorporated areas of the County and to a small number of projects. The successor agency for these activities is the County's Community Development Commission. The dissolution of County related projects is not expected to have a material impact, if any, to the financial condition of the County.

2014-15 STATE BUDGET

On January 10, 2014, the Governor released his Fiscal Year 2014-15 Proposed State Budget (the "Proposed State Budget"). The Proposed State Budget projects a beginning fund balance surplus from Fiscal Year 2013-14 of \$4.212 billion, total revenues and transfers of \$104.503 billion, total expenditures of \$106.793 billion, and year-end surplus of \$1.922 billion for Fiscal Year 2014-15. Of the projected year-end surplus, \$955 million will be allocated to the Reserve for Liquidation of Encumbrances and \$967 million deposited to the Special Fund for Economic Uncertainties. The Proposed State Budget also calls for a \$1.951 billion deposit into the State's Budget Stabilization Account (Rainy Day Fund), which would be the first such deposit since Fiscal Year 2006-07. The Proposed State Budget also includes a proposal for a constitutional amendment to strengthen the Rainy Day Fund, which would put the State in a more fiscally sound position to pay its longer term liabilities and to address any future revenue shortfalls.

As a result of the recent economic downturn 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

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 replacing 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 value in August 2007 (\$562,346) to a low in January 2012 (\$290,015), but the net revenue-producing value of the property tax roll (the "Net Local Roll") decreased by only 0.5% and 1.9% in Fiscal Year 2009-10 and 2010-11, respectively. Assessed valuation returned to growth in Fiscal Years 2011-12, 2012-13 and 2013-14, with increases of 1.4%, 2.2% and 4.7% in the Net Local Roll, respectively. For the Fiscal Year 2013-14 tax roll, the County Assessor estimates that approximately 13.1% of all single-family residential parcels, 13.5% of all residential income parcels and 16.3% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and re-assessed at higher values.

In Fiscal Year 2013-14, the Assessor reported a Net Local Roll of \$1.130 trillion, which represents an increase of 4.66% or \$50.309 billion from Fiscal Year 2012-13. The 2013-14 Net Local Roll represents the largest revenue-producing valuation in the history of the County. The largest factors contributing to the projected increase in assessed valuation in Fiscal Year 2013-14 are transfers in ownership (\$20.284 billion), the restoration of parcels that previous had a decline in value (\$10.378 billion), new construction (\$2.950 billion), an increase in the consumer price index (\$17.234 billion).

Starting in Fiscal Year 2007-08, with the downturn in the real estate market, the County Assessor initiated Proposition 8 reviews of 768,000 parcels. As a result of the Assessor's proactive approach to Proposition 8 reviews, the valuations of 550,000 parcels sold during the height of the real estate market were adjusted downward to reflect current market values, which could help insulate the County from future reductions in the Net Local Roll if these properties were re-sold at lower market values. With the recent improvement in the residential real estate market, the Assessor is currently reviewing 345,000 parcels to determine the extent to which these parcels can be restored to Proposition 13 values.

The growth in assessed valuation is expected to continue in Fiscal Year 2014-15, as the Assessor's final forecast in February 2014 is projecting a 4.06% increase in the Net Local Roll to a new record valuation. The Assessor's 2014 Annual Report is expected to be released in August 2014.

As a result of the recent economic downturn, the County experienced a "cyclical" budget deficit, as revenues declined and spending on safety net programs and pension-related costs increased. The economic downturn has had a significant impact on the Net County Cost (NCC) budget gap, which reached a peak of \$491.6 million in Fiscal Year 2010-11. 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. To control costs, the County has 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 the economic downturn, the County's employee labor groups agreed to zero cost-of-living adjustments (COLAs) and no salary increases. 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 measured approach to managing budgetary challenges, including the use of one-time funding sources, has enabled the County to more strategically achieve balanced budgets, and maintain critical core services.

2013-14 FINAL ADOPTED BUDGET

The 2013-14 Final Adopted Budget, which was approved by the Board of Supervisors on October 8, 2013, appropriated \$26.7 billion, representing a 4.6% decrease from the prior fiscal year. For General County purposes (General Fund and Hospital Enterprise Fund), the 2014-15 Final Adopted Budget appropriates \$20.0 billion, which represents a 3.6% increase from the 2012-13 Final Adopted Budget. The 2013-14 Final Adopted Budget includes funding for 103,678 positions, which reflects a net increase of 624 budgeted positions from Fiscal Year 2012-13.

The primary changes to the NCC portion of the 2013-14 Final Adopted Budget are outlined in the following table.

Fiscal Year 2013-14 NCC Budget Changes

2012-13 One-Time Budget Solutions	\$ 103,639,000
Unavoidable Cost Increases	
Health Insurance Subsidy	32,161,000
Pension Costs	47,757,000
Employee Salary Increases	65,493,000
General Relief Increases	15,000,000
Various	1,778,000
Net Program Changes	119,894,000
Revenue Changes	
Property Taxes	(215,710,000)
Property Taxes - CRA Dissolution Residual	(40,000,000)
Realignment Sales Tax	(49,626,000)
Public Safety Sales Tax	(46,415,000)
Property Tax Admin Fee	15,852,000
Interest Earnings	11,100,000
Various Revenue Changes	(9,769,000)
Ongoing Funding Used for One-Time Needs in 2012-13	(42,356,000)
Fund Balance	(8,798,000)
Total Projected Budget Gap	\$ -

Expiration of Prior Year One-Time Budget Solutions

The County has previously utilized one-time funding solutions to help balance the budget. The impact on the 2013-14 Recommended Budget from the expiration of one-time funding solutions utilized in Fiscal Year 2012-13 is projected to be a negative \$103.639 million.

Unavoidable Cost Increases

The primary components of the unavoidable cost increases are higher expenditures related employee salaries, pension funding requirements and employee health insurance. The increase in the County's pension funding requirements are primarily due to the net actuarial investment losses sustained by LACERA in Fiscal Year 2008-09 and reduction in the assumed investment rates of return, which are described in detail in the Information Statement section of this Appendix A. The increase in the cost of employee salaries is directly related to the new labor agreements with the County's collective bargaining units, which is also described in detail in the Information Statement section of this Appendix A.

Revenue Increases

As the local economy continues to improve, the County is projecting increases in a variety of locally generated revenues and statewide sales tax revenues. For the third consecutive year, the Assessor reported an increase in assessed valuation, which is projected to generate \$215.710 million of additional property tax revenue in Fiscal Year 2013-14. In addition, the County is projecting to receive \$40.0 million of additional revenue from the property tax residual related to the redevelopment agency dissolution.

The County continues to see year-over-year growth in both Proposition 172 Sales Tax and Realignment Sales Tax, which is projected to provide \$96.041 million of additional revenue in Fiscal Year 2013-14.

2014-15 RECOMMENDED BUDGET

The 2014-15 Recommended Budget, which was approved on April 15, 2014, sets the total budget at \$26.054 billion, which

reflects a decrease of \$45 million in total requirements from Fiscal Year 2013-14. General County funds, including the General Fund and Hospital Enterprise Funds (\$20.271 billion) reflect a net increase of \$262 million, with Special District/Special Funds reflecting a decrease of \$307 million from Fiscal Year 2013-14. As the County begins the first stage of its annual budget process, the slow pace of the economic recovery, coupled with unavoidable cost increases and the need to fund critical programs, will continue to present budgetary challenges. Although the economy is showing signs of recovery, the County's principle concern is whether the recovery is sustainable. Accordingly, the County's focus for the 2014-15 Recommended Budget is stabilization and prudent growth.

The primary changes to the NCC component of the 2014-15 Recommended Budget are outlined in the following table.

Fiscal Year 2014-15 NCC Budget Changes

2013-14 One-Time Budget Solutions	\$ 8,798,000
Unavoidable Cost Increases	
Health Insurance Subsidy	30,474,000
Pension Costs	79,172,000
Employee Salary Increases	82,156,000
Deferred Compensation Cap Increase	8,100,000
Various Cost Increases	8,628,000
Program Changes	
Sheriff Jail Violence Recommendations	36,475,000
Sheriff Restore Curtailments	18,000,000
Mental Health Inpatient Beds - COLA	6,321,000
Psychiatric Emergency Services	5,438,000
Various Assistance Cost Increases	4,877,000
All Other Program Changes	21,485,000
Revenue Changes	
Property Taxes	(184,899,000)
Property Taxes - CRA Dissolution Residual	(40,000,000)
Realignment Sales Tax	(25,471,000)
Public Safety Sales Tax	(26,913,000)
Registrar-Recorder Revenue Shortfall	13,181,000
Various Revenue Changes	(10,300,000)
Fund Balance	(35,522,000)
Total Projected Budget Gap	\$ -

Unavoidable Cost Increases

The primary drivers of unavoidable cost increases are directly related to salaries and employee benefits. For the first time since August 2008 for safety employees, and January 2009 for the remaining employees, the County approved salary increases. Over the previous five-year period, employee labor groups actively partnered with the County by agreeing to zero salary increases, which played a critical role in enabling the County to emerge from the economic downturn in a stable financial condition. The Board of Supervisors has approved 6% salary increases with nearly all of its collective bargaining units, which are reflected in the higher expenditures for employee salaries in the 2013-14 Final Adopted Budget, and the 2014-15 Recommended Budget. In addition to employee salaries, The County is also experiencing significant cost increases for employee health insurance premiums.

The increase in the County's retirement contribution rates is primarily due to the actuarial investment losses sustained by LACERA in Fiscal Year 2008-09, and the reductions in the

assumed investment rates of return. The impact of the actuarial investment losses sustained in Fiscal Year 2008-09 will be fully recognized and accounted for by the end of Fiscal Year 2014-15. As a result, the County anticipates that annual expenditures for retirement costs will be more stable in the future.

Program Changes

Outlined below are some of the significant program changes that are financed with locally generated revenues.

- **Citizen's Commission on Jail Violence (CCJV)** – Provides the second year of funding (\$36.5 million) to implement the CCJV recommendations. This appropriation, coupled with funding provided in Fiscal Year 2013-14, brings the total ongoing funding amount for the CCJV implementation to \$56.5 million.
- **Cadre of Administrative Reserve Personnel (CARP)** – Eliminates the CARP program by providing \$18.0 million to the Sheriff's Department for the second year of a two-year funding plan.
- **In-Home Supportive Services (IHSS) Program** – Increases funding for the IHSS program by \$12.8 million based upon State law that requires counties to provide a 3.5 percent inflation increase to the counties maintenance of effort base amount.
- **Inpatient Bed Cost Increases** – Reflects a \$6.3 million increase for the Department of Mental Health (DMH) as a result of a cost-of-living adjustments (COLA) for both State hospital beds (6 percent COLA) and Institutions for Mental Diseases (IMD) beds (4.7 percent COLA). DMH contracts for these beds from private providers and the State, which provides critical care for individuals who mental health services, and helps to alleviate overcrowding of emergency rooms and hospital inpatient beds throughout the County.

Revenue Increases

As a result of improving economic conditions, the County's primary revenue sources are expected to show continued growth in Fiscal Year 2014-15.

The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. In the preliminary forecast for Fiscal Year 2014-15, the Assessor is projecting a 4.06% increase in assessed valuation. The projected increase in assessed valuation reflects the continuing recovery of the residential housing market, but is somewhat constrained by the recent period of low inflation. The Assessor is expected to release the 2014-15 tax roll by August 2014. The projected growth in assessed valuation corresponds to a \$184.9 million increase in property tax revenue in the 2014-15 Recommended Budget. In addition to the projected growth in property tax revenue, the County has included an ongoing \$40.0 million revenue increase from the property tax residual in Fiscal Year 2014-15 as a result of the rating agency dissolution.

Based on current trends, and a survey of local economic forecasts, the County has assumed a 4.0% growth factor in its overall sales tax projection for the 2014-15 Recommended

Budget. Based on the 4% growth rate, the County is projecting a \$52.4 million in Proposition 172 Sales Tax and Realignment Sales Tax in Fiscal Year 2014-15.

The increase in property tax and sales tax revenue is partially offset by a \$13.2 million reduction in recording fee revenue, as the Registrar-Recorder/County Clerk is experiencing a significant drop in a variety of recording filings.

HEALTH SERVICES BUDGET

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals: LAC+USC Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center. Two of the hospitals, LAC+USC Medical Center and Harbor-UCLA Medical Center, operate trauma centers and emergency rooms; Olive View-UCLA Medical Center provides emergency room services; and Rancho Los Amigos National Rehabilitation Center operates as 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 1,000 physician residents annually.

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. DHS currently projects a budgetary surplus of \$11.5 million for 2013-14 and a balanced budget for 2014-15.

The improvement in the DHS fiscal outlook from prior years is largely due to the approval by the Centers for Medicare and Medicaid Services ("CMS") of a five-year Section 1115 Hospital Financing Waiver (the "Waiver") for public hospitals in California, which became effective November 1, 2010. The Waiver provides funding to partially finance uncompensated care and also 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 has been 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.

In FY 2013-14, DHS expects to recognize \$477.7 million in DSRIP revenue with a related intergovernmental transfer of \$238.8 million. A mandated semi-annual report was submitted to the State in March 2014 for which DHS expects to receive a DSRIP payment in April 2014. The next semi-annual report is due to the State in September 2014. DHS expects to achieve most of the required performance goals, with the corresponding revenue expected to be received in late 2014.

In addition, the Waiver permits the federal government to waive certain Medicaid (referred to as Medi-Cal in California) statutory requirements and allows California to receive Federal matching funds for Medi-Cal 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 Waiver's Medi-Cal Coverage Expansion ("MCE") program, known as Healthy Way LA ("HWLA") in Los Angeles County, provided for early enrollment, prior to January 2014, for many uninsured DHS patients, thereby improving DHS' payer mix and providing additional revenue. As of December 31, 2013, there were over 300,000 patients enrolled in HWLA. On January 1, 2014, the Patient Protection and Affordable Care Act (ACA) became effective and HWLA enrollees were automatically transitioned to coverage under the ACA's MCE program. The MCE program provides Medi-Cal coverage for citizens or legal residents, and uninsured adults (ages 19-64) with incomes at or below 138% of the Federal poverty level. The MCE program is expected to significantly improve DHS' payer mix as previously uninsured patients transition to Medi-Cal coverage. The County has included \$223.2 million of additional revenue related to the ACA in the 2014-15 Recommended Budget.

Based on the implementation of the ACA and the expected reduction in the numbers of uninsured patients, the State proposed a restructuring of its relationship to the counties in terms of its funding of health care and human services programs that has been in place since the 1991-92 Realignment Program. Negotiations between the State and the counties regarding the State's proposed reductions in 1991-92 Realignment Program funding occurred and ultimately resulted in the enactment of AB 85 (amended by SB 98). This legislation details the methodology that will be used to determine the amount of realignment that will be "redirected" from the Realignment Health Subaccount to the Family Support Subaccount. The County was able to negotiate its own agreement with the State and a formula that is different than the rest of the counties. The County's unique formula takes into account the entire Department of Health Services and includes cost caps, revenue requirements, specific sharing ratios, and a County maintenance of effort. A mathematical formula will be used to determine whether there are "excess" funds available for "redirection" of realignment back to the State. The amount of realignment redirection will be reconciled to the formula two years after the close of Fiscal Year 2013-14. If there are "excess" funds resulting from the formula calculation, the sharing ratio for FY 2013-14 is 70% State and 30% County. For FY 2014-15 and forward, the sharing ratio is 80% State and 20% County. The 2013-14 Final Adopted Budget included an \$88.6 million reduction in State funding from the 1991-92 Realignment Program. This number will be reconciled to actual results two years after the close of Fiscal Year 2014-15. DHS is currently working with the State to determine the amount of the realignment reduction for Fiscal Year 2014-15.

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 \$10.0 million.

The Federal and State governments are the primary sources of revenue for the Hospital Funds. The County Hospital Funds typically receive cash reimbursement several months after the County has delivered and paid for services. As of June 30, 2013, the balance of General Fund cash advances to the Hospital Funds was approximately \$739.0 million. DHS expects this amount to increase as a result of two key factors that are occurring simultaneously; the reduction in realignment funding, and the substantial increase in the amount of services that have to be claimed on a patient-specific basis instead of through the realignment block grant, which has resulted in delays to cash receipts caused by a significant increase in pending Medi-Cal accounts and increased overall billing volume. Once the initial surge of new Medi-Cal applications is processed, DHS' cash receipts are expected return to a more timely and predictable pattern.

Another factor to note is the State's implementation of the ACA's Hospital Presumptive Eligibility ("HPE") program, which is a simplified, streamlined Medi-Cal application process that determines eligibility quickly and provides immediate, temporary Medi-Cal coverage to eligible patients. Because of the simplified nature of the HPE process, once it is fully operational, payments to DHS are expected to occur at a much faster pace and produce significant increases in DHS' cash flow.

In addition to the funding sources 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 Fiscal Year 2009-10. The State has 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. As of June 30, 2013, the overall receivable balance was \$195.9 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. Hospital

The County-operated Martin Luther King, Jr. Hospital (the "MLK Hospital") was closed in 2007 and converted to a Multi-Service Ambulatory Care Center. Since then, the County and the University of California (the "UC") established an independent, non-profit 501(c)(3) entity to operate a new hospital at the previous MLK Hospital site. A seven-member MLK Hospital Board of Directors was appointed by the County and the UC in August 2010 to oversee the new 501(c)(3) private, non-profit MLK Hospital. The new MLK Hospital will serve as a safety-net community hospital providing services to a high volume of Medi-Cal and uninsured patients from the surrounding community. Construction of the new MLK Hospital facility achieved substantial completion in October 2013. The new hospital is expected to open in mid- 2015.

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 \$100.0 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 are unknown at this time.

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, the annual TSRs are subject to numerous adjustments, offsets and recalculation. In April 2014, the County received \$64.1 million in TSRs from the participating manufacturers, and an additional \$22.4 million from the escrow account created to hold disputed payments related to Non-Participating Manufacturer (NPM) adjustments under the MSA. A settlement was reached in March 2013 with certain MSA participants (including California) to resolve the status of the disputed payments from 2003 to 2012, which also includes a new method for calculating future NPM adjustments. Both payments to the County are net of the 25.9% of TSRs pledged for the repayment of the Tobacco Bonds, which have been deposited with a trustee for the payment of debt service on the Tobacco Bonds.

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 unused amounts have been set aside as obligated fund balance Committed for Health Services-Tobacco Settlement. As of June 30, 2013, the County has received approximately \$1.471 billion in TSRs and accrued interest, with approximately \$1.379 billion of the collected proceeds disbursed, and \$92.7 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

BUDGET TABLES

The 2014-15 Recommended Budget is supported by \$4.382 billion in property taxes, \$4.236 billion in federal funding, \$5.402 billion in State funding, \$0.053 billion in cancelled obligated fund balance, \$1.202 billion in fund balance and \$4.996 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 2014-15 Recommended Budget with the 2014-15 Recommended Budget.

