NEW ISSUES – BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein.**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel is also of the opinion that interest on the Series 2010 Bonds is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel further observes that interest on the Series 2010B Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010 Bonds, including whether interest on the Series 2010A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. See "TAX MATTERS" herein.

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

$102,900,000
Lease Revenue Bonds
(Multiple Capital Projects I), 2010 Series A
(Tax-Exempt)

$688,005,000
Lease Revenue Bonds
(Multiple Capital Projects I), 2010 Series B
(Build America Bonds/Recovery Zone Economic Development Bonds)

Dated: Date of Delivery **Due: August 1, as shown on the inside cover page**

The Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series A (Tax-Exempt) (the "Series 2010A Bonds") and Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series B (Build America Bonds/Recovery Zone Economic Development Bonds) (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "Series 2010 Bonds") are being issued pursuant to the Master Indenture, dated as of November 1, 2010 (the "Indenture"), by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"). Payment of principal of and interest and premium, if any, on the Series 2010 Bonds are payable from Base Rental Payments to be made by the County under the Master Sublease Agreement, dated as of November 1, 2010 (the "Sublease"), by and between the County and the Authority for the use of certain real property (the "Property") and the other assets pledged therefor under the Indenture. The County has covenanted under the Sublease to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The County's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS" herein.

The proceeds of the Series 2010 Bonds will be used to finance and/or refinance certain capital improvement projects described herein, including payment of Commercial Paper Notes (as described herein) issued by the County to finance certain capital improvement projects, to fund the Reserve Fund for the Series 2010 Bonds and to pay certain costs of issuance incurred in connection with the issuance of the Series 2010 Bonds. See "THE PROJECTS" and "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2010 BONDS" herein.

The Series 2010 Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Series 2010 Bonds will be dated their date of delivery and are payable with respect to interest semiannually each February 1 and August 1, commencing on August 1, 2011. The Series 2010 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 for the Series 2010 Bonds. Ownership interests in the Series 2010 Bonds may be purchased in book-entry form only. Principal of and interest and redemption premium, if any, on the Series 2010 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Owners of the Series 2010 Bonds . See APPENDIX D – "