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

Fund	Final 2010-11	Final 2011-12	Final 2012-13	Final 2013-14	Recommended 2014-15
General Fund	\$ 16,380,905	\$ 16,229,826	\$ 16,750,817	\$ 17,206,258	\$ 17,214,652
Hospital Enterprise Fund	2,127,184	2,268,712	2,592,117	2,803,170	3,055,965
Total General County Budget	\$ 18,508,089	\$ 18,498,538	\$ 19,342,934	\$ 20,009,428	\$ 20,270,617

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

	Final 2010-11	Final 2011-12	Final 2012-13	Final 2013-14	Recommended 2014-15
Requirements					
Social Services	\$ 5,707,144	\$ 5,539,798	\$ 5,572,820	\$ 5,846,911	\$ 6,022,132
Health	5,424,321	5,600,822	5,952,459	6,208,232	6,301,956
Justice	4,745,700	4,697,762	4,985,441	5,146,062	5,322,723
Other	2,630,924	2,660,156	2,832,214	2,808,223	2,623,806
Total	\$ 18,508,089	\$ 18,498,538	\$ 19,342,934	\$ 20,009,428	\$ 20,270,617
Revenue Sources					
Property Taxes	\$ 3,676,161	\$ 3,750,746	\$ 3,814,906	\$ 4,177,683	\$ 4,381,993
State Assistance	4,528,710	4,670,351	5,168,427	5,024,219	5,402,240
Federal Assistance	4,868,199	4,712,400	5,008,928	4,342,123	4,235,928
Other	5,435,019	5,365,041	5,350,673	6,465,403	6,250,456
Total	\$ 18,508,089	\$ 18,498,538	\$ 19,342,934	\$ 20,009,428	\$ 20,270,617

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

	Final 2010-11	Final 2011-12	Final 2012-13	Final 2013-14	Recommended 2014-15
Financing Requirements					
Salaries & Employee Benefits	\$ 9,004,826	\$ 8,895,017	\$ 9,322,969	\$ 9,671,291	\$ 10,191,861
Services & Supplies	6,530,982	6,706,121	6,869,576	7,138,148	6,903,698
Other Charges	3,503,195	3,621,050	3,734,605	3,901,664	4,008,854
Capital Assets	1,077,873	890,217	1,025,119	982,969	872,884
Other Financing Uses	704,520	640,310	615,357	619,569	317,270
Residual Equity Transfers Out	-	-	-	-	-
Interbudget Transfers ¹	(1,452,816)	(1,419,532)	(1,476,794)	(1,417,786)	(1,110,572)
Gross Appropriation	\$ 19,368,580	\$ 19,333,183	\$ 20,090,832	\$ 20,895,855	\$ 21,183,995
Less: Intrafund Transfers	946,497	975,236	942,276	944,775	960,613
Net Appropriation	\$ 18,422,083	\$ 18,357,947	\$ 19,148,556	\$ 19,951,080	\$ 20,223,382
Provision for Obligated Fund Balance					
General Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned for Rainy Day Funds	-	-	10,000	35,033	-
Committed Fund Balance	86,006	140,591	184,378	23,315	47,235
Total Financing Requirements	\$ 18,508,089	\$ 18,498,538	\$ 19,342,934	\$ 20,009,428	\$ 20,270,617
Available Financing					
Fund Balance	\$ 1,628,644	\$ 1,601,571	\$ 1,565,502	\$ 1,497,581	\$ 1,202,184
Cancel Provision for Obligated Fund Balance	409,097	271,027	208,484	239,852	52,644
Property Taxes: Regular Roll	3,654,517	3,709,801	3,778,085	4,123,069	4,310,800
Supplemental Roll	21,644	40,945	36,821	54,614	71,193
Revenue	12,794,187	12,875,194	13,754,042	14,094,312	14,633,796
Total Available Financing	\$ 18,508,089	\$ 18,498,538	\$ 19,342,934	\$ 20,009,428	\$ 20,270,617

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 \$1.1 billion in 2014-15, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2013-14 TO RECOMMENDED BUDGET 2014-15
Net Appropriation: By Function
(In thousands)

Function	2013-14 Final Budget ⁽¹⁾	2014-15 Recommended Budget ⁽²⁾	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	\$ 917,814.0	\$ 971,309.0	\$ 53,495.0	5.83%
General Services	738,562.0	558,754.0	(179,808.0)	-24.35%
Public Buildings	917,843.0	831,529.0	(86,314.0)	-9.40%
Total General	\$ 2,574,219.0	\$ 2,361,592.0	\$ (212,627.0)	-8.26%
Public Protection				
Justice	\$ 4,839,809.0	\$ 5,010,838.0	\$ 171,029.0	3.53%
Other Public Protection	212,399.0	203,504.0	(8,895.0)	-4.19%
Total Public Protection	\$ 5,052,208.0	\$ 5,214,342.0	\$ 162,134.0	3.21%
Health and Sanitation	6,180,079.0	6,301,803.0	121,724.0	1.97%
Public Assistance	5,778,005.0	5,982,657.0	204,652.0	3.54%
Recreation and Cultural Services	299,659.0	295,294.0	(4,365.0)	-1.46%
Insurance and Loss Reserve	66,910.0	67,694.0	784.0	1.17%
Provision for Obligated Fund Balance	58,348.0	47,235.0	(11,113.0)	-19.05%
Total Requirements	\$ 20,009,428.0	\$ 20,270,617.0	\$ 261,189.0	1.31%
AVAILABLE FUNDS				
Property Taxes	\$ 4,177,683.0	\$ 4,381,993.0	\$ 204,310.0	4.89%
Fund Balance	1,497,581.0	1,202,184.0	(295,397.0)	-19.72%
Cancelled Prior-Year Reserves	239,852.0	52,644.0	(187,208.0)	-78.05%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	\$ 326,663.0	\$ 326,663.0	\$ -	0.00%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	770,941.0	1,069,559.0	298,618.0	38.73%
Other Public Assistance	1,585,028.0	1,654,697.0	69,669.0	4.40%
Public Protection	1,180,886.0	1,214,650.0	33,764.0	2.86%
Health and Mental Health	945,854.0	963,662.0	17,808.0	1.88%
Capital Projects	134,930.0	131,718.0	(3,212.0)	-2.38%
Other State Revenues	59,417.0	20,791.0	(38,626.0)	-65.01%
Total State Revenues	\$ 5,024,219.0	\$ 5,402,240.0	\$ 378,021.0	7.52%
Federal Revenues				
Public Assistance Subventions	\$ 2,484,305.0	\$ 2,379,456.0	\$ (104,849.0)	-4.22%
Other Public Assistance	234,518.0	225,797.0	(8,721.0)	-3.72%
Public Protection	222,740.0	222,473.0	(267.0)	-0.12%
Health and Mental Health	1,347,470.0	1,362,307.0	14,837.0	1.10%
Capital Projects	6,786.0	1,779.0	(5,007.0)	-73.78%
Other Federal Revenues	46,304.0	44,116.0	(2,188.0)	-4.73%
Total Federal Revenues	\$ 4,342,123.0	\$ 4,235,928.0	\$ (106,195.0)	-2.45%
Other Governmental Agencies	57,195.0	57,006.0	(189.0)	-0.33%
Total Intergovernmental Revenues	\$ 9,423,537.0	\$ 9,695,174.0	\$ 271,637.0	
Fines, Forfeitures and Penalties	214,092.0	216,156.0	2,064.0	0.96%
Licenses, Permits and Franchises	43,740.0	48,258.0	4,518.0	10.33%
Charges for Services	3,131,670.0	3,693,013.0	561,343.0	17.92%
Other Taxes	193,457.0	204,346.0	10,889.0	5.63%
Use of Money and Property	126,061.0	127,151.0	1,090.0	0.86%
Miscellaneous Revenues	517,922.0	384,473.0	(133,449.0)	-25.77%
Operating Contribution from General Fund	443,833.0	265,225.0	(178,608.0)	-40.24%
Total Available Funds	\$ 20,009,428.0	\$ 20,270,617.0	\$ 261,189.0	1.31%

(1) Reflects the 2013-14 Final Adopted General County Budget approved by the Board of Supervisors on October 8, 2013

(2) Reflects the 2014-15 Recommended General County Budget approved by the Board of Supervisors on April 14, 2014

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2013-14 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	\$ 917,814.0	\$ -	\$ 917,814.0
General Services	738,562.0	-	738,562.0
Public Buildings	917,843.0	-	917,843.0
Total General	\$ 2,574,219.0	\$ -	\$ 2,574,219.0
Public Protection			
Justice	\$ 4,839,809.0	\$ -	\$ 4,839,809.0
Other Public Protection	212,399.0	-	212,399.0
Total Public Protection	\$ 5,052,208.0	\$ -	\$ 5,052,208.0
Health and Sanitation			
Public Assistance	\$ 3,376,909.0	\$ 2,803,170.0	\$ 6,180,079.0
Recreation and Cultural Services	5,778,005.0	-	5,778,005.0
Insurance and Loss Reserve	299,659.0	-	299,659.0
Provision for Obligated Fund Balance	66,910.0	-	66,910.0
	58,348.0	-	58,348.0
Total Requirements	\$ 17,206,258.0	\$ 2,803,170.0	\$ 20,009,428.0
AVAILABLE FUNDS			
Property Taxes	\$ 4,177,683.0	\$ -	\$ 4,177,683.0
Fund Balance	1,497,581.0	-	1,497,581.0
Cancel Provision for Obligated Fund Balance	115,192.0	124,660.0	239,852.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 326,663.0	\$ -	\$ 326,663.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	770,941.0	-	770,941.0
Other Public Assistance	1,585,028.0	-	1,585,028.0
Public Protection	1,180,886.0	-	1,180,886.0
Health and Mental Health	896,343.0	49,511.0	945,854.0
Capital Projects	134,930.0	-	134,930.0
Other State Revenues	59,417.0	-	59,417.0
Total State Revenues	4,974,708.0	49,511.0	5,024,219.0
Federal Revenues			
Public Assistance Subventions	\$ 2,484,305.0	\$ -	\$ 2,484,305.0
Other Public Assistance	234,518.0	-	234,518.0
Public Protection	222,740.0	-	222,740.0
Health and Mental Health	872,956.0	474,514.0	1,347,470.0
Capital Projects	6,786.0	-	6,786.0
Other Federal Revenues	46,304.0	-	46,304.0
Total Federal Revenues	\$ 3,867,609.0	\$ 474,514.0	\$ 4,342,123.0
Other Governmental Agencies	57,195.0	-	57,195.0
Total Intergovernmental Revenues	\$ 8,899,512.0	\$ 524,025.0	\$ 9,423,537.0
Fines, Forfeitures and Penalties	214,088.0	4.0	214,092.0
Licenses, Permits and Franchises	43,614.0	126.0	43,740.0
Charges for Services	1,760,398.0	1,371,272.0	3,131,670.0
Other Taxes	193,457.0	-	193,457.0
Use of Money and Property	125,888.0	173.0	126,061.0
Miscellaneous Revenues	178,845.0	339,077.0	517,922.0
Operating Contribution from General Fund	-	443,833.0	443,833.0
Total Available Funds	\$ 17,206,258.0	\$ 2,803,170.0	\$ 20,009,428.0

(1) Reflects the 2013-14 Final Adopted General County Budget approved by the Board of Supervisors on October 8, 2013

COUNTY OF LOS ANGELES
RECOMMENDED BUDGET 2014-15 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

<u>Function</u>	<u>General Fund</u>	<u>Hospital Enterprise Fund</u>	<u>Total General County</u>
REQUIREMENTS			
General			
General Government	\$ 971,309.0	\$ -	\$ 971,309.0
General Services	558,754.0	-	558,754.0
Public Buildings	831,529.0	-	831,529.0
Total General	\$ 2,361,592.0	\$ -	\$ 2,361,592.0
Public Protection			
Justice	\$ 5,010,838.0	\$ -	\$ 5,010,838.0
Other Public Protection	203,504.0	-	203,504.0
Total Public Protection	\$ 5,214,342.0	\$ -	\$ 5,214,342.0
Health and Sanitation			
Public Assistance	\$ 3,245,838.0	\$ 3,055,965.0	\$ 6,301,803.0
Recreation and Cultural Services	5,982,657.0	-	5,982,657.0
Insurance and Loss Reserve	295,294.0	-	295,294.0
Provision for Obligated Fund Balance	67,694.0	-	67,694.0
	47,235.0	-	47,235.0
Total Requirements	\$ 17,214,652.0	\$ 3,055,965.0	\$ 20,270,617.0
AVAILABLE FUNDS			
Property Taxes			
Fund Balance	\$ 4,381,993.0	\$ -	\$ 4,381,993.0
Cancel Provision for Obligated Fund Balance	1,202,184.0	-	1,202,184.0
	52,644.0	-	52,644.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 326,663.0	\$ -	\$ 326,663.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,069,559.0	-	1,069,559.0
Other Public Assistance	1,654,697.0	-	1,654,697.0
Public Protection	1,214,650.0	-	1,214,650.0
Health and Mental Health	915,054.0	48,608.0	963,662.0
Capital Projects	131,718.0	-	131,718.0
Other State Revenues	20,791.0	-	20,791.0
Total State Revenues	5,353,632.0	48,608.0	5,402,240.0
Federal Revenues			
Public Assistance Subventions	\$ 2,354,021.0	\$ 25,435.0	\$ 2,379,456.0
Other Public Assistance	225,797.0	-	225,797.0
Public Protection	222,473.0	-	222,473.0
Health and Mental Health	893,788.0	468,519.0	1,362,307.0
Capital Projects	1,779.0	-	1,779.0
Other Federal Revenues	44,116.0	-	44,116.0
Total Federal Revenues	\$ 3,741,974.0	\$ 493,954.0	\$ 4,235,928.0
Other Governmental Agencies			
	57,006.0	-	57,006.0
Total Intergovernmental Revenues	\$ 9,152,612.0	\$ 542,562.0	\$ 9,695,174.0
Fines, Forfeitures and Penalties	216,123.0	33.0	216,156.0
Licenses, Permits and Franchises	48,132.0	126.0	48,258.0
Charges for Services	1,677,146.0	2,015,867.0	3,693,013.0
Other Taxes	204,346.0	-	204,346.0
Use of Money and Property	127,066.0	85.0	127,151.0
Miscellaneous Revenues	152,406.0	232,067.0	384,473.0
Operating Contribution from General Fund	-	265,225.0	265,225.0
Total Available Funds	\$ 17,214,652.0	\$ 3,055,965.0	\$ 20,270,617.0

(1) Reflects the 2014-15 Recommended General County Budget approved by the Board of Supervisors on April 14, 2014

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied each fiscal year on taxable real and personal property located in the County as of the preceding January 1st. 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 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 taxes 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 2013-14 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 \$35,203,145,464 which constitutes only 3.24% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2013-14
Southern California Edison Co.	\$74,565,811
Douglas Emmett Residential	41,037,496
Participants in Long Beach Unit	23,186,738
Chevron USA Inc./Texaco/Unocal	22,866,100
Tishman Speyer/Archstone Smith/ASN	21,275,582
EQR/ERP Limited	21,260,449
AT&T/Pacific Bell Telephone Co.	20,986,486
Southern California Gas Co.	19,079,862
Verizon/MCI Communications Serv. Inc.	18,569,825
Exxon/Mobil Corp.	18,331,191
BP West Coast/Atlantic Richfield Co.	18,132,474
Prologis/AMB/Catellus	18,105,871
Universal Studios LLC	17,034,562
Phillips 66	16,628,000
Maguire Properties	14,698,465
Tesoro Refining and Marketing Co.	13,712,396
Plains Exporation and Production Co.	13,428,930
Beacon Oil Co./Ultramar/Valero Energy Corp.	11,970,376
CBS Inc./Paramount Pictures Corp.	10,897,711
Anheuser Busch Inc.	10,666,347
	\$426,434,672

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 2009-10 through 2013-14.

COUNTY OF LOS ANGELES
 COMPARISON OF FULL CASH VALUE
 PROPERTY TAXATION AND COLLECTIONS
 FISCAL YEARS 2009-10 THROUGH 2013-14

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 %
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	2,471,700,694	2,423,125,703	98.03%
2012-13	1,035,518,346,306	2,534,711,363	2,495,317,019	98.45%
2013-14	1,085,743,685,894	2,660,124,213 ⁽³⁾	2,618,780,710 ⁽³⁾	98.45%

- (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 based on FY 2013-14 collections.

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. 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 Fiscal Years 2007-08 through 2012-13.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
 PROJECTS IN THE COUNTY OF LOS ANGELES
 FULL CASH VALUE AND TAX ALLOCATIONS
 FISCAL YEARS 2009-10 THROUGH 2013-14

Fiscal Year	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾
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	1,187,749,842
2012-13	141,074,221,344	1,189,455,554
2013-14	149,910,987,097	995,288,952 ⁽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 from November 2013 through April 2014.

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 revenue 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.

2013-14 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 14, 2013, the County issued the 2013-14 TRANs with an aggregate principal amount of \$1 billion in two separate series: \$300.0 million due February 28, 2014 and \$700.0 million due June 30, 2014. The 2013-14 TRANs are general obligations of the County attributable to the 2013-14 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 2013-14 for the purpose of repaying the 2013-14 TRANs on their respective maturity dates. The deposits to the Repayment Fund have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2013-14 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	Deposit Amount
December, 2013	\$367,911,111
January, 2014	300,000,000
February, 2014	100,000,000
March, 2014	50,000,000
April, 2014	200,000,000
Total	\$1,017,911,111

* Includes \$1 billion of 2013-14 TRANs principal and 2.00% interest.

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 2009-10.

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

	2009-10	2010-11	2011-12	2012-13	Estimated 2013-14
Property Taxes	\$3,768,220	\$3,733,822	\$3,725,324	\$4,276,875	\$4,175,053
Other Taxes	154,228	137,907	172,703	167,054	179,090
Licenses, Permits and Franchises	46,825	56,799	58,642	61,268	64,950
Fines, Forfeitures and Penalties	254,428	242,904	218,380	226,737	225,034
Investment and Rental Income	133,640	123,582	111,506	107,105	99,451
State In-Lieu Taxes	424,760	401,679	366,352	335,310	336,360
State Homeowner Exemptions	21,966	21,616	21,505	21,101	20,948
Charges for Current Services	1,673,098	1,574,709	1,678,238	1,546,370	1,544,695
Other Revenue*	192,973	465,163	392,137	552,414	518,122
TOTAL UNRESTRICTED RECEIPTS	\$6,670,138	\$6,758,181	\$6,744,787	\$7,294,234	\$7,163,703

Detail may not add due to rounding.

Source: Los Angeles County Chief Executive Office

* Includes Tobacco Settlement Revenue

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. If the County determines that it is necessary to utilize interfund borrowing, then such borrowing may not occur after the last Monday in April of each fiscal 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 included 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 significantly throughout 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 revenue deposits from the State and the receipt of welfare advances on the last business 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 Summary Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2012-13 and Fiscal Year 2013-14.

General Fund Cash Flow Statements

The Fiscal Year 2012-13 and Fiscal Year 2013-14 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2012-13, the County had an ending General Fund cash balance of \$893 million. In Fiscal Year 2013-14, the County is estimating an ending cash balance in the General Fund of \$609 million.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of March 31, 2014, 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	\$8.815
Schools and Community Colleges	12.309
Independent Public Agencies	2.351
Total	\$23.475

Of these entities, the discretionary participants accounted for 10.02% 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 19, 2013, 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 April 30, 2014, the book value of the Treasury Pool as of March 31, 2014 was approximately \$23.475 billion and the corresponding market value was approximately \$23.318 billion.

The County maintains a strong system of internal controls 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 for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of March 31, 2014:

<u>Type of Investment</u>	<u>% of Pool</u>
U.S. Government and Agency Obligations	52.45
Certificates of Deposit	17.38
Commercial Paper	28.96
Bankers Acceptances	0.00
Municipal Obligations	0.21
Corporate Notes & Deposit Notes	1.00
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of March 31, 2014, approximately 38.57% of the investments mature within 60 days, with an average of 683 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 did not experience a single investment loss as a result 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.

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, with annual audits performed by independent certified public accountants.

The basic financial statements for the Fiscal Year ended June 30, 2013, 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 budget for the upcoming fiscal year is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements for the current fiscal year. The 2012-13 Final Adopted Budget included an available (unreserved and undesignated) General Fund balance of \$1,565,502,000 as of June 30, 2012.

The 2012-13 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.

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, nonspendable, restricted, committed and assigned fund balances are recorded as other financing uses at the time they are established, and the County recognizes them as a use of budgetary fund balance. Nonspendable, restricted, committed, and assigned fund balances that are subsequently cancelled or otherwise made available are recorded as changes in fund balance from 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 compensated absences 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 11 to the 2012-13 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, such expenditures are adjusted to recognize the OPEB Agency assets at fiscal year end.

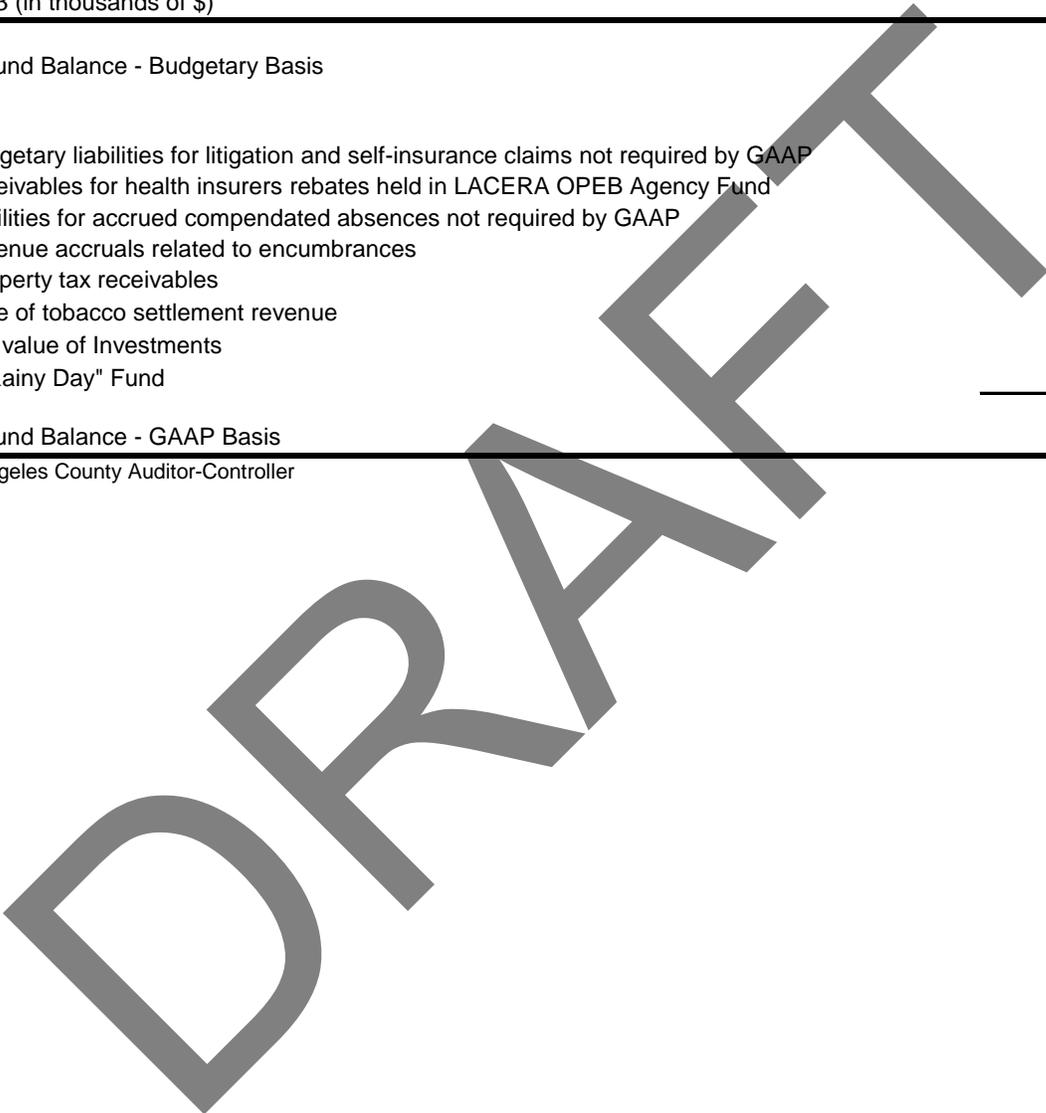
The table below provides a reconciliation of the General Fund's June 30, 2013 fund balance (unreserved and undesignated) on a budgetary and GAAP basis.

The tables on the following pages summarize the audited balance sheets for the General Fund since 2008-09 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, 2013 (in thousands of \$)

Unassigned Fund Balance - Budgetary Basis	\$1,497,581
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	148,100
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	127,360
Accrual of liabilities for accrued compensated absences not required by GAAP	58,636
Change in revenue accruals related to encumbrances	(25,829)
Deferral of property tax receivables	(73,874)
Deferral of sale of tobacco settlement revenue	(245,987)
Change in fair value of Investments	(22,017)
Reserve for "Rainy Day" Fund	197,012
Unassigned Fund Balance - GAAP Basis	\$1,660,982

Source: Los Angeles County Auditor-Controller



COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2009, 2010, 2011 2012 and 2013.
GENERAL FUND-GAAP BASIS (in thousands of \$)

ASSETS

	June 30, 2009	June 30, 2010	June 30, 2011*	June 30, 2012*	June 30, 2013*
Pooled Cash and Investments	\$1,841,579	\$1,689,490	\$2,151,267	\$2,010,858	\$1,637,765
Other Investments	6,099	5,839	16,589	11,109	5,676
Taxes Receivable	301,269	246,288	210,914	186,830	171,919
Other Receivables	1,907,656	1,808,478	1,763,649	1,586,097	1,777,034
Due from Other Funds	326,379	436,441	356,860	407,604	391,605
Advances to Other Funds	825,017	1,018,161	1,063,061	703,512	754,376
Inventories	46,486	44,279	54,145	51,616	47,375
Total Assets	\$5,254,485	\$5,248,976	\$5,616,485	\$4,957,626	\$4,785,750

LIABILITIES

Accounts Payable	\$247,337	\$266,916	\$286,597	\$354,119	\$321,509
Accrued Payroll	504,374	286,407	289,546	303,615	309,926
Other Payables	121,665	454,244	1,039,126	525,438	89,852
Due to Other Funds	495,105	501,705	464,170	390,153	461,480
Deferred Revenue	343,386	346,829	382,897	346,488	302,656
Advances Payable	361,964	382,476	411,508	379,847	404,975
Third-Party Payor Liability	13,836	14,588	20,198	16,015	15,702
Total Liabilities	\$2,087,667	\$2,253,165	\$2,894,042	\$2,315,675	\$1,906,100

EQUITY

Fund Balance (Deficit)					
Reserved	\$539,851	\$784,428			
Unreserved					
Designated	971,579	618,899			
Undesignated	1,655,388	1,592,484			
Total Unreserved	2,626,967	2,211,383			
Nonspendable			259,127	\$259,597	\$253,836
Restricted			35,377	55,115	59,786
Committed				332,255	528,865
Assigned			763,038	405,285	376,181
Unassigned			1,664,901	1,589,699	1,660,982
Total Equity	3,166,818	2,995,811	2,722,443	2,641,951	2,879,650
Total Liabilities and Equity	\$5,254,485	\$5,248,976	\$5,616,485	\$4,957,626	\$4,785,750

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2009, 2010, 2011, 2012 and 2013.

*The County implemented GASB Statement 54 "Fund Balance Reporting and Government Fund Type Definitions" in FY 2010-11. The governmental fund balances are reported in the new required GASB 54 format.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GENERAL FUND-GAAP BASIS FISCAL YEARS 2008-09 THROUGH 2012-13 (in thousands of \$)

	2008-09	2009-10	2010-11	2011-12	2012-13
REVENUES:					
Taxes	\$3,970,566	\$3,864,654	\$3,843,366	\$3,980,409	\$4,267,858
Licenses, Permits & Franchises	54,877	49,079	56,656	57,144	61,412
Fines, Forfeitures and Penalties	264,375	258,842	244,787	217,972	222,226
Use of Money and Property	183,772	124,049	130,140	103,029	89,841
Aid from Other Government	7,211,150	7,337,716	7,506,492	7,632,814	8,182,687
Charges for Services	1,654,173	1,659,224	1,641,399	1,700,540	1,565,937
Miscellaneous Revenues	198,837	191,878	145,414	134,071	216,977
TOTAL	\$13,537,750	\$13,485,442	\$13,568,254	\$13,825,979	\$14,606,938
EXPENDITURES					
General	\$946,008	\$859,319	\$883,854	\$983,077	\$979,989
Public Protection	4,420,786	4,412,935	4,401,985	4,538,075	4,694,982
Health and Sanitation	2,480,693	2,421,615	2,476,524	2,689,192	2,779,870
Public Assistance	4,796,019	5,025,312	5,217,560	5,108,516	5,247,031
Recreation and Cultural Services	242,999	247,094	263,046	255,818	272,835
Debt Service	247,248	271,378	278,477	24,602	30,816
Capital Outlay	772	2,115	32,598	20,106	8,065
Total	\$13,134,525	\$13,239,768	\$13,554,044	\$13,619,386	\$14,013,588
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$403,225	\$245,674	\$14,210	\$206,593	\$593,350
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	(\$612,505)	(\$419,756)	(\$340,128)	(\$306,002)	(\$359,171)
Sales of Capital Assets	886	960	9,027	3,789	740
Capital Leases	772	2,115	43,523	15,128	2,780
OTHER FINANCING SOURCES (USES)-Net	(\$610,847)	(\$416,681)	(\$287,578)	(\$287,085)	(\$355,651)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	(\$207,622)	(\$171,007)	(\$273,368)	(\$80,492)	\$237,699
Beginning Fund Balance	3,374,440	3,166,818	2,995,811	2,722,443	2,641,951
Residual Equity Transfers from (to) Other Funds-Net	0	0	0	0	0
Ending Fund Balance	\$3,166,818	\$2,995,811	\$2,722,443	\$2,641,951	\$2,879,650

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2009, 2010, 2011, 2012 and 2013.

**COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING**

**2012-13: 12 MONTHS ACTUAL
2013-14: 9 MONTHS ACTUAL**

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COUNTY OF LOS ANGELES BORROWABLE RESOURCES

AVERAGE DAILY BALANCES: Fiscal Year 2012-13

FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)

	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012
PROPERTY TAX GROUP						
Tax Collector Trust Fund	75,748	38,711	38,476	354,248	1,079,173	2,192,736
Auditor Unapportioned Property Tax	626,076	173,546	81,291	134,373	803,356	1,640,406
Unsecured Property Tax	134,579	47,432	130,094	155,442	113,881	69,629
Miscellaneous Fees & Taxes	8,213	19,785	32,294	16,413	10,350	10,368
State Redemption Fund	27,819	57,470	63,680	60,239	45,099	36,089
Education Revenue Augmentation	16,766	9,346	0	0	5,048	111,700
State Reimbursement Fund	0	0	0	0	476	9,976
Sales Tax Replacement Fund	4,747	21,974	30,725	30,725	30,799	64,470
Vehicle License Fee Replacement Fund	28,895	133,759	187,029	187,029	187,480	392,443
Property Tax Rebate Fund	1,970	468	4,569	4,507	4,655	3,814
Utility User Tax Trust Fund	1,041	1,294	4,457	9,662	13,036	15,277
Subtotal	\$ 925,854	\$ 503,785	\$ 572,615	\$ 952,638	\$ 2,293,353	\$ 4,546,908
VARIOUS TRUST GROUP						
Departmental Trust Fund	443,818	468,722	437,481	519,801	468,715	455,094
Payroll Revolving Fund	55,057	41,640	47,243	43,394	39,269	53,609
Asset Development Fund	41,429	41,437	41,448	41,460	41,475	41,482
Productivity Investment Fund	5,346	5,287	4,125	3,371	3,384	3,372
Motor Vehicle Capital Outlays	991	991	991	1,004	1,116	1,116
Civic Center Parking	142	68	96	233	277	191
Reporters Salary Fund	401	86	335	441	266	527
Cable TV Franchise Fund	11,203	10,818	11,385	11,463	11,388	11,862
Megaflex Long-Term Disability	18,465	18,346	18,312	18,170	18,114	18,003
Megaflex Long-Term Disability & Health	6,818	6,882	6,967	7,040	7,128	7,201
Megaflex Short-Term Disability	30,645	30,922	31,342	31,595	31,877	32,208
Subtotal	\$ 614,315	\$ 625,199	\$ 599,725	\$ 677,972	\$ 623,009	\$ 624,665
HOSPITAL GROUP						
Harbor-UCLA Medical Center	(1,478)	(4,065)	2,414	(1,045)	7,867	204
Olive View-UCLA Medical Center	(4,437)	(1,917)	3,363	2,004	723	(1,780)
LAC+USC Medical Center	(10,090)	(709)	7,014	2,973	6,660	3,907
MLK Ambulatory Care Center	558	513	514	514	514	514
Rancho Los Amigos Rehab Center	612	531	1,298	529	1,179	436
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	\$ (14,835)	\$ (5,647)	\$ 14,603	\$ 4,975	\$ 16,943	\$ 3,281
GRAND TOTAL	\$ 1,525,334	\$ 1,123,337	\$ 1,186,943	\$ 1,635,585	\$ 2,933,305	\$ 5,174,854

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2013	February 2013	March 2013	April 2013	May 2013	June 2013	
PROPERTY TAX GROUP						
795,003	444,307	629,180	2,275,972	598,309	128,267	Tax Collector Trust Fund
873,382	549,077	347,905	857,322	717,737	178,138	Auditor Unapportioned Property Tax
55,760	55,250	51,687	41,022	56,222	80,069	Unsecured Property Tax
9,001	8,991	8,652	8,743	9,496	8,854	Miscellaneous Fees & Taxes
31,896	31,524	22,985	25,827	21,535	21,145	State Redemption Fund
62,789	33,152	3,249	240,129	76,774	57,627	Education Revenue Augmentation
19,035	1,214	1,214	2,326	21,175	8,803	State Reimbursement Fund
88,981	21,185	38,506	42,991	74,228	0	Sales Tax Replacement Fund
596,579	250,598	356,034	383,334	557,783	0	Vehicle License Fee Replacement Fund
1,751	663	1,393	2,685	276	3,090	Property Tax Rebate Fund
10,630	4,929	9,766	3,045	5,011	10,558	Utility User Tax Trust Fund
\$ 2,544,807	\$ 1,400,890	\$ 1,470,571	\$ 3,883,396	\$ 2,136,546	\$ 496,551	Subtotal
VARIOUS TRUST GROUP						
440,580	433,269	446,496	451,573	471,080	447,509	Departmental Trust Fund
44,392	44,346	51,007	52,247	49,500	54,614	Payroll Revolving Fund
41,491	41,497	41,511	41,609	41,647	41,981	Asset Development Fund
4,724	4,792	4,688	4,414	4,192	3,925	Productivity Investment Fund
1,116	1,095	1,032	1,000	935	925	Motor Vehicle Capital Outlays
216	210	63	302	199	133	Civic Center Parking
584	449	555	644	344	357	Reporters Salary Fund
12,051	11,765	12,315	12,330	12,070	12,699	Cable TV Franchise Fund
17,949	17,900	17,782	17,696	17,565	17,464	Megaflex Long-Term Disability
7,280	7,333	7,419	7,480	7,563	7,626	Megaflex Long-Term Disability & Health
32,468	32,666	32,986	33,321	33,769	34,145	Megaflex Short-Term Disability
\$ 602,851	\$ 595,322	\$ 615,854	\$ 622,616	\$ 638,864	\$ 621,378	Subtotal
HOSPITAL GROUP						
929	(413)	193	(990)	559	2,448	Harbor-UCLA Medical Center
669	74	(1,190)	(1,622)	(898)	1,503	Olive View-UCLA Medical Center
(401)	1,338	3,660	(158)	4,104	4,729	LAC + USC Medical Center
483	456	456	460	462	459	MLK Ambulatory Care Center
923	150	1,453	506	254	653	Rancho Los Amigos Rehab Center
0	0	0	0	0	0	LAC+USC Medical Center Equipment
\$ 2,603	\$ 1,605	\$ 4,572	\$ (1,804)	\$ 4,481	\$ 9,792	Subtotal
\$ 3,150,261	\$ 1,997,817	\$ 2,090,997	\$ 4,504,208	\$ 2,781,891	\$ 1,127,721	GRAND TOTAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES

AVERAGE DAILY BALANCES: Fiscal Year 2013-14

FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)

	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013
PROPERTY TAX GROUP						
Tax Collector Trust Fund	70,645	39,983	40,064	418,772	1,416,894	3,546,677
Auditor Unapportioned Property Tax	227,749	89,650	125,432	178,880	785,225	753,554
Unsecured Property Tax	135,333	146,664	104,309	135,277	115,069	61,452
Miscellaneous Fees & Taxes	8,180	22,222	40,519	21,010	12,354	9,685
State Redemption Fund	28,427	41,374	44,302	62,015	51,378	31,378
Education Revenue Augmentation	4,964	24,866	14,130	0	3,468	352,968
State Reimbursement Fund	0	0	0	0	1,850	9,685
Sales Tax Replacement Fund	840	5,314	16,433	18,812	19,092	20,909
Vehicle License Fee Replacement Fund	5,114	32,345	100,030	114,513	116,215	127,277
Property Tax Rebate Fund	1,325	6,794	5,048	582	1,402	(693)
Utility User Tax Trust Fund	6,508	2,550	4,311	6,570	9,762	16,637
Subtotal	\$ 489,085	\$ 411,762	\$ 494,578	\$ 956,431	\$ 2,532,709	\$ 4,929,529
VARIOUS TRUST GROUP						
Departmental Trust Fund	453,037	501,361	486,764	479,212	484,387	460,742
Payroll Revolving Fund	50,725	48,613	58,909	51,023	46,862	63,231
Asset Development Fund	42,236	42,080	42,101	42,217	42,319	42,374
Productivity Investment Fund	3,532	3,525	3,516	4,921	6,303	6,266
Motor Vehicle Capital Outlays	910	910	1,002	1,035	1,035	1,028
Civic Center Parking	103	(6)	174	140	82	68
Reporters Salary Fund	278	488	401	462	372	524
Cable TV Franchise Fund	12,426	11,304	11,719	11,856	11,771	12,262
Megaflex Long-Term Disability	17,291	17,178	16,999	16,809	16,637	16,440
Megaflex Long-Term Disability & Health	7,693	7,740	7,814	7,887	7,955	8,037
Megaflex Short-Term Disability	34,493	34,798	35,165	35,366	35,658	36,109
Subtotal	\$ 622,724	\$ 667,991	\$ 664,564	\$ 650,928	\$ 653,381	\$ 647,081
HOSPITAL GROUP						
Harbor-UCLA Medical Center	(437)	2,473	787	6,595	(1,432)	713
Olive View-UCLA Medical Center	2,798	739	691	7,227	(442)	791
LAC+USC Medical Center	(19,765)	2,077	1,612	10,466	820	2,236
MLK Ambulatory Care Center	452	454	454	454	454	454
Rancho Los Amigos Rehab Center	(3,915)	(481)	472	5,292	26	1,441
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	\$ (20,867)	\$ 5,262	\$ 4,016	\$ 30,034	\$ (574)	\$ 5,635
GRAND TOTAL	\$ 1,090,942	\$ 1,085,015	\$ 1,163,158	\$ 1,637,393	\$ 3,185,516	\$ 5,582,245

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2014	February 2014	March 2014	Estimate April 2014	Estimate May 2014	Estimate June 2014	
PROPERTY TAX GROUP						
764,399	448,356	619,297	2,341,975	897,292	164,829	Tax Collector Trust Fund
1,010,774	755,277	605,574	882,184	631,667	551,053	Auditor Unapportioned Property Tax
54,018	51,531	49,196	41,022	86,649	117,399	Unsecured Property Tax
9,700	8,958	8,709	8,743	8,844	8,527	Miscellaneous Fees & Taxes
25,862	29,801	22,127	25,827	31,728	23,139	State Redemption Fund
337,070	102,465	90,314	240,129	0	1,497	Education Revenue Augmentation
17,462	1,180	1,180	2,326	26,803	10,312	State Reimbursement Fund
38,237	2,589	16,001	42,991	115,000	0	Sales Tax Replacement Fund
295,110	123,211	198,050	394,451	526,021	3,444	Vehicle License Fee Replacement Fund
403	1,354	1,030	2,685	(33,593)	(18,123)	Property Tax Rebate Fund
21,889	7,222	10,216	3,045	36,148	10,964	Utility User Tax Trust Fund
\$ 2,574,924	\$ 1,531,944	\$ 1,621,694	\$ 3,985,378	\$ 2,326,559	\$ 873,041	Subtotal
VARIOUS TRUST GROUP						
476,175	456,370	559,710	451,573	423,642	419,434	Departmental Trust Fund
51,228	53,760	58,033	53,031	59,703	49,577	Payroll Revolving Fund
42,391	42,423	42,816	41,609	39,257	39,331	Asset Development Fund
6,194	5,848	5,632	4,414	7,447	7,116	Productivity Investment Fund
971	958	958	1,000	2,349	2,350	Motor Vehicle Capital Outlays
253	239	73	302	46	391	Civic Center Parking
451	461	393	644	487	1,009	Reporters Salary Fund
12,314	12,078	12,597	12,330	8,895	9,287	Cable TV Franchise Fund
16,363	16,310	16,152	17,696	19,674	19,597	Megaflex Long-Term Disability
8,109	8,123	8,192	7,480	4,852	4,933	Megaflex Long-Term Disability & Health
36,325	36,663	37,097	33,321	23,553	23,959	Megaflex Short-Term Disability
\$ 650,774	\$ 633,233	\$ 741,653	\$ 623,400	\$ 589,906	\$ 576,984	Subtotal
HOSPITAL GROUP						
1,149	(1,366)	(1,796)	1,000	1,000	1,000	Harbor-UCLA Medical Center
1,940	323	1,622	1,000	1,000	1,000	Olive View-UCLA Medical Center
(3,802)	1,479	(4,937)	1,000	1,000	1,000	LAC + USC Medical Center
454	455	456	1,000	1,000	1,000	MLK Ambulatory Care Center
333	(1,656)	492	1,000	1,000	1,000	Rancho Los Amigos Rehab Center
0	0	0	0	0	0	LAC+USC Medical Center Equipment
\$ 74	\$ (765)	\$ (4,163)	\$ 5,000	\$ 5,000	\$ 5,000	Subtotal
\$ 3,225,772	\$ 2,164,412	\$ 2,359,184	\$ 4,613,778	\$ 2,921,465	\$ 1,455,025	GRAND TOTAL

**COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS**

**2012-13: 12 MONTHS ACTUAL
2013-14: 9 MONTHS ACTUAL**

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COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2012-13
(in thousands of \$)

	July 2012	August 2012	September 2012	October 2012	November 2012
BEGINNING BALANCE	\$ 817,362	\$ 1,346,913	\$ 830,197	\$ 332,888	\$ 39,289
RECEIPTS					
Property Taxes	\$ 190,785	\$ 95,686	\$ 12	0	\$ 42,108
Other Taxes	8,228	15,403	9,268	5,414	18,923
Licenses, Permits & Franchises	1,614	7,628	2,532	3,740	2,527
Fines, Forfeitures & Penalties	33,107	23,045	11,583	12,622	18,662
Investment and Rental Income	7,953	9,061	7,741	7,954	10,397
Motor Vehicle (VLF) Realignment	19,025	31,760	38,218	27,008	27,103
Sales Taxes - Proposition 172	60,808	51,528	48,556	49,713	60,100
Sales Taxes -1991 Program Realignment	56,732	0	49,401	127,196	57,950
Other Intergovernmental Revenue	106,417	131,944	69,445	68,696	128,408
Charges for Current Services	82,543	233,645	56,676	104,986	114,350
Other Revenue & Tobacco Settlement	57,010	55,917	10,764	29,252	10,429
Transfers & Reimbursements	8,309	68	64	26,593	11,830
Hospital Loan Repayment**	0	28,908	64,866	273,913	20,407
Welfare Advances	235,975	266,594	347,883	379,759	386,926
Other Financing Sources/MHSA	87,363	(320)	10,952	26,184	11,976
Intrafund Borrowings	0	0	0	0	0
TRANS Sold	1,100,000	0	0	0	0
Total Receipts	\$ 2,055,869	\$ 950,867	\$ 727,961	\$ 1,143,030	\$ 922,096
DISBURSEMENTS					
Welfare Warrants	\$ 182,126	\$ 207,257	\$ 229,790	\$ 239,949	\$ 222,748
Salaries	395,392	391,636	385,900	384,581	389,151
Employee Benefits	221,487	226,339	155,838	167,247	157,155
Vendor Payments	526,935	417,409	284,267	374,618	266,027
Loans to Hospitals**	0	10,509	56,344	169,433	160,617
Hospital Subsidy Payments	178,016	184,087	109,316	21,305	15,313
Transfer Payments	22,362	30,346	3,815	79,496	18,262
TRANS Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	\$ 1,526,318	\$ 1,467,583	\$ 1,225,270	\$ 1,436,629	\$ 1,229,273
ENDING BALANCE	\$ 1,346,913	\$ 830,197	\$ 332,888	\$ 39,289	\$ (267,888)
Borrowable Resources(Avg. Balance)	\$ 1,525,334	\$ 1,123,337	\$ 1,186,943	\$ 1,635,585	\$ 2,933,305
Total Cash Available	\$ 2,872,247	\$ 1,953,534	\$ 1,519,831	\$ 1,674,874	\$ 2,665,417

** The net change in the outstanding Hospital Loan Balance is a decrease of \$48.85 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2012	January 2013	February 2013	March 2013	April 2013	May 2013	June 2013	Total 2012-13
\$ (267,888)	\$ 378,664	\$ 291,248	\$ 270,061	\$ (302,319)	\$ 208,117	\$ 806,070	
\$ 1,021,812	\$ 985,321	\$ 210,944	\$ 8,169	\$ 695,798	\$ 892,869	\$ 133,371	\$ 4,276,875
11,815	31,508	8,334	10,925	22,569	9,090	15,577	167,054
2,071	3,160	9,090	10,771	9,208	4,487	4,440	61,268
11,376	11,700	25,211	13,183	17,433	36,688	12,127	226,737
9,938	9,963	8,260	8,366	8,589	7,335	11,548	107,105
27,069	24,562	32,608	26,311	31,519	28,632	21,495	335,310
48,606	47,417	73,779	44,001	45,474	61,972	49,653	641,607
50,876	49,641	77,894	48,765	48,017	65,428	52,422	684,322
353,801	295,257	156,658	166,388	366,733	240,564	203,422	2,287,733
139,002	169,561	88,974	106,040	187,630	106,087	156,876	1,546,370
21,384	48,772	27,905	32,558	129,874	55,284	73,265	552,414
42,973	5,598	9,309	19,247	(95)	13,242	18,185	155,323
225,272	63,655	307,754	0	490,875	162,986	240,037	1,878,673
295,155	324,654	314,398	297,939	300,683	370,776	356,156	3,876,898
48,382	44,582	32,719	25,226	35,591	30,888	34,946	388,489
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,100,000
\$ 2,309,532	\$ 2,115,351	\$ 1,383,837	\$ 817,889	\$ 2,389,898	\$ 2,086,328	\$ 1,383,520	\$ 18,286,178
\$ 216,000	\$ 188,607	\$ 184,623	\$ 241,571	\$ 211,739	\$ 211,852	\$ 247,061	\$ 2,583,323
397,851	402,459	393,662	377,947	388,896	375,629	380,795	4,663,899
138,792	491,450	246,070	205,339	237,308	238,350	192,605	2,677,980
324,475	382,967	288,728	312,564	330,759	384,036	330,655	4,223,440
177,089	317,388	178,919	154,054	406,340	212,608	84,222	1,927,523
1,828	0	0	0	8,224	0	0	518,089
4,167	89,896	3,022	43,794	76,196	65,900	61,477	498,733
402,778	330,000	110,000	55,000	220,000	0	0	1,117,778
0	0	0	0	0	0	0	0
\$ 1,662,980	\$ 2,202,767	\$ 1,405,024	\$ 1,390,269	\$ 1,879,462	\$ 1,488,375	\$ 1,296,815	\$ 18,210,765
\$ 378,664	\$ 291,248	\$ 270,061	\$ (302,319)	\$ 208,117	\$ 806,070	\$ 892,775	
5,174,854	\$ 3,150,261	\$ 1,997,817	\$ 2,090,997	\$ 4,504,208	\$ 2,781,891	\$ 1,127,721	
\$ 5,553,518	\$ 3,441,509	\$ 2,267,878	\$ 1,788,678	\$ 4,712,325	\$ 3,587,961	\$ 2,020,496	

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2013-14
(in thousands of \$)

	July 2013	August 2013	September 2013	October 2013	November 2013
BEGINNING BALANCE	\$ 892,775	\$ 1,194,935	\$ 844,344	\$ 177,920	\$ 43,694
RECEIPTS					
Property Taxes	\$ 42,705	\$ 94,531	\$ -	\$ 1,388	\$ 44,241
Other Taxes	24,634	18,209	10,430	14,530	14,301
Licenses, Permits & Franchises	2,798	6,990	2,470	4,437	2,570
Fines, Forfeitures & Penalties	27,025	20,777	11,076	12,229	19,020
Investment and Rental Income	12,178	10,686	8,866	9,142	6,577
Motor Vehicle (VLF) Realignment	0	32,485	43,606	31,384	47,412
Sales Taxes - Proposition 172	60,221	55,156	47,519	56,790	61,134
Sales Taxes - 1991 Program Realignment	63,415	12,899	50,408	59,249	121,794
Other Intergovernmental Revenue	116,189	218,021	166,129	220,412	154,995
Charges for Current Services	96,918	212,745	45,880	159,706	114,498
Other Revenue & Tobacco Settlement	79,743	51,601	24,459	53,587	26,076
Transfers & Reimbursements	11,555	467	1,836	22,934	18,282
Hospital Loan Repayment**	0	102,151	28,709	414,368	265,572
Welfare Advances	329,984	222,520	459,965	506,583	291,480
Other Financing Sources/MHSA	27,204	43,212	474	15,929	60,185
Intrafund Borrowings	0	0	0	0	0
TRANS Sold	1,000,000	0	0	0	0
Total Receipts	\$ 1,894,569	\$ 1,102,450	\$ 901,827	\$ 1,582,668	\$ 1,248,137
DISBURSEMENTS					
Welfare Warrants	\$ 185,465	\$ 245,877	\$ 188,577	\$ 219,486	\$ 211,736
Salaries	397,338	390,413	385,469	384,592	388,683
Employee Benefits	230,931	238,344	201,020	246,389	244,276
Vendor Payments	526,994	316,558	349,165	372,656	295,313
Loans to Hospitals**	0	0	297,730	403,058	315,506
Hospital Subsidy Payments	201,867	211,864	140,245	9,216	(162,342)
Transfer Payments	49,814	49,985	6,045	81,497	15,475
TRANS Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	\$ 1,592,409	\$ 1,453,041	\$ 1,568,251	\$ 1,716,894	\$ 1,308,647
ENDING BALANCE	\$ 1,194,935	\$ 844,344	\$ 177,920	\$ 43,694	\$ (16,816)
Borrowable Resources (Avg. Balance)	\$ 1,090,942	\$ 1,085,015	\$ 1,163,158	\$ 1,637,393	\$ 3,185,516
Total Cash Available	\$ 2,285,877	\$ 1,929,359	\$ 1,341,078	\$ 1,681,087	\$ 3,168,700

** The net change in the outstanding Hospital Loan Balance is a decrease of \$334.85 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2013	January 2014	February 2014	March 2014	Estimated April 2014	Estimated May 2014	Estimated June 2014	Total 2013-14
\$ (16,816)	\$ 358,844	\$ 797,772	\$ 689,240	\$ (6,076)	\$ 184,256	\$ 805,263	
\$ 1,044,377	\$ 1,004,008	\$ 194,235	\$ 11,826	\$ 714,322	\$ 917,271	\$ 106,150	\$ 4,175,053
10,198	11,049	31,542	8,054	15,702	8,508	11,933	179,090
3,951	2,632	10,112	5,885	11,162	5,951	5,992	64,950
11,257	11,177	27,640	16,801	18,375	34,697	14,960	225,034
6,492	10,207	8,205	6,617	6,690	6,889	6,902	99,451
24,809	25,311	27,297	30,629	27,986	22,087	23,354	336,360
51,498	50,915	73,037	48,393	44,634	55,746	47,855	652,898
55,879	45,938	66,923	37,739	54,748	70,843	64,384	704,219
266,245	225,840	189,730	170,266	147,865	242,723	179,096	2,297,511
129,125	142,290	121,664	124,423	97,952	160,204	139,290	1,544,695
24,191	36,672	36,434	29,574	96,787	31,802	27,195	518,122
43,363	3,475	9,465	8,533	7,727	9,023	20,154	156,815
139,496	333,068	137,663	-	520,548	126,742	109,281	2,177,598
421,891	366,885	362,837	274,824	223,571	302,452	311,140	4,074,132
1,579	38,430	45,916	-	46,400	39,737	44,793	363,858
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,000,000
\$ 2,234,351	\$ 2,307,897	\$ 1,342,700	\$ 773,564	\$ 2,034,469	\$ 2,034,676	\$ 1,112,479	\$ 18,569,788
\$ 213,680	\$ 215,706	\$ 212,626	\$ 219,445	\$ 211,385	\$ 227,552	\$ 216,284	\$ 2,567,819
398,620	410,549	404,087	402,616	401,242	401,989	394,838	4,760,436
230,595	258,833	252,651	273,150	294,444	262,566	201,072	2,934,271
434,934	357,425	294,949	359,942	342,241	317,080	309,237	4,276,494
274,611	247,142	182,493	158,827	313,574	135,480	184,033	2,512,453
(68,627)	(92)	0	0	0	0	0	332,131
8,988	79,406	2,405	4,900	81,251	69,002	3,575	452,343
365,890	300,000	102,021	50,000	200,000	0	0	1,017,911
0	0	0	0	0	0	0	0
\$ 1,858,691	\$ 1,868,969	\$ 1,451,232	\$ 1,468,880	\$ 1,844,137	\$ 1,413,669	\$ 1,309,038	\$ 18,853,858
\$ 358,844	\$ 797,772	\$ 689,240	\$ (6,076)	\$ 184,256	\$ 805,263	\$ 608,705	
5,582,245	\$ 3,225,772	\$ 2,164,412	\$ 2,359,184	\$ 4,613,778	\$ 2,921,464	\$ 1,455,025	
\$ 5,941,089	\$ 4,023,544	\$ 2,853,652	\$ 2,353,108	\$ 4,798,034	\$ 3,726,727	\$ 2,063,730	

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, 2013, approximately \$1.622 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of \$485 million of the outstanding debt. Revenues from special districts, special funds and Hospital Enterprise Funds secure the remaining \$1.137 billion of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2013-14.

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

2013-14 Payments

Funding Source	2013-14 Payment
Total 2013-14 Payment Obligations	\$163,661,451
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	63,028,144
Courthouse Construction Funds	27,324,194
Special Districts/Special Funds	5,218,114
Net 2013-14 General Fund Obligations	\$68,090,999

Source: Los Angeles County Auditor-Controller

The principal amount of the County's outstanding intermediate and long-term debt obligations decreased to \$1.554 billion as of May 1, 2014, which includes debt issuance and repayment activity in Fiscal Year 2013-14. An additional \$700 million in TRANs, \$49.0 million in Bond Anticipation Notes, and \$393.0 million in tax-exempt commercial paper and direct placement revolving notes were also outstanding as of May 1, 2014. The following table summarizes the outstanding General County debt and note obligations.

SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2014 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	\$ 700,000.0
Bond Anticipation Notes	49,000.0
Tax-Exempt Commercial Paper	393,000.0
Intermediate & Long-Term Obligations	1,553,975.0
Total Outstanding Principal	\$ 2,695,975.0

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

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 14, 2013, the County issued \$1.0 billion of 2013-14 TRANs on July 1, 2013, with two tranches: \$300.0 million due February 28, 2014 and \$700.0 million due June 30, 2014. The 2013-14 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2013-14, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2013-14 Tax and Revenue Anticipation Notes" of this Appendix A. Deposit obligations to the Repayment Fund for the 2013-14 TRANs has been satisfied.

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, 2014, \$49.0 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 July 1, 2014.

Lease Revenue Note Program

In April 2013, the County restructured and expanded its Lease Revenue Commercial Paper Program. Under the new Lease Revenue Note Program (the "Note Program"), the County increased the maximum authorized principal amount from \$400 million to \$600 million. The short-term lease revenue notes issued through the Note Program will continue to finance construction costs on various capital projects throughout the County. The Note Program consists of three Irrevocable, Direct-Pay Letters of Credit ("LOC") in the aggregate principal amount of \$450 million issued by JP Morgan (Series A - \$150 million), U.S. Bank (Series B - \$100 million) and Wells Fargo (Series C - \$200 million); and a Direct Placement Revolving Credit Facility with Bank of America (Series D - \$150 million). The Note Program will continue to be secured by a lease-revenue financing structure between LAC-CAL and the County, and the same portfolio of twenty-five County-owned properties pledged as collateral to secure the credit facilities. The four credit agreements, which are scheduled to terminate on April 18, 2016, provide credit enhancement and liquidity facilities to support the issuance of tax-exempt, taxable and 501c(3) eligible commercial paper and short-term direct placement revolving notes. As of May 1, 2014, \$393 million of tax-exempt commercial paper and direct placement revolving notes are outstanding. The Note Program provides 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 will eventually be refinanced with the issuance of long-term bonds upon completion.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

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, 2013, approximately \$1.6 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 2013-14 Final Adopted Budget contains sufficient appropriations to fund the County's payment obligations in Fiscal Year 2013-14. 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 the net revenue-producing valuation of the property tax roll (the "Net Local Property Tax Roll") increased from 0.127% in Fiscal Year 2012-13 to 0.144% in Fiscal Year 2013-14. The following table provides the ratio of the General Fund's outstanding debt to the Net Local Property Tax Roll over the past ten years.

COUNTY OF LOS ANGELES OUTSTANDING DEBT TO ASSESSED VALUATION AS OF JULY 1

Fiscal Year	Outstanding Principal	Net Local Property Tax Roll	Debt To Value Ratio
2004-05	2,785,149,946	749,156,125,470	0.372%
2005-06	2,387,949,433	823,746,755,234	0.290%
2006-07	1,786,504,365	913,572,838,291	0.196%
2007-08	1,441,826,104	997,789,741,224	0.145%
2008-09	1,180,113,183	1,067,594,451,410	0.111%
2009-10	972,937,056	1,062,174,404,954	0.092%
2010-11	805,297,030	1,042,339,975,681	0.077%
2011-12	1,397,467,754	1,056,493,252,156	0.132%
2012-13	1,370,642,758	1,079,685,510,076	0.127%
2013-14	1,622,142,327	1,129,994,170,579	0.144%

Source: Los Angeles County Assessor 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 Tobacco Settlement Revenues (the "TSRs") paid by the tobacco companies participating in the Master Settlement Agreement. 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 \$260.0 million as of May 1, 2014 due to repayment activity in Fiscal Year 2013-14.

REPORTS AS OF JULY 1, 2013

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, 2014

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

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COUNTY OF LOS ANGELES COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE AS OF JULY 1, 2013					
Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2013-14	68,090,998	63,028,144	27,324,194	5,218,114	163,661,451
2014-15	70,021,480	65,957,535	26,513,038	4,916,449	167,408,502
2015-16	53,942,057	68,342,886	25,635,249	5,450,204	153,370,396
2016-17	43,951,208	57,364,871	21,865,780	5,518,936	128,700,795
2017-18	40,644,871	50,461,957	16,975,475	5,589,701	113,672,004
2018-19	41,455,314	50,467,524	16,976,475	5,661,666	114,560,979
2019-20	42,286,836	50,471,921	16,965,725	5,738,989	115,463,470
2020-21	42,225,703	50,429,239	16,957,350	5,811,030	115,423,321
2021-22	43,128,172	50,423,184	16,954,300	5,891,477	116,397,133
2022-23	44,068,146	50,420,052	16,951,625	1,964,679	113,404,502
2023-24	21,336,851	50,410,165	16,943,875	1,964,399	90,655,290
2024-25	21,329,246	50,403,888	16,933,500	1,964,880	90,631,514
2025-26	21,324,622	50,395,048	16,929,000	1,964,679	90,613,349
2026-27	21,319,857	50,391,691	16,918,875	1,965,037	90,595,460
2027-28	21,231,392	50,383,353	16,906,750	1,964,948	90,486,442
2028-29	20,926,862	50,371,753	16,905,750	1,964,757	90,169,122
2029-30	20,706,986	50,364,260	16,893,613	1,964,791	89,929,649
2030-31	20,699,541	50,345,701	9,432,600	1,964,040	82,441,882
2031-32	20,692,657	50,341,280	9,431,488	1,964,600	82,430,025
2032-33	20,686,831	50,331,926	6,918,000	1,964,522	79,901,279
2033-34	20,678,510	50,315,721	6,918,750	1,964,130	79,877,110
2034-35	20,671,547	50,309,705	-	1,964,544	72,945,796
2035-36	20,663,546	50,294,766	-	1,964,230	72,922,543
2036-37	20,654,663	50,283,745	-	1,964,430	72,902,838
2037-38	20,647,344	50,278,866	-	1,965,008	72,891,219
2038-39	20,637,744	50,259,691	-	1,964,508	72,861,944
2039-40	20,630,169	50,246,289	-	1,964,284	72,840,743
2040-41	20,621,310	50,237,761	-	1,964,726	72,823,797
2041-42	-	19,945,100	-	1,964,300	21,909,400
2042-43	-	19,948,218	-	1,964,607	21,912,825
Total	\$ 865,274,464	\$ 1,503,226,238	\$ 354,251,413	\$ 91,052,666	\$ 2,813,804,779

COUNTY OF LOS ANGELES OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE AS OF JULY 1, 2013					
Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2013-14	484,873,320	841,724,907	239,074,099	56,470,000	1,622,142,327
2014-15	447,567,848	821,829,997	223,014,357	54,297,828	1,546,710,029
2015-16	407,533,243	793,696,326	207,011,017	51,919,931	1,460,160,517
2016-17	383,051,657	761,775,789	191,140,940	48,892,308	1,384,860,693
2017-18	368,611,095	739,556,802	178,385,000	45,668,167	1,332,221,064
2018-19	357,889,063	723,352,176	170,020,000	42,241,165	1,293,502,404
2019-20	346,866,443	706,347,922	161,225,000	38,597,265	1,253,036,630
2020-21	335,526,942	688,476,303	151,990,000	34,717,435	1,210,710,679
2021-22	316,534,023	669,817,455	142,290,000	30,570,777	1,159,212,255
2022-23	287,603,559	650,368,047	132,110,000	26,135,498	1,096,217,104
2023-24	256,372,302	630,069,623	121,425,000	25,404,357	1,033,271,281
2024-25	246,679,815	608,863,906	110,200,000	24,636,008	990,379,729
2025-26	236,566,357	586,643,269	98,410,000	23,827,763	945,447,389
2026-27	225,981,235	563,319,690	86,020,000	22,978,277	898,299,202
2027-28	214,900,089	538,830,160	73,005,000	22,084,859	848,820,108
2028-29	203,377,909	513,114,829	59,335,000	21,145,717	796,973,455
2029-30	191,606,152	486,115,239	44,965,000	20,158,609	742,845,000
2030-31	179,476,720	457,762,435	29,895,000	19,120,845	686,255,000
2031-32	166,749,828	427,999,539	21,735,000	18,030,633	634,515,000
2032-33	153,395,098	396,740,964	13,170,000	16,883,939	580,190,000
2033-34	139,380,124	363,916,356	6,750,000	15,678,519	525,725,000
2034-35	124,674,529	329,453,785	-	14,411,686	468,540,000
2035-36	109,235,780	293,295,333	-	13,083,887	415,615,000
2036-37	93,021,347	255,401,290	-	11,697,363	360,120,000
2037-38	75,992,750	215,683,273	-	10,248,977	301,925,000
2038-39	58,166,190	174,133,219	-	8,735,591	241,035,000
2039-40	39,576,097	130,747,077	-	7,151,826	177,475,000
2040-41	20,198,169	85,416,324	-	5,490,508	111,105,000
2041-42	-	38,047,845	-	3,747,155	41,795,000
2042-43	-	19,481,371	-	1,918,629	21,400,000

Source: Los Angeles County Chief Executive Office

**COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2013**

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	\$ 13,830,000	\$ 13,830,000			
2002 Lease Rev Bonds Ser B:					
Downey Courthouse	\$ 1,060,121			\$ 1,060,121	
Sheriffs Training Academy	875,155	875,155			
San Fernando Court	1,465,824			1,465,824	
Total 2002 Lease Rev Bonds Ser B	\$ 3,401,100	\$ 875,155	\$ 0	\$ 2,525,945	\$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	\$ 769,641	\$ 769,641			
Alhambra Courthouse	580,471			\$ 580,471	
Burbank Courthouse	758,838			758,838	
Ameron Building (Sheriff Headquarters)	2,499,772	2,499,772			
Biscailuz Center	224,699	224,699			
Emergency Operations Center	1,958,551	1,958,551			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,484,907		\$ 1,484,907		
Martin Luther King Medical Center - Trauma Center	6,208,619		6,208,619		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	102,987		102,987		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,383,663		4,383,663		
Rancho Los Amigos Medical Center - Parking Structure	1,637,827		1,637,827		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	688,139		688,139		
San Fernando Valley Juvenile Hall	971,631	971,631			
LAC/USC Medical Center Marengo Street Parking Garage	2,592,333		2,592,333		
LAX Area Courthouse	6,916,272			6,916,272	
San Fernando Valley Courthouse (Chatsworth)	5,486,174			5,486,174	
Total 2005 Lease Rev Refg Bonds Ser A	\$ 37,264,525	\$ 6,424,283	\$ 17,098,477	\$ 13,741,756	\$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	\$ 3,347,721				\$ 3,347,721
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	\$ 1,191,313			\$ 1,191,313	
Lynwood Regional Justice Center	10,395,525	\$ 10,395,525			
Men's Central Jail - Twin Towers	9,807,275	9,807,275			
Van Nuys Courthouse	2,945,850			2,945,850	
Total 2006 Lease Rev Refg Bonds Ser A	\$ 24,339,963	\$ 20,202,800	\$ 0	\$ 4,137,163	\$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	\$ 6,919,331			\$ 6,919,331	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	\$ 183,412	\$ 183,412			
Patriotic Hall Renovation	296,178	296,178			
Olive View Medical Center ER/TB Unit	341,274		\$ 341,274		
Olive View Medical Center Seismic	140,591		140,591		
Harbor/UCLA Surgery/ Emergency	2,138,582		2,138,582		
Harbor/UCLA Seismic Retrofit	329,778		329,778		
Hall of Justice Rehabilitation	1,529,022	1,529,022			
Total 2010 Multiple Capital Projects I, Series A	\$ 4,958,837	\$ 2,008,612	\$ 2,950,226	\$ 0	\$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	\$ 1,166,023	\$ 1,166,023			
Patriotic Hall Renovation	1,882,916	1,882,916			
Olive View Medical Center ER/TB Unit	2,169,611		\$ 2,169,611		
Olive View Medical Center Seismic	893,795		893,795		
Harbor/UCLA Surgery/ Emergency	13,595,795		13,595,795		
Harbor/UCLA Seismic Retrofit	2,096,529		2,096,529		
Hall of Justice Rehabilitation	9,720,589	9,720,589			
Total 2010 Multiple Capital Projects I, Series B	\$ 31,525,258	\$ 12,769,528	\$ 18,755,731	\$ 0	\$ 0
2011 High Desert Solar Complex (Federally Taxable)	\$ 1,598,681	\$ 1,598,681			
2012 Refg COPs: Disney Parking Project	\$ 2,533,750	\$ 2,533,750			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	\$ 8,418,306		\$ 8,418,306		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,247,825		10,247,825		
Martin Luther King Jr. Data Center	325,459		325,459		
Fire Station 128	282,741			\$ 282,741	
Fire Station 132	457,303			457,303	
Fire Station 150	709,311			709,311	
Fire Station 156	421,038			421,038	
Total 2012 Multiple Capital Projects II, Series 2012	\$ 20,861,984	\$ 0	\$ 18,991,591	\$ 0	\$ 1,870,393
Total Long-Term Obligations	\$ 150,581,151	\$ 60,242,818	\$ 57,796,024	\$ 27,324,194	\$ 5,218,114
Intermediate-Term Obligations					
Equipment					
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 13,080,300	\$ 7,848,180	\$ 5,232,120		
Total Intermediate-Term Obligations	\$ 13,080,300	\$ 7,848,180	\$ 5,232,120	\$ 0	\$ 0
Total Obligations	\$ 163,661,451	\$ 68,090,998	\$ 63,028,144	\$ 27,324,194	\$ 5,218,114

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, 2013**

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	\$ 23,842,515	\$ 23,842,515			
2002 Lease Rev Bonds Ser B:					
Downey Courthouse	\$ 3,760,656			\$ 3,760,656	
Sheriffs Training Academy	3,104,508	\$ 3,104,508			
San Fernando Court	5,199,837			5,199,837	
Total 2002 Lease Rev Bonds Ser B	\$ 12,065,000	\$ 3,104,508	\$ 0	\$ 8,960,492	\$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	\$ 1,683,495	\$ 1,683,495			
Alhambra Courthouse	1,490,217			\$ 1,490,217	
Burbank Courthouse	2,755,450			2,755,450	
Ameron Building (Sheriff Headquarters)	3,846,005	3,846,005			
Biscailuz Center	341,733	341,733			
Emergency Operations Center	3,663,967	3,663,967			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	3,590,438		\$ 3,590,438		
Martin Luther King Medical Center - Trauma Center	19,849,497		19,849,497		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	207,264		207,264		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	12,402,901		12,402,901		
Rancho Los Amigos Medical Center - Parking Structure	4,629,544		4,629,544		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	1,365,968		1,365,968		
San Fernando Valley Juvenile Hall	2,403,654	2,403,654			
LAC/USC Medical Center Marengo Street Parking Garage	7,331,926		7,331,926		
LAX Area Courthouse	68,948,745			68,948,745	
San Fernando Valley Courthouse (Chatsworth)	54,604,195			54,604,195	
Total 2005 Lease Rev Refg Bonds Ser A	\$ 189,115,000	\$ 11,938,855	\$ 49,377,538	\$ 127,798,607	\$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	\$ 26,040,000				\$ 26,040,000
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	\$ 4,005,000			\$ 4,005,000	
Lynwood Regional Justice Center	22,565,000	\$ 22,565,000			
Men's Central Jail - Twin Towers	21,350,000	21,350,000			
Van Nuys Courthouse	7,860,000			7,860,000	
Total 2006 Lease Rev Refg Bonds Ser A	\$ 55,780,000	\$ 43,915,000	\$ 0	\$ 11,865,000	\$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	\$ 90,450,000			\$ 90,450,000	
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
2011 High Desert Solar Complex (Federally Taxable)	\$ 11,799,812	\$ 11,799,812			
2012 Refg COPs: Disney Parking Project	\$ 50,675,000	\$ 50,675,000			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	\$ 136,960,000		\$ 136,960,000		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	166,725,000		166,725,000		
Martin Luther King Jr. Data Center	5,295,000		5,295,000		
Fire Station 128	4,600,000			\$ 4,600,000	
Fire Station 132	7,440,000			7,440,000	
Fire Station 150	11,540,000			11,540,000	
Fire Station 156	6,850,000			6,850,000	
Total 2012 Multiple Capital Projects II, Series 2012	\$ 339,410,000	\$ 0	\$ 308,980,000	\$ 0	\$ 30,430,000
Total Long-Term Obligations	\$ 1,590,082,327	\$ 465,637,320	\$ 828,900,907	\$ 239,074,099	\$ 56,470,000
Intermediate-Term Obligations					
Equipment					
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 32,060,000	\$ 19,236,000	\$ 12,824,000		
Total Intermediate-Term Obligations	\$ 32,060,000	\$ 19,236,000	\$ 12,824,000	\$ 0	\$ 0
Total Obligations	\$ 1,622,142,327	\$ 484,873,320	\$ 841,724,907	\$ 239,074,099	\$ 56,470,000

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, 2014**

Title	Outstanding Principal	Total Future Payments	2013-14 FY Payment Remaining
Long-Term Obligations			
Long-Term Capital Projects			
1993 COPs: Disney Parking Project	\$ 20,437,430	\$ 108,015,000	\$ 0
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	9,305,000	10,443,200	279,150
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	160,345,000	218,894,550	3,908,378
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	26,040,000	32,081,786	2,756,361
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	33,450,000	34,646,544	0
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	87,820,000	138,370,391	0
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	102,900,000	118,704,794	0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,262,075,452 (1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	10,317,599	10,959,550 (1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	70,965,500	0
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	339,330,000	630,291,250	0
Total Long-Term Obligations	\$ 1,528,625,029	\$ 2,635,448,016	\$ 6,943,888
Intermediate-Term Obligations			
Equipment			
2011 Lease Rev Bonds Series A - LAC-CAL Equipment Program	\$ 25,350,000	\$ 27,324,025	\$ 5,684,825
Total Intermediate-Term Obligations	\$ 25,350,000	\$ 27,324,025	\$ 5,684,825
Total Obligations	\$ 1,553,975,029	\$ 2,662,772,041	\$ 12,628,713
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, 2014		
Full Cash Value (2013-14): \$1,002,929,749,280 (after deducting \$150,188,266,124 redevelopment incremental valuation; including unitary utility valuation)		
	Applicable %	Debt as of 5/1/14
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County Flood Control District	100.000 %	\$ 17,480,000
Metropolitan Water District	48.548	64,216,867
Los Angeles Community College District	100.000	3,642,560,000
Other Community College Districts	Various (1)	2,404,800,489
Arcadia Unified School District	100.000	165,906,030
Beverly Hills Unified School District	100.000	212,000,399
Glendale Unified School District	100.000	158,699,986
Long Beach Unified School District	100.000	536,547,292
Los Angeles Unified School District	100.000	10,618,110,000
Pasadena Unified School District	100.000	360,460,000
Pomona Unified School District	100.000	202,359,426
Redondo Beach Unified School District	100.000	205,432,952
Santa Monica-Malibu Unified School District	100.000	291,068,787
Torrance Unified School District	100.000	269,613,018
Other Unified School Districts	Various (1)	2,875,114,367
High School and School Districts	Various (1)	1,843,704,606
City of Los Angeles	100.000	991,940,000
City of Industry	100.000	126,265,000
Other Cities	100.000	79,085,000
Palmdale Water District Water Revenue Bonds	100.000	55,742,931 (2)
Palos Verdes Library District	100.000	3,530,000
Community Facilities Districts	100.000	764,689,023
Los Angeles County Regional Park & Open Space Assessment District	100.000	113,615,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	108,422,262
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 26,111,363,435
Less: Palmdale Water District Water Revenue Bonds supported by net operating revenues		(35,675,475)
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		26,075,687,960
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	100.000 %	\$ 1,814,000,030
Los Angeles County Office of Education Certificates of Participation	100.000	9,529,882
Community College District Certificates of Participation	Various (3)	50,047,729
Baldwin Park Unified School District Certificates of Participation	100.000	40,875,000
Compton Unified School District Certificates of Participation	100.000	26,675,000
Los Angeles Unified School District Certificates of Participation	100.000	365,858,657
Paramount Unified School District Certificates of Participation	100.000	27,375,213
Other Unified School District Certificates of Participation	Various (3)	140,163,255
High School and Elementary School District General Fund Obligations	Various (3)	140,798,894
City of Beverly Hills General Fund Obligations	100.000	188,260,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,773,605,479
City of Long Beach General Fund Obligations	100.000	173,790,000
City of Long Beach Pension Obligations	100.000	45,675,000
City of Pasadena General Fund Obligations	100.000	483,196,382
City of Pasadena Pension Obligations	100.000	133,905,000
Other Cities' General Fund Obligations	100.000	1,302,465,161
Los Angeles County Sanitation Districts Financing Authority	100.000	205,563,658
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 6,921,784,340
Less: Los Angeles County Lease Revenue Bonds supported by landfill revenues		(5,491,835)
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds		(5,052,000)
Cities' self-supporting bonds		(523,774,229)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 6,387,466,276
OVERLAPPING TAX INCREMENT DEBT: (Successor Agency):		\$ 4,603,503,989
TOTAL GROSS DIRECT DEBT		\$ 1,814,000,030
TOTAL NET DIRECT DEBT		\$ 1,808,508,195
TOTAL GROSS OVERLAPPING DEBT		\$ 35,822,651,734
TOTAL NET OVERLAPPING DEBT		\$ 35,258,150,030
GROSS COMBINED TOTAL DEBT		\$ 37,636,651,764 (4)
NET COMBINED TOTAL DEBT		\$ 37,066,658,225
<p>(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.</p> <p>(2) Palmdale Water District Water Revenue Bonds are partially supported by the 1% ad valorem property tax levy</p> <p>(3) 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.</p> <p>(4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue 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.</p>		
RATIOS TO 2013-14 ASSESSED VALUATION		
Total Gross Overlapping Tax and Assessment Debt	2.28 %	
Total Net Overlapping Tax and Assessment Debt	2.28 %	
Gross Combined Direct Debt (\$1,814,000,030)	0.16 %	
Net Combined Direct Debt (\$1,808,508,195)	0.16 %	
Gross Combined Total Debt	3.26 %	
Net Combined Total Debt	3.21 %	
Ratios to Redevelopment Incremental Valuation (\$150,188,266,124):		
Total Overlapping Tax Increment Debt	3.07 %	
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 2013 Gross Product of \$583.9 billion, Los Angeles County's economy is larger than that of 43 states and all but 20 countries. The 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. While still working through the effects of a severe recession, the County's economy experienced continued growth in 2013, with an increase of 1.1% in economic output (as measured by Gross Product), a 1.8% increase in personal income and a 2.9% increase in taxable retail sales. The economic recovery is expected to continue in 2014, with several sectors of the local economy experiencing growth.

The County's unemployment rate averaged 9.8% in 2013, which represents an improvement from its 2012 unemployment rate of 11%. In 2014 and 2015, the job market is expected to show continued improvement, with a projected decline in the unemployment rate to 8.7% and 7.8%, respectively. The significant job losses which occurred during the recession of 2008 and 2009 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 cost-effective financing programs and incentives provided by the Federal government, local governments and 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 the County are engaged in building programs to meet stricter earthquake standards and other regulatory requirements. These major construction projects, combined with the terminal expansions under way at the two primary sea ports (Los Angeles and Long Beach), the expansion of the Bradley International Terminal at the Los Angeles International Airport ("LAX"), and the expansion of the Metro Light Rail System have provided continued support to an improving job market in the County.

In terms of its industrial base, diversity continues to be the 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 the 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 360,800 workers employed in this sector in 2013. 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 largest among the world's port facilities. The County's technology sector, which employed 186,400 in 2013, has become a large and growing source of highly compensated jobs in the local economy.

Quality of Life

Higher Education

The 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

The 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. The 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.

The 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. Construction on the new Broad Museum of Contemporary Art is underway with an expected completion date in late 2014. The 3-story structure is located adjacent to the iconic Walt Disney Concert Hall, and will further strengthen and help establish downtown Los Angeles as a premiere cultural destination on the west coast.

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, BCS College Football National Championship, and the Super Bowl.

Population

The County is the most populous county in the U.S. with over 10 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 26.2% of the total population of California. The demographic profile of the County indicates that 48.2% of the population is Hispanic and 51.8% non-Hispanic. 27.3% of the County's population are White, 14.9% are Asian-Pacific Islander, and 9.3% are African American. 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, the 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 76.4% of the adult population has a high school diploma or higher, and 29.5% 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, affected the entire nation and had a significant adverse impact on the local economy. The unemployment rate climbed to 12.6% in 2010, but gradually decreased over the last three years to 9.8% in 2013. In comparison, the average unemployment rates for the State of California and the nation in 2013 were 8.9% and 7.4%, respectively. The employment situation in the County showed signs of improvement in 2013, with estimated total net job growth of 61,600 among the various sectors of the local economy. In 2014, total non-farm employment is projected to grow by 1.6% (61,900 jobs), resulting in a lower unemployment rate of 8.7%. Table F details the non-agricultural employment statistics by sector for the County from 2009 through 2013.

Personal Income

Total personal income grew in the County by an estimated 1.8% in 2013. The 2013 total personal income of \$451.1 billion represents an estimated 24.9% of the total personal income generated in California. The Los Angeles Economic Development Corporation ("LAEDC") is projecting continued growth in personal income of 4.5% for 2014 and 4.7% for 2015. Table C provides a summary of the personal income statistics for the County from 2009 through 2013.

Consumer Spending

The County is a national leader in consumer spending. As forecasted by LAEDC, the County experienced a 2.9% increase in taxable retail sales in 2013, with continued growth of 3.8% projected for 2014. The forecasted \$101.2 billion of taxable retail

sales in the County in 2013 represents over 25.6% of the total retail sales in California. Table D provides a summary of taxable retail sales activity in the County from 2009 through 2013.

Industry

With an estimated annual economic output of \$583.9 billion in 2013, the County continues to rank among the world's largest economies. The County's 2013 Gross Product represents approximately 28.1% of the total economic output in California and 3.5% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in technology, electronics, energy, communications, and entertainment. The top industries in the manufacturing sector include computer and electronics, apparel, transportation equipment, fabricated metal products, and food. Table A provides the Gross Product statistics for the County from 2009 through 2013.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, the 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 steady growth over the previous decade, resulting in a record level of \$355.8 billion in 2008. After suffering a decline in growth in 2009, LACD's value of two-way trade has increased over the last several years. From 2010 to 2012, the value of two-way trade at LACD increased by 17% which surpassed the record level attained in 2008. LACD continued this trend in 2013 handling approximately \$503.1 billion worth of international trade, which represents a 3.1% increase from 2012. Based on the latest LAEDC projections, international trade is expected to well exceed \$510 billion in 2014, with continued growth projected for 2015. The LACD maintained its ranking as the top customs district in the nation for international trade in 2013, with China, Japan, South Korea, Taiwan and Thailand being the top trading partners. The LAEDC has projected an increase of 3% for 2014 in the value of international trade handled through the LACD.

Transportation/Infrastructure

The 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 2013, LAX served 66.7 million passengers, representing a 4.7% increase from the previous year. The 1.9 million tons of air cargo handled at LAX in 2013, and the corresponding value of \$86.9 billion, represents a decrease of 1.9% from 2012 levels. A \$4.1 billion capital improvement project is currently underway at LAX, which is expected to generate approximately 40,000 local jobs. Long Beach Airport just completed the construction of a new 74,000 square feet passenger concourse at a cost of \$45 million which is projected to increase the airport's passenger levels over the next few years. Bob Hope Airport is in the planning stage of replacing its passenger concourse with a new state of the art

facility. Construction is scheduled to begin on the new concourse in 2016.

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 are 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 2013, the port complex experienced a 3.4% increase in the volume of cargo from 2012, and is projecting continued growth in 2014 and 2015.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2013, it was ranked as the busiest container port in the United States for the thirteenth 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 24 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2013, the Port handled over 7.9 million TEUs, which represents a 2.5% decrease in container volume from 2012.

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 covers over 3,200 acres with 10 separate piers, 80 berths, 66 cranes and 22 shipping terminals. In 2013, the port handled over 6.7 million TEUs of container cargo, which represents an increase of 11.7% from 2012.

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 the County. The Fiscal Year 2013-14 operating budget for the MTA is \$5.0 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 2013, the Los Angeles region hosted a record high 28.5 million overnight visitors, representing a 2.2% increase from 2012. The newly built hotels in downtown Los Angeles 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 2013, with tourists and business travelers spending in excess of \$17 billion.

Real Estate and Construction

The County's residential housing market experienced a significant downturn starting in late 2007. The average median price for new and existing homes decreased by nearly 46% from a peak of \$532,281 in 2007 to a cyclical low of \$290,015 in January 2012. However, the real estate market stabilized in 2012, and began to show signs of a recovery, as the average median home price increased by 17.0% from the first quarter to the fourth quarter of 2012 (\$301,239 to \$352,544). In 2013, the real estate market experienced continued growth, as the average median home price increased by 22.1% to \$430,343 in the fourth quarter of 2013. After a record high of 105,433 in 2009, notices of default recorded decreased by 80% to 20,970 in 2013, and have leveled off at a rate of approximately 1,750 per month over the previous year. Foreclosures, as measured by the number of trustee deeds recorded, decreased by over 82% from a cyclical high of 39,774 in 2008 to 7,248 in 2013. The number of trustee deeds recorded in 2013 represents a 58% decrease from the 17,123 recorded in 2012. The positive foreclosure trend accelerated in 2013, as the number of trustee deeds recorded was only 1,448 in the 4th quarter of 2013. The County's residential real estate market is expected to show continued improvement in 2014.

Despite the severe downturn in the housing market from 2007 to 2011, the County has maintained relatively 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 2013-14, the County Assessor reported a Net Local Roll of \$1.13 trillion, which represents a 7.0% increase from the Net Local Roll of \$1.056 trillion in Fiscal Year 2011-12 and 4.7% increase from the Net Local Roll of \$1.08 trillion in Fiscal Year 2012-13.

The commercial real estate sector experienced modest improvement in 2013, which is expected to continue in 2014. Construction lending experienced a significant increase of 39% from \$4,601 billion in 2012 to \$6,379 billion in 2013. Office market vacancy rates were essentially unchanged from 2012 to 2013, with the average vacancy rate increasing slightly from 16.7% to 16.9%, which is still significantly higher than the 9.7% rate in 2007, prior to the severe economic downturn. Industrial market vacancy rates experienced continued improvement in 2013, decreasing from 2.1% in 2012 to 1.9% in 2013, which is slightly higher than the 1.5% vacancy rate in 2007. A Korean conglomerate has broken ground on a new skyscraper in Downtown Los Angeles, which will become the tallest building in the western United States when completed in 2017. The 73-story, 1,100-foot tall structure, which will include a hotel, office space and condos, represents a \$1.1 billion private investment in area of the County that is currently experiencing robust growth and development.

GROSS PRODUCT

POPULATION LEVELS

TOTAL PERSONAL INCOME

TAXABLE RETAIL SALES

UNEMPLOYMENT RATES

AVERAGE ANNUAL EMPLOYMENT

SUMMARY OF AIRPORT AND PORT ACTIVITY

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

TOTAL TONNAGE OF MAJOR WEST COAST PORTS

INTERNATIONAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS

REAL ESTATE AND CONSTRUCTION INDICATORS

BUILDING PERMITS AND VALUATIONS

LARGEST PRIVATE SECTOR EMPLOYERS

DRAFT

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Los Angeles County	\$530,021	\$543,740	\$557,500	\$577,500	\$583,900
State of California	1,847,044	1,901,072	1,958,900	2,045,700	2,075,500
United States	13,939,000	14,526,500	15,094,000	15,653,370	16,724,300
Los Angeles County as a % of California	28.70%	28.60%	28.46%	28.23%	28.13%

Source: Los Angeles Economic Development Corporation - 2013-14 Economic Forecast and Industry Outlook February 2014

TABLE B: POPULATION LEVELS

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Los Angeles County	9,805,200	9,825,100	9,860,900	9,945,000	10,019,400
State of California	37,077,200	37,309,400	37,570,100	37,826,400	38,204,600
Los Angeles County as a % of California	26.45%	26.33%	26.25%	26.29%	26.23%

Source: Los Angeles Economic Development Corporation - 2013-2014 Economic Forecast and Industry Outlook February 2014

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Los Angeles County	\$394,900	\$404,000	\$424,800	\$443,100	\$451,100
Orange County	145,900	147,200	154,800	161,700	165,100
Riverside and San Bernardino Counties	123,200	126,300	133,800	138,800	141,800
Ventura County	36,000	37,000	39,300	40,800	42,400
State of California	1,536,400	1,579,100	1,683,200	1,768,000	1,810,500
Los Angeles County as a % of California	25.70%	25.58%	25.24%	25.06%	24.92%

Source: Los Angeles Economic Development Corporation - 2013-2014 Mid-Year Economic Forecast and Industry Outlook February 2014

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Los Angeles County	\$78,400	\$82,200	\$89,300	\$98,400	\$101,200
State of California	311,200	326,800	355,500	379,000	395,900
Los Angeles County as a % of California	25.19%	25.15%	25.12%	25.96%	25.56%

Source: Los Angeles Economic Development Corporation - 2013-2014 Economic Forecast and Industry Outlook February 2014

TABLE E: UNEMPLOYMENT RATES

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Los Angeles County	11.6%	12.6%	12.3%	11.0%	9.8%
State of California	11.3%	12.4%	11.8%	10.5%	8.9%
United States	9.3%	9.6%	8.9%	8.1%	7.4%

Source: Los Angeles Economic Development Corporation - 2013-2014 Economic Forecast and Industry Outlook February 2014

TABLE F: ESTIMATED AVERAGE ANNUAL EMPLOYMENT IN LOS ANGELES COUNTY BY SECTOR**Non-Agricultural Wage and Salary Workers (in thousands)**

Employment Sector	2009	2010	2011	2012	2013
Government	595.8	579.6	565.5	556.8	550.0
Wholesale & Retail Trade	591.5	588.7	595.9	607.7	610.3
Health Care & Social Assistance	404.6	410.9	419.2	428.2	437.4
Manufacturing	389.2	373.2	366.8	365.7	360.8
Leisure & Hospitality	385.6	384.8	394.6	414.1	433.0
Professional, Scientific & Technical Services	250.2	245.6	255.3	267.0	276.8
Administrative & Support Services	225.3	228.7	232.4	244.1	253.6
Information	191.2	191.5	191.9	190.3	193.9
Transportation & Utilities	151.2	150.6	151.8	154.3	153.9
Finance & Insurance	142.3	137.8	136.8	138.6	140.2
Construction	117.3	104.5	105.0	108.8	116.2
Educational Services	110.1	111.1	114.2	116.1	122.0
Real Estate	73.8	71.7	71.6	71.7	75.4
Management of Enterprises	54.4	53.2	55.3	56.1	57.0
Other	140.8	141.4	142.2	144.8	145.4
Total	3,823.3	3,773.3	3,798.5	3,864.3	3,925.9

Source: Los Angeles Economic Development Corporation - 2013-2014 Economic Forecast and Industry Outlook February 2014

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

Type of Activity	2009	2010	2011	2012	2013
International Air Cargo (Tons)					
Los Angeles International Airport	916.0	1,125.2	1,080.7	1,135.8	1,119.0
As Percentage of Total Air Cargo	50.98%	67.63%	57.80%	57.85%	58.10%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,796.5	1,663.9	1,869.6	1,963.2	1,926.1
Long Beach Airport	35.1	29.0	28.2	27.0	26.9
Bob Hope Airport (Burbank)	42.9	44.4	43.9	47.4	52.9
Total	1,874.5	1,737.2	1,941.8	2,037.6	2,005.8
International Air Passengers					
Los Angeles International Airport	15,100.9	15,936.0	16,731.3	17,152.9	17,852.1
As Percentage of Total Passengers	26.72%	26.98%	27.05%	26.93%	26.78%
Total Air Passengers					
Los Angeles International Airport	56,520.9	59,070.1	61,862.5	63,688.1	66,667.6
Long Beach Airport	1,466.5	1,460.0	1,532.4	1,643.4	1,497.5
Bob Hope Airport (Burbank)	4,588.4	4,461.3	3,942.3	3,725.5	3,844.1
Total	62,575.8	64,991.4	67,337.2	69,057.0	72,009.2
Container Volume (TEUs)					
Port of Los Angeles	6,749.0	7,831.9	7,940.5	8,077.7	7,868.6
Port of Long Beach	5,067.6	6,263.5	6,061.1	6,045.7	6,730.6
Total	11,816.6	14,095.4	14,001.6	14,123.4	14,599.2

Source: Los Angeles World Airports, LAX - Statistics; Burbank Airport - Statistics; Long Beach 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	2009	2010	2011	2012	2013
Los Angeles, CA	\$340,200	\$417,100	\$467,600	\$487,900	\$503,100
New York, NY	\$288,900	\$354,500	\$418,000	\$412,200	\$410,700
Laredo, TX	\$145,600	\$184,200	\$214,500	\$237,300	\$251,100
Houston, TX	\$164,900	\$208,400	\$263,200	\$268,200	\$247,100
Detroit, MI	\$168,000	\$215,100	\$239,400	\$246,300	\$239,100
New Orleans, LA	\$142,300	\$182,700	\$222,700	\$230,700	\$218,200
Seattle, WA	\$119,800	\$136,800	\$154,800	\$167,900	\$178,000
Chicago, IL	\$112,200	\$138,400	\$147,900	\$154,700	\$162,600
Savannah, GA	\$86,900	\$106,600	\$124,900	\$131,000	\$127,000
San Francisco, CA	\$87,000	\$107,700	\$120,400	\$120,200	\$124,800

Source: Los Angeles Economic Development Corporation - 2013 International Trade Report

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

Port	2009	2010	2011	2012	2013
Los Angeles-Long Beach, CA	167,866	193,591	199,509	201,706	207,241
Tacoma, WA	28,701	27,507	28,428	30,975	31,823
Oakland, CA	27,872	29,475	30,285	30,305	30,907
Seattle, WA	25,070	31,337	29,856	25,549	18,120
Portland, OR	16,348	19,661	19,140	17,948	13,516
Kalama, WA	9,065	11,653	11,570	10,199	9,305
San Diego, CA	3,506	4,074	4,287	4,822	5,168
Port Hueneme	2,998	3,356	4,095	4,520	4,921
Vancouver, WA	5,135	6,110	6,198	4,915	2,001

Source: Los Angeles Economic Development Corporation - 2013 International Trade Report

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

Port	2009	2010	2011	2012	2013
Los Angeles-Long Beach, CA	11,817	14,095	14,002	14,124	14,600
New York, NY	4,562	5,292	5,503	5,530	5,467
Savannah, GA	2,357	2,825	2,945	2,966	3,034
Oakland, CA	2,045	2,330	2,343	2,344	2,347
Seattle, WA	1,585	2,140	2,034	1,869	2,224
Norfolk, VA	1,745	1,895	1,918	2,106	1,950
Charleston, SC	1,368	1,280	1,380	921	1,892
Houston, TX	1,797	1,812	1,866	1,786	1,601
Tacoma, WA	1,546	1,455	1,489	1,455	1,593

Source: Los Angeles Economic Development Corporation - 2013 International Trade Report

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

Indicator	2009	2010	2011	2012	2013
1. Construction Lending (in millions)	\$ 2,465	\$ 2,128	\$ 3,258	\$ 4,601	\$ 6,379
2. Residential Purchase Lending (in millions)	\$ 22,111	\$ 22,491	\$ 20,469	\$ 23,675	\$ 27,907
3. New & Existing Median Home Prices	\$ 321,550	\$ 335,363	\$ 316,469	\$ 330,463	\$ 412,096
4. New & Existing Home Sales	81,072	77,313	74,216	83,686	84,034
5. Notices of Default Recorded	105,433	68,603	64,490	49,354	20,970
6. Unsold New Housing (at year-end)	1,629	1,997	1,517	845	561
7. Office Market Vacancy Rates	16.0%	17.0%	17.0%	16.7%	16.9%
8. Industrial Market Vacancy Rates	3.3%	3.2%	2.9%	2.1%	1.9%

Source: Real Estate Research Council of Southern California - 4th Quarter 2013

TABLE L: BUILDING PERMITS AND VALUATIONS

	2009	2010	2011	2012	2013
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	2,131	2,439	2,370	2,756	3,599
b. Multi-Family	3,522	5,029	8,033	7,950	12,631
Total Residential Building Permits	5,653	7,468	10,403	10,706	16,230
Building Valuations					
2. Residential Building Valuations (in millions of \$)					
a. Single Family	\$ 798	\$ 922	\$ 1,032	\$ 1,128	\$ 1,507
b. Multi-Family	522	811	1,222	1,416	1,921
c. Alterations and Additions	1,073	1,110	1,122	674	1,193
Residential Building Valuations Subtotal	\$ 2,393	\$ 2,843	\$ 3,376	\$ 3,218	\$ 4,621
3. Non-Residential Building Valuations (in millions of \$)					
a. Office Buildings	\$ 192	\$ 133	\$ 156	\$ 38	\$ 246
b. Retail Buildings	222	263	223	115	385
c. Hotels and Motels	11	28	24	5	145
d. Industrial Buildings	40	56	136	169	128
e. Alterations and Additions	1,658	1,662	1,774	1,095	2,012
f. Other	551	535	806	381	669
Non-Residential Building Valuations Subtotal	\$ 2,674	\$ 2,677	\$ 3,119	\$ 1,803	\$ 3,585
Total Building Valuations (in millions)	\$ 5,067	\$ 5,520	\$ 6,495	\$ 5,021	\$ 8,206

Source: Real Estate Research Council of Southern California - 4th Quarter 2013

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

Company (in order of 2013 Ranking)	Industry	Headquarters	No. of Employees	
			L.A. County	Total
1 Kaiser Permanente	Health Care Provider	Oakland, CA	36,495	174,870
2 Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	16,100	68,000
3 Target Corp.	Retailer	Minneapolis, MN	15,000	361,000
4 University of Southern California	Education-Private University	Los Angeles, CA	14,525	14,525
5 Bank of America Corp.	Banking and Financial Services	Charlotte, NC	13,746	260,000
6 Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	13,500	N/A
7 Providence Health & Services	Health Care	Renton, WA	10,983	N/A
8 Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	10,663	10,663
9 Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,630	340,000
10 Walt Disney Co.	Entertainment	Burbank, CA	10,500	166,000
11 Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	10,463	161,173
12 Wells Fargo	Diversified Financial Services	San Francisco, CA	10,100	N/A
13 AT&T Inc.	Telecommunications	Dallas, TX	8,900	245,000
14 UPS	Transportation and Freight	Atlanta, GA	8,845	399,000
15 California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,649	8,900
16 ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,200	95,000
17 American Apparel, Inc.	Apparel Manufacturer and Retailer	Los Angeles, CA	7,960	12,000
18 Edison International	Electric Utility	Rosemead, CA	7,850	16,593
19 Vons	Grocery Retailer	Pleasanton, CA	7,750	25,300
20 FedEx Corp.	Shipping and Logistics	Memphis, TN	7,700	244,300
21 Warner Bros. Entertainment Inc.	Entertainment	Burbank, CA	7,400	N/A
22 Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	6,793	68,000
23 JP Morgan Chase	Banking and Financial Services	New York, NY	6,300	254,000
24 Dignity Health	Hospitals	San Francisco, CA	6,106	53,347
25 Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,000	18,000

N/A - Not Available

Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, September 2013

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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

Definitions

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

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

“Additional Rental” means the amounts specified as such the Lease.

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

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

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

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

“Bonds” means the bonds executed by the Lessor and authenticated and delivered by the Trustee pursuant to the Indenture.

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

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

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

“Cede & Co.” means Cede & Co., the initial Nominee of DTC.

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

“Code” means the Internal Revenue Code of 1986.

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

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

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

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

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

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

“Equipment” means all Equipment Components identified in the Lease, as the same may be amended from time to time.

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

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

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

“Fitch” means Fitch Ratings, New York, New York, its successors and assigns.

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

“Insurance Proceeds Fund” means the fund established pursuant to the Indenture.

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

“Interest Payment Date” means June 1 and December 1 in each year, commencing on December 1, 2014, except that if such date is on a date which is not a Business Day then payment will be made on the next succeeding Business Day without incurring additional interest.

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

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

“Lease Payment Date” means a date on or before each Interest Payment Date.

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

“Lessee” means the County of Los Angeles.

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

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

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

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

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

“Outstanding” when used as of any particular time with respect to any Bond, means any Bonds previously executed by the Lessor and authenticated and delivered by the Trustee under the Indenture, except: (1) any Bond previously canceled by the Trustee or surrendered to the Trustee for cancellation; (2) any Bond for the payment or redemption of which funds and/or investments of the type described in clause (A) of the definition of Qualified Investments in the necessary amount shall have been deposited with the Trustee (whether on or prior to the maturity or redemption date of such Bond (as provided in the Indenture)); (3) any Bond purchased by the Lessor and surrendered to the Trustee for cancellation; (4) any Bond in lieu of or in exchange for which another Bond or other Bonds shall have been executed by the Lessor and authenticated and delivered by the Trustee pursuant to the Indenture; (5) any Bond that is more particularly described in the Indenture that is not presented for payment, when the principal becomes due; and (6) any Bond for which a notice of redemption shall have been given and for which money for its redemption shall have been set aside as provided in the Indenture.

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

“Principal Corporate Trust Office” means the office of the Trustee at the address set forth in the Indenture, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Principal Payment Date” means June 1 and December 1 in each year, commencing on _____1, 20__, except that if such date is on a date which is not a Business Day then payment will be made on the next succeeding Business Day without incurring additional interest.

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

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

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

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

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

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

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

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

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

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

(5) Investments in a money market fund that is either (i) restricted to investing in securities described in clause (a) above or (ii) rated “AAAm” or “AAAm-G” or better by S&P;

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

above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate;

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

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

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

(10) The Los Angeles County Treasury Pool; and

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

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

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

“Rental Payments” means the Base Rental plus the Additional Rental payments.

“Reserve Fund” means the fund established pursuant to the Indenture.

“Reserve Requirement” means, as of any date of calculation, the lessor of (i) \$1,000,000 or (ii) the total remaining unpaid principal and interest on the Bonds.

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

“State” means the State of California.

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

“Term” or “Term of the Lease” has the meaning set forth in the Lease.

“Trustee” means U.S. Bank National Association, and its successors and assigns.

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

THE INDENTURE

Acquisition Fund

There shall be established in trust a special fund designated as the “Acquisition Fund,” which shall consist of a General Account and a Costs of Issuance Account. There shall be deposited into the General Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall, on behalf of the Lessor, transfer from the General Account on the Closing Date to the Lessor the amount necessary to pay and redeem the BANs. If there shall remain any balance of money in the General Account following the retirement in full of the BANs, all money so remaining shall be transferred by the Trustee, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement, and the excess, if any, of such amount shall be transferred to the Base Rental Account. There shall be deposited in the Costs of Issuance Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall disburse money from the Costs of Issuance Account to pay Costs of Issuance promptly after receipt of, and in accordance with, a written direction of a Lessor Representative pursuant to the Indenture. Any funds remaining in the Costs of Issuance Account on the date on which the Lessor Representative has notified the Trustee in writing that all Costs of Issuance have been paid shall be transferred, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, thereafter, to the Bond Fund.

Bond Fund

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

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

Any amounts remaining in the Base Rental Account on any Interest Payment Date or Principal Payment Date after the transfers referred to in the provisions relating to the Interest Account and the Principal Account in the following paragraph shall have been made, other than money held for Bonds not surrendered, shall be deposited into the following funds and accounts in the order of priority indicated: (i) the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement, and (ii) the Interest Account to the extent necessary to make the total amount on deposit in the Interest Account equal to the amount of interest due on the Bonds on the next succeeding Interest Payment Date or redemption date.

Amounts not required to be so deposited shall be remitted to the Lessee except that, as provided above, any remaining money representing delinquent Base Rental and any proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account.

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

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

Reserve Fund

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

Earnings Fund

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

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

Insurance Proceeds Fund

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

Investments Authorized

Except as otherwise provided in the Indenture, money held by the Trustee in any fund or account under the Indenture shall be invested by the Trustee in such Qualified Investments as the Lessor shall direct in

writing or shall confirm in writing pending application as provided in the Indenture, provided that amounts in the Reserve Fund shall be invested in Qualified Investments that will mature not more than five years after the date the Reserve Fund acquires the investment. The Qualified Investments shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee. Absent timely written directions from the Lessor, the Trustee shall invest any funds held under the Indenture by it in securities described in subsection (5) of the definition of Qualified Investments. The Lessor agrees that it will give direction to invest or confirm investments only in Qualified Investments and the Trustee shall have no obligation to inquire into the accuracy of the Lessor's determination that such investments are Qualified Investments. Absent direction from the Lessor to the contrary, the Trustee may commingle any of the funds held by it pursuant to the Indenture into a separate fund or funds for investment purposes only; provided, however, that all funds and accounts held by the Trustee shall be accounted for separately notwithstanding such commingling by the Trustee, including separate accounting of the earnings on such commingled investments. The Trustee may purchase or sell to itself or any affiliate, principal or agent, investments authorized by this paragraph. Any investments and reinvestment shall be made giving full consideration to the time at which funds are required to be available under the Indenture and, subject to the Tax Certificate, to the highest yield practicably obtainable giving due regard to the safety of the funds and the date upon which the funds will be required for the uses and purposes required by the Indenture. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment or as a sponsor or advisor with respect to any investment. The Lessor acknowledges that to the extent the Comptroller of the Currency or other applicable regulatory entity grants the Lessor the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the Lessor specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Lessor periodic cash transaction statements which will include detail for all investment transactions made by the Trustee under the Indenture.

Provisions Relating to the Trustee

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

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

The Trustee or any successor may at any time resign by giving written notice to the Lessor and by giving notice by first class mail, postage prepaid, to the Bondowners of its intention to resign and of the proposed date of resignation, which shall be a date not less than 45 days after mailing of the notice, unless an earlier appointment of a successor trustee shall have been affected. Upon receiving the notice of resignation,

the Lessor shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Lessor fails to appoint a successor Trustee within 30 days following receipt of the written notice of resignation or following its removal of the Trustee, the retiring Trustee may, at the expense of the Lessor, petition the appropriate court having jurisdiction to appoint a successor Trustee.

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

Amendments

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

Amendments to Lease. The Lease may be amended in writing by agreement among the parties to the Indenture. The Lease may be modified or amended at any time, and the Trustee may consent to such modification or amendment without the consent of any Bondowners, if such modification or amendment is (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture; (b) in regard to questions arising under the Lease which the Lessee and the Lessor may deem necessary or desirable and not inconsistent with the Lease and which shall not adversely affect the interests of the Bondowners then Outstanding; (c) to modify or amend the equipment description set forth in Exhibit B to the Lease to reflect the substitution of Equipment Components; (d) to modify or amend Exhibit A to the Lease to reflect the acquisition of Equipment Components after the Closing Date, if applicable; (e) to modify or amend Exhibit A to the Lease to reflect the prepayment of Base Rental pursuant to the Lease; or (f) for any other reason; provided such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and provided further that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Indenture or in giving consent to such amendment or modification upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment to the Lease shall impair the right of an Bondowner to receive such Bondowner's share of Base Rental in accordance with the terms of his Bond or shall decrease the amount

of Base Rental payable or postpone the dates upon which such payments are to be made without the prior written consent of the Bondowner so affected.

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

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

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

Covenants

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

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

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

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

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

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

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

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

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

Events of Default and Remedies of Owners

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

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

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

Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses), to the extent necessary to pay all principal and interest

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

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

Limitation of Liability

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

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

To the extent permitted by law, the Lessor shall indemnify and save and hold the Trustee harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses, including the costs of defense, and damages suffered by it as a result thereof (which includes legal fees and expenses), where and to the extent such claim, suit or action arises out of the performance of its duties under the Indenture, or the actions of any other party to the Indenture or the Lease, including but not limited to the ownership, operation or use of the Equipment, the defense of any suit or the enforcement of any remedies under the Indenture, the Bonds or any related document. Such indemnification shall not extend to judgments or settlements obtained against the Trustee and expenses of litigation in connection therewith based upon

failure of the Trustee to perform and carry out the duties specifically imposed upon and to be performed by the Trustee pursuant to the Indenture, unless the Lessor has agreed in writing that the Trustee not perform such duty. In the event the Lessor is required to indemnify the Trustee as provided in the Indenture, the Lessor shall be subrogated to the rights of the Trustee to recover such losses or damages from any person or entity. This section will survive the termination of the Indenture and the earlier removal or resignation of the Trustee.

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

Defeasance

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

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

THE LEASE AGREEMENT

Term

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

Base Rental

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

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

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

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

will accrue to the Lessee and the general public. The Lessee understands and agrees that, pursuant to the assignment provided for in the Indenture, the Lessor has assigned its right to receive and collect Base Rental and prepayments thereof and certain other rights to the Trustee in trust for the benefit of the Bondowners, and the Lessee consents to such assignment. The Lessor directs the Lessee, and the Lessee agrees to pay to the Trustee at the Principal Corporate Trust Office, or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the Lessee pursuant to the Lease. The total Rental Payments due in any Fiscal Year shall be for the use and possession of the Equipment for such Fiscal Year. Base Rental payments shall be subject to abatement as provided in the Lease.

Additional Rental

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

Substitution of Equipment Components

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

Option to Purchase Equipment Components and Prepay Base Rental

The Lessee shall have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase all but not less than all of the Lessor's right, title and interest in the Equipment on any Business Day, upon payment of the option price, but only if the Lessee is not in default under the Lease and only in the manner provided in the Lease. The option price for the Equipment in any Fiscal Year shall be the amount necessary to pay or defease all of the Bonds then Outstanding. The Lessee shall exercise its option to purchase the Equipment under the Lease by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in the Equipment and the

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

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

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

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

Maintenance

The Lessee shall, at its own expense, maintain the Equipment, or cause the same to be maintained, in good order, condition and repair and furnish all parts, mechanisms, devices and servicing required therefor so that the value and condition of the Equipment will at all times be maintained, ordinary wear and tear excepted. All such parts, mechanisms and devices shall immediately, without further act, become part of the Equipment, without cost to the Lessor. The Lessee shall provide or cause to be provided all maintenance service, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Equipment. The Lessee shall cause all Equipment Components to be operated in accordance with the manufacturer's or supplier's instructions or manuals, by duly qualified personnel only and in compliance with all laws and regulations applicable to such Equipment Components and with all insurance which the Lessee is required to maintain under the Lease. It is understood and agreed that in consideration of the payment by the Lessee of the Rental Payments provided for in the Lease, the Lessee is entitled to use and possession of the Equipment and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Equipment during the Term of the Lease. The Lessor shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever to the Equipment. The Lessee expressly waives the right to make repairs or to perform maintenance of the Equipment at the expense of the Lessor and (to the extent applicable and to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating to repairs and maintenance. The Lessee shall keep the Equipment free and clear of all liens, charges and encumbrances, other than provided in the Lease, and any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed on or materials furnished in connection with the Equipment which are not due and payable or the amount, validity or application of which is being contested in accordance with the Lease.

Insurance

The Lessee shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Lease, all coverage on the Equipment required by the Lease. Such insurance shall consist of: (a) a policy or policies of insurance against loss or damage to the Equipment known as "all risk," including theft, earthquake and flood. Such insurance shall be maintained at all times in an amount not less than the greater of the full replacement value of the Equipment or the aggregate principal amount of Bonds at such time Outstanding (such insurance may at any time include a deductible clause providing for a deductible not to exceed \$1,000,000 from all losses in any year; if such policies are not available or if such policies are not obtainable with such deductibles from reputable insurers at a reasonable cost on the open market, the Lessee shall self-insure to the extent it cannot obtain such insurance policies); (b) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Equipment (such insurance shall afford protection with a combined single limit of not less than \$100,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the Lessee's risk management officer or an independent insurance consultant retained by the Lessee for that purpose); provided, however, that the

Lessee's obligations under this clause (b) may be satisfied by self-insurance; (c) rental interruption insurance to cover loss, total or partial, of the use of any part of the Equipment as a result of any of the hazards covered by the insurance required pursuant to clause (a) above, in an amount sufficient at all times to pay the Base Rental payable under the Lease for a period of not less than two years (the Lessee may not self-insure for rental interruption insurance); and (d) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State or by qualified self-insurance programs, to insure against liability for compensation under the Workers' Compensation Insurance and Safety Act in force in the State, or any act enacted after the date of the Lease as an amendment or supplement thereto or in lieu thereof.

Liens

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

Laws and Ordinances

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

Abatement

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

force and effect and the Lessee waives any right to terminate the Lease by virtue of any such condemnation, theft, damage or destruction.

Application of Insurance Proceeds

If the Lessee shall receive insurance proceeds as a result of any Equipment Component being condemned, stolen, damaged or destroyed and the fair rental value of the remaining Equipment exceeds the Base Rental due hereunder, such insurance proceeds may be retained by the Lessee without any obligation to repair or replace the condemned, stolen, damaged or destroyed Equipment Component. If the Lessee shall receive insurance proceeds as a result of any Equipment Component being condemned, stolen, damaged or destroyed and the fair rental value of the remaining Equipment is less than the Base Rental due hereunder, the Lessee shall either promptly repair or replace the condemned, stolen, damaged or destroyed Equipment Component so long as such repair or replacement can be completed within the period during which rental interruption insurance proceeds will be available if Base Rental is to be abated as a result of any such condemnation, theft, damage or destruction, or apply any insurance proceeds received as a result of such condemnation, theft, damage or destruction to the extraordinary redemption of the Bonds as provided in the Indenture so that the remaining Base Rental due hereunder shall be at least equal to the fair rental value of the remaining Equipment.

If the Lessee exercises its option to repair or replace any condemned, stolen, damaged or destroyed Equipment Component as set forth in the preceding paragraph, the Lessee shall deposit with the Trustee the amount of any insurance deductible with respect to such affected Equipment Component and such amount together with any insurance proceeds received as a result of such condemnation, theft, damage or destruction shall be applied to the repair or replacement of the affected Equipment Component in accordance with the Lease and the Indenture.

If the Lessee exercises its option to repair or replace any condemned, stolen, damaged or destroyed Equipment Component, the Lessee agrees to diligently and expeditiously pursue the repair or replacement of such condemned, stolen, damaged or destroyed Equipment Component. In connection with the repair or replacement of the affected Equipment Component, insurance proceeds (together with any insurance deductible required to be deposited with the Trustee) shall be made available to the Lessee from time to time upon receipt of a requisition signed by the Lessee Representative stating with respect to each payment to be made pursuant to such requisition (a) the requisition number, (b) the name and address of the person, firm or corporation to whom payment is due, (c) the amount to be paid, (d) that each obligation mentioned in the requisition has been properly incurred, is a proper charge against the Insurance Proceeds Fund, and (e) that such payment has not been the basis of any previous withdrawal. Each such requisition shall specify in reasonable detail the nature of the obligation and shall be accompanied by a bill or a statement of account for such obligation. Upon completion of such repair or replacement as evidenced by a certificate of a Lessee Representative delivered to the Trustee any remaining moneys in the Insurance Proceeds Fund shall be applied to the extraordinary redemption as provided in the Indenture.

Assignment, Subleasing and Amendment of the Lease

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

The Lessee may sublease any Equipment Component, with the consent of the Lessor, subject to all of the following conditions: (a) the Lease and the obligation of the Lessee to make Base Rental under the Lease shall remain obligations of the Lessee; (b) the Lessee shall, within sixty (60) days after the delivery thereof, furnish or cause to be furnished to the Lessor and the Trustee a true and complete copy of such sublease; (c) no sublease by the Lessee shall cause any Equipment Component to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and (d) prior to entering into any sublease, the Lessee shall deliver to the Trustee an opinion of Bond Counsel to the effect that

the interest component of the Base Rental due with respect to the Equipment Component subject to the sublease shall not be includable in gross income for federal income tax purposes as a result of such sublease.

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

Events of Default and Remedies

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

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

Neither the Lessor nor the Trustee shall exercise its remedies under the Lease so as to cause the portion of Base Rental designated as and comprising interest to be included in gross income for federal income tax purposes or to be subject to State personal income taxes. Notwithstanding any other provision of the Lease to the contrary, in no event shall the Lessor or the Trustee have the right to accelerate the payment of any Base Rental under the Lease. Notwithstanding any provision of the Lease to the contrary, the Trustee does not have the right: (i) to demand that the Lessee return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

APPENDIX D

FORM OF FINAL OPINION OF BOND COUNSEL

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

Los Angeles County Capital Asset Leasing Corporation
Los Angeles, California

County of Los Angeles
Los Angeles, California

We have examined a record of proceedings relating to the issuance of \$[Principal Amount] Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program) (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2014 (the “Indenture”), by and between the Los Angeles County Capital Asset Leasing Corporation (the “Corporation”) and U.S. Bank National Association, as Trustee (the “Trustee”). The Bonds are payable from and secured by payments of Base Rental, as such term is defined in the Lease Agreement, dated as of June 1, 2014 (the “Lease Agreement”), by and between the Corporation, as lessor, and the County of Los Angeles, California, a political subdivision of the State of California, as lessee (the “County”). Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture and the Lease Agreement.

We are of the opinion that:

1. The Lease Agreement has been duly authorized, executed and delivered by the County and constitutes a valid and legally binding obligation of the County, enforceable in accordance with its terms.
2. The Indenture has been duly authorized, executed and delivered by the Corporation and constitutes a valid and legally binding obligation of the Corporation, enforceable in accordance with its terms.
3. The obligation of the County to make Base Rental payments during the term of the Lease Agreement constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefor, and does not constitute a debt of the County or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or State of California has levied or pledged any form of taxation.
4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and (ii) interest on Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation

retroactive to their date of execution and delivery, irrespective of the date on which such noncompliance occurs or is ascertained. On the date of issuance of the Bonds, the County and the Corporation will execute a Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the County and the Corporation covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest on the Bonds will, for federal income tax purposes, be excluded from gross income. Noncompliance with such requirements may cause interest on Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained. In rendering the opinion in this paragraph (4), we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate delivered on the date hereof by the County and the Corporation, and (ii) compliance by the County and the Corporation with procedures and representations set forth in the Tax Certificate as to such matters.

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

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

Except as stated in paragraphs (4) and (5) above, we express no opinion regarding any other federal, state or local tax consequences with respect to the Bonds or the ownership or disposition thereof. Further, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Bonds, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

This letter is furnished by us as Bond Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the issuance and delivery of the Bonds and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the delivery of the Bonds.

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.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the County of Los Angeles (the “County”) as of June 1, 2014 in connection with the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program) (the “Bonds”). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of June 1, 2014 (the “Indenture”), by and between the County and U.S. Bank National Association, as Trustee (the “Trustee”), a Resolution of the Board of Supervisors of the County relating to the issuance of the Bonds (the “Resolution”). The County hereby covenants and agrees as follows:

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

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

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

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

“Commission” means the Securities and Exchange Commission.

“Dissemination Agent” means any person appointed in writing by the County to act as the County’s agent in complying with the filing requirements of the Rule.

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than February 1 in each year, commencing with the report for the County’s fiscal year ended June 30, 2014, provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be submitted in an electronic format and contain such identifying information as is prescribed by the MSRB, and may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Subsection 5(b).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing an Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the MSRB an Annual Report by the date specified in subsection (a) above, the County shall send a notice of this event to the MSRB in substantially the form of Exhibit A to this Disclosure Certificate in an electronic form prescribed by the MSRB.

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

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

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

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

(a) The audited financial statements of the County for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in “State of California Accounting Standards and Procedures for Counties.” If the County’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Disclosure Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final official statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the fiscal year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

(iv) summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

(v) summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

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

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

Section 5. Reporting of Significant Events.

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

(i) principal and interest payment delinquencies;

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

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

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

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

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

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

- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the County;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall promptly file, or cause to be filed, a notice of such event with the MSRB through its EMMA System. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

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

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

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty days written notice to the County. The Dissemination Agent, if other than the County, shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

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

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in

legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

(c) The amendment or waiver either (1) is approved by the Bondowners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(b), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in Appendix A to the County's official statements relating to debt issuances, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

Section 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Bondowner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California and for the County of Los Angeles or in a U.S. District Court in or nearest to Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Disclosure Certificate.

Section 12. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including

attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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

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

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

[Remainder of page intentionally left blank.]

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

COUNTY OF LOS ANGELES

By: _____
Authorized Signatory

[Signature page of Continuing Disclosure Certificate]

APPENDIX F

BOOK-ENTRY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC, and neither the County (as defined in the front part of this Official Statement) nor Corporation (as defined in the front part of this Official Statement) take responsibility for the accuracy thereof. The County and the Corporation cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of the principal or interest components with respect the Bonds (“Debt Service”); (b) confirmations of ownership interest in the Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or 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.

Neither the County, the Corporation, nor the Trustee will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners, as defined below, with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Indenture (as such term is defined in the Official Statement to which this Appendix F is attached); or (4) any consent given or other action taken by DTC as registered owner of the Bonds.

Information Furnished by DTC Regarding its Book-Entry Only System

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

2. DTC, the world’s largest securities depository, 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 is rated “AA+” by Standard & Poor’s. 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 and

www.dtc.org. The information presented on each website is not incorporated by reference as part of this Official Statement.

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

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. 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, Security certificates will be printed and delivered in accordance with the provisions of the Indenture.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the provisions of the Indenture relating to place of payment, transfer and exchange of the Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of Holders and ownership of Bonds will govern the payment, registration, transfer, exchange and replacement of the Bonds. Interested persons should contact the County for further information regarding such provisions of the Indenture.

NOTICE OF INTENTION TO SELL BONDS

**[\$[Principal Amount]*
Los Angeles County Capital Asset Leasing Corporation
Lease Revenue Bonds, 2014 Series A
(LAC-CAL Equipment Program)**

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

June 17, 2014

The Bonds will be dated their date of delivery and will mature in varying amounts on June 1 and December 1 in the years 20__* through 20__* or upon the earlier redemption thereof.

Further information about Parity, including any fee charged, may be obtained from PARITY, 1395 Broadway, 2nd Floor, New York, New York, 10018, Attention: Customer Support (212) 849-5021 or at <https://www.newissuehome.i-deal.com>. Copies of the Official Notice Inviting Bids and the Preliminary Official Statement relating to the Bonds are available only by electronic means at www.munios.com. Any questions regarding these documents may be directed to the Corporation’s Financial Advisor, Public Resources Advisory Group, 11500 West Olympic Boulevard, Suite 502, Los Angeles, CA 90064, Attention: Ms. Michelle Issa, phone: 310-477-8487, email: missa@pragla.com.

**Treasurer and Tax Collector
County of Los Angeles**

Dated: June __, 2014

* Preliminary, subject to change.

OFFICIAL NOTICE INVITING BIDS
[\$[Principal Amount]*
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(LAC-CAL EQUIPMENT PROGRAM)

NOTICE IS HEREBY GIVEN that bids for the purchase of \$[Principal Amount]* aggregate principal amount of Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program) (the “Bonds”) will be accepted only through Ipreo LLC’s Parity® electronic bid submission system (“Parity”) at <https://www.newissuehome.i-deal.com>, as the approved electronic bidding system, as agent of the Los Angeles County Capital Asset Leasing Corporation (the “Corporation”) in accordance with the terms of this Notice Inviting Bids. The bids will be received at the place and up to the time described below under the captions “Time” and “Submission of Bids.”

TIME: Bids will not be accepted after 9:00 a.m., Pacific Time, on June 17, 2014 (subject to the provisions described below under the caption “Submission of Bids”), or at such later date and/or other time as shall be established by the Corporation and communicated through Thomson Municipal News (“Thomson”). If no legal bid or bids are received for the Bonds on June 17, 2014 or if the sale date and/or time is postponed or rescheduled, bids will be received at the time and manner specified on such other date as shall be designated by the Corporation and communicated through Thomson. Prospective bidders are urged to watch Thomson for any change in the terms of the sale or the date and time for the receipt of bids.

SUBMISSION OF BIDS: All bids must be submitted only through Parity. No other provider of interest bidding services and no other means of delivery (i.e., telephone, telefax or physical delivery) will be accepted. The bids for such Bonds must be submitted by 9:00 a.m., Pacific Time, on June 17, 2014.

To bid via the Parity electronic bidding process, bidders must have requested and received admission to the Corporation’s auction, as described below. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid.

The use of Parity shall be at the bidder’s risk, and neither the Corporation, the County of Los Angeles, California (the “County”), Public Resources Advisory Group (the “Financial Advisor”), nor Hawkins Delafield & Wood LLP, Bond Counsel to the County and the Corporation, shall be responsible for, and each bidder expressly assumes the risk of, any incomplete, inaccurate or untimely bid submitted by such bidder, including, without limitation, incomplete, inaccurate or untimely bids caused by reason of garbled transmissions, mechanical failure, slow or engaged telephone or telecommunications lines or any other cause. The Corporation is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Notice Inviting Bids. All costs and expenses incurred by prospective bidders in connection with their submission of bids through Parity are the sole responsibility of the bidders and the Corporation is not responsible for any of such costs or expenses.

* Preliminary, subject to change.

In the event any provision of this Notice Inviting Bids conflicts with the Rules of Parity, this Notice Inviting Bids shall prevail.

The time as displayed on the Parity auction page shall constitute the official time. All bids shall be deemed to incorporate the provisions of this Notice Inviting Bids.

Further information about Parity, including registration requirements, may be obtained from:

Parity®
1359 Broadway, 2nd Floor
New York, New York 10018
Tel: (212) 849-5021
Attention: Client Services

AWARDING OF BIDS: The Corporation and the County will take action awarding or rejecting all bids not later than twenty-four (24) hours after the expiration of the time herein prescribed for the receipt of bids. The highest bidder shall be the bidder submitting the best price for the Bonds, resulting in the lowest true interest cost as determined for the Corporation by the County Treasurer, whose determination shall be binding and final absent manifest error. In case of tie bids, the winning bidder will be determined at the sole discretion of the Corporation. In the event multiple bids are received from a single bidder, the County and the Corporation shall accept the best of such bids, and each bidder agrees by submitting any bid to be bound by its best bid.

Changes in the amortization schedule made as described below will not affect the determination of the winning bidder or give the winning bidder any right to reject the Bonds.

RIGHT TO REJECT BIDS; WAIVE IRREGULARITIES: The County and the Corporation reserve the right to reject any and all bids and, to the extent permitted by law, to waive any irregularity or informality in any bid.

RIGHT TO MODIFY OR AMEND: The County and the Corporation reserve the right to modify or amend this Official Notice Inviting Bids, however, such modifications or amendments shall be made not later than 12:00 p.m., Pacific Standard Time, on the business day prior to the bid opening and communicated through Parity.

POSTPONEMENT; REJECTION OF BIDS: The County and the Corporation reserve the right to postpone, from time to time, the date established for receipt of bids for any reason at any time. Any such postponement will be announced by Thomson. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date will be announced via Thomson, at least twenty-four (24) hours prior to such alternative sale date. In addition, the County and the Corporation reserve the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent date on which bids for purchase of the Bonds will again be received. If all bids are rejected and a subsequent date for receipt of bids is established, notice of the subsequent sale date will be announced via Thomson at least twenty-four (24) hours prior to such subsequent sale date. On any such alternative or subsequent sale date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects

with the provisions of this Official Notice Inviting Bids and Bid Form, except for the date of sale and except for the changes announced via Thomson, at the time the sale date and time are announced.

AUTHORIZING LAW: The Bonds will be issued under and pursuant to resolutions of the County and the Corporation and pursuant to Chapter 10 (commencing with Section 5800) of Division 6 of Title I of the Government Code.

PURPOSE OF THE ISSUE: The proceeds from the sale of the Bonds will be used to refinance the acquisition of certain equipment, machinery, vehicles and other tangible personal property (the "Equipment"), to fund a reserve fund and pay for costs of issuance. The Corporation will lease the Equipment to the County pursuant to a Lease Agreement, dated as of June 1, 2014, by and between the Corporation and the County (the "Lease").

GENERAL TERMS OF THE BONDS: \$[Principal Amount]* aggregate principal amount Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program) in fully registered form in denominations of \$5,000 and any integral multiple thereof. The Bonds will be dated their date of delivery and interest will be payable on June 1 and December 1, commencing on December 1, 2014. Principal will be payable at maturity as set forth in the Maturity Schedule below or upon redemption in lawful money of the United States of America upon presentation of each Bond at the principal corporate trust offices of U.S. Bank National Association, as trustee (the "Trustee"), or at the principal corporate trust offices of any paying agent of the Corporation. The Bonds shall bear interest at a rate or rates to be fixed upon the sale thereof. The Bonds shall mature as follows:

MATURITY SCHEDULE*

<u>Maturity Date</u>	<u>Principal Amount*</u>
	\$

Bidders are referred to the Preliminary Official Statement for definitions of terms and for further particulars, including further information regarding the County and the Bonds.

ADJUSTMENT OF PRINCIPAL AMOUNTS AND AMORTIZATION SCHEDULE: The principal amounts set forth in this Official Notice Inviting Bids reflect certain estimates of the Corporation, the County and its Financial Advisor with respect to the

* Preliminary, subject to change.

likely interest rates of the winning bid and the premium/discount contained in the winning bid. The principal amortization schedule may be changed prior to the time bids are to be received and if adjustments are made, bidders must bid on the basis of the adjusted schedule. Such changes, if any, will be communicated by Thomson, not later than 12:00 p.m., Pacific Standard Time, on the business day prior to the bid opening.

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

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

INTEREST RATES AND MINIMUM AND MAXIMUM PURCHASE PRICE: Bidders must bid to purchase all and not part of the Bonds. Each interest rate bid must be a multiple of 1/8 or 1/20 of 1%. No Bond shall bear more than one interest rate. Each Bond must bear interest at the rate specified in the bid from its dated date to its fixed maturity date or until redeemed. Bidders should assume a dated date on the Bonds and a delivery date on the Bonds of June 26, 2014. The bidder shall provide a calculation of the true interest cost which is considered informative only and not part of the bid.

BOOK-ENTRY ONLY: The Bonds will be registered in the name of The Depository Trust Company ("DTC") or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to the beneficial owners of the Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Corporation will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

SECURITY; SPECIAL LIMITED OBLIGATIONS: The Bonds are secured pursuant to the Indenture by the lease payments received by the Corporation pursuant to the Lease. In accordance with the provisions of the Indenture and the Lease, the County will be obligated to pay to the Corporation base rental in an amount equal to the semiannual rental amounts listed in the Lease. The County also agrees under the Lease to pay additional rent equal to all taxes, assessments, insurance premiums and administrative costs of the Corporation in connection with the Equipment.

The Bonds are special obligations of the Corporation payable solely from base rental payments received pursuant to the Lease and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The obligation of the County to pay base rental and additional rental does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay base rental payments or additional rental payments does not constitute a debt or indebtedness of the County, the State of California

or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. Under certain circumstances, base rental may be abated under the Lease without constituting a default. In the event of a default, there is no remedy of acceleration of the total base rental payments due over the term of the Lease and the Trustee is not empowered to sell the Equipment and use the proceeds of such sale to redeem the Bonds or pay debt service thereon or repossess the Equipment in any way. More specifically, the Trustee does not have the right: (i) to demand that the County return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

REDEMPTION PRIOR TO MATURITY:

No Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Extraordinary Redemption. The Bonds are subject to extraordinary redemption prior to maturity in whole on any date or in part on any interest or principal payment date at a redemption price equal to the principal amount thereof plus accrued but unpaid interest in the redemption date, without premium, from proceeds of insurance or condemnation awards deposited in certain accounts under the Indenture to the extent that base rental payments with respect to the remaining outstanding Bonds do not exceed the fair rental value for the use and possession of the Equipment components not condemned, taken, damaged or destroyed.

REOFFERING PRICE: The successful bidder within one (1) hour after being notified of the award of the Bonds will be required to advise the Corporation of the initial public offering price of the Bonds. The successful bidder will also be required, prior to delivery of the Bonds, to furnish to the Corporation a certificate substantially in the form of Exhibit A attached hereto and acceptable to Bond Counsel stating that (i) the successful bidder has made a bona fide public offering of all of the Bonds to the public (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial offering prices not greater than the respective price shown on the cover of the Official Statement, and (ii) the first price at which a substantial amount (at least 10%) of the principal amount of each maturity of the Bonds initially sold to purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the corresponding offering price for that maturity.

LIST OF MEMBERS ACCOUNT: Bidders are requested to list the names of the members of the account on whose behalf the bid is made in the manner set forth in the authorization to accept electronic bids. The apparent winning bidder will be required to verify such list or to provide an updated list prior to the award of the Bonds.

BID SECURITY DEPOSIT: The successful bidder will be required to wire \$500,000 in immediately available federal funds to the Corporation as a bid security deposit within twenty-four (24) hours after verbal award of the bid. The Corporation, or its representative, will contact the successful bidder to provide wire instructions for the bid security deposit. The bid security

deposit will be deposited into the County Treasury applied to the purchase price of the Bonds at the time of delivery of the Bonds. If after the award of the Bonds, the successful bidder fails to complete the purchase on the terms stated in its proposal, unless such failure of performance shall be caused by any act or omission of the Corporation, the bid security deposit shall be retained by the Corporation as stipulated liquidated damages. No interest will be paid upon the bid security deposit.

OFFICIAL STATEMENT: The Corporation and the County will have prepared and will make available only by electronic means at www.munios.com a preliminary Official Statement which the Corporation and the County will have deemed “final” for purposes of Rule 15c2-12 (the “Rule”) promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, prior to the time for receipt of proposals. The preliminary Official Statement is subject to revision, amendment and completion as a final Official Statement to be delivered in accordance with the Rule. The Corporation will provide to the successful bidder the final Official Statement only by electronic means no later than seven (7) business days after the Bonds are awarded. .

DELIVERY AND PAYMENT: Delivery of the Bonds is expected to occur on or about June 26, 2014. The successful bidder shall pay for the Bonds on the date of delivery in Los Angeles in immediately available federal funds. Any expenses of providing federal funds shall be borne by the purchaser. Payment on the delivery date shall be made in an amount equal to the price bid for the Bonds, less the amount of the bid security deposit.

CUSIP NUMBERS: It is anticipated that CUSIP Numbers will be printed on the Bonds, but the County and the Corporation will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchasers thereof to accept delivery of and make payment for the Bonds. The cost of obtaining and assigning CUSIP Numbers will be borne by the successful bidder.

CALIFORNIA DEBT INVESTMENT AND ADVISORY COMMISSION FEE: Pursuant to Section 8856 of the California Government Code, a fee must be paid to the California Debt and Investment Advisory Commission (“CDIAC”) to cover the costs of its activities with respect to the Bonds. Liability for payment of such CDIAC fee will be borne by the successful bidder.

CLOSING DOCUMENTS; LEGAL OPINIONS: Each proposal will be understood to be conditioned upon the Corporation or County furnishing to each successful bidder, without charge, concurrently with payment for and delivery of the Bonds, the following closing documents and legal opinions, each dated as of the date of such delivery:

(a) Legal Opinion: A complete copy of the proposed form of legal opinion of Bond Counsel approving the validity of the Bonds is set forth in Appendix D to the Preliminary Official Statement of the Corporation with respect to the Bonds (the “Preliminary Official Statement”).

(b) Tax Certificate: A certificate of the County that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds;

(c) No Litigation Certificate: A certificate of County Counsel of the County, acting on behalf of the Corporation solely in his or her official capacity and not in his or her personal capacity, stating that such individual is not aware of any litigation threatened or pending affecting the validity of the Bonds or challenging any action of the Corporation and stating further that the Corporation is not aware of any pending or threatened litigation contesting its corporate existence or the title of the present corporate officers to their respective offices;

(d) Certificate Regarding Official Statement: A certificate of an appropriate County Official, acting on behalf of the Corporation and County, solely in his or her official capacity and not in his or her personal capacity, stating that, to the best knowledge of such County Official, as of the date of the Official Statement pertaining to the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds to the initial purchasers thereof, the Official Statement together with any amendments thereto did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(e) Signature Certificate: A signature certificate of the officials of the Corporation showing that they have signed the Bonds, whether by facsimile or manual signature, and that they respectively were duly authorized to execute the same, and stating that they are not aware of any litigation threatened or pending affecting the validity of the Bonds.

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

ADDITIONAL INFORMATION: Requests for information concerning the Corporation or the County should be addressed to: Glenn Byers, Assistant Treasurer and Tax Collector, County of Los Angeles, Kenneth Hahn Hall of Administration, Room 432, 500 West Temple Street, Los Angeles, California 90012, (213) 974 7175.

Given by order of the Board of Directors of the Los Angeles County Capital Asset Leasing Corporation.

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

EXHIBIT A

INITIAL ISSUE PRICE CERTIFICATE

June 26, 2014

Los Angeles County Capital Asset Leasing Corporation
Los Angeles, California

Hawkins Delafield & Wood LLP
Los Angeles, California

Ladies and Gentlemen:

We are the Purchaser in connection with the execution and delivery by the Los Angeles County Capital Asset Leasing Corporation (the “**Corporation**”) of its \$[Principal Amount]* Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program) (the “**Bonds**”). As such, we have been involved in the structuring of the Bonds.

We hereby certify that:

(i) based on our records and other information available to us which we believe to be correct, as of June 17, 2014 (the “**Sale Date**”) we had offered or reasonably expected to reoffer all of the Bonds of each maturity in a bona fide initial reoffering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at an initial offering price not greater than that shown, or at an initial offering yield not less than that shown, on the cover of the Official Statement relating to the Bonds (the “**Official Statement**”) for that maturity;

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

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

(iv) at the time we agreed to purchase the Bonds, based upon then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations

* Preliminary, subject to change.

acting in the capacity of underwriters or wholesalers) at an initial offering price greater than or an initial offering yield less than the fair market value thereof; and

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

[UNDERWRITER]

By: _____
Authorized Representative

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the County of Los Angeles (the “County”) as of June 1, 2014 in connection with the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program) (the “Bonds”). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of June 1, 2014 (the “Indenture”), by and between the County and U.S. Bank National Association, as Trustee (the “Trustee”), a Resolution of the Board of Supervisors of the County relating to the issuance of the Bonds (the “Resolution”). The County hereby covenants and agrees as follows:

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

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

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

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

“Commission” means the Securities and Exchange Commission.

“Dissemination Agent” means any person appointed in writing by the County to act as the County’s agent in complying with the filing requirements of the Rule.

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than February 1 in each year, commencing with the report for the County's fiscal year ended June 30, 2014, provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be submitted in an electronic format and contain such identifying information as is prescribed by the MSRB, and may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Subsection 5(b).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing an Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the MSRB an Annual Report by the date specified in subsection (a) above, the County shall send a notice of this event to the MSRB in substantially the form of Exhibit A to this Disclosure Certificate in an electronic form prescribed by the MSRB.

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

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

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

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

(a) The audited financial statements of the County for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Disclosure Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final official statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the fiscal year of the County most recently ended;

- (iii) summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;
- (iv) summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;
- (v) summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and
- (vi) the ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

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

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

Section 5. Reporting of Significant Events.

- (a) Pursuant to the provisions of this Section 5, the County shall provide (or cause to be provided) to the MSRB, in an electronic format and containing such identifying information as is prescribed by the MSRB and in a timely manner but not later than ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds, as specified by the Rule:
 - (i) principal and interest payment delinquencies;
 - (ii) non-payment related defaults, if material;
 - (iii) unscheduled draws on debt service reserves reflecting financial difficulties of the County;
 - (iv) unscheduled draws on credit enhancements reflecting financial difficulties of the County;
 - (v) substitution of any credit or liquidity providers, or their failure to perform;
 - (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bond, or other material events affecting the tax status of the Bonds;
 - (vii) modifications to the rights of Bondowners, if material;
 - (viii) bond calls, if material, and tender offers;

- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the County;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall promptly file, or cause to be filed, a notice of such event with the MSRB through its EMMA System. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

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

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

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty days written notice to the County. The Dissemination Agent, if other than the County, shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

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

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

(c) The amendment or waiver either (1) is approved by the Bondowners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(b), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in Appendix A to the County's official statements relating to debt issuances, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

Section 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Bondowner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California and for the County of Los Angeles or in a U.S. District Court in or nearest to Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Disclosure Certificate.

Section 12. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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

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

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

[Remainder of page intentionally left blank.]

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

COUNTY OF LOS ANGELES

By: _____
Authorized Signatory

[Signature page of Continuing Disclosure Certificate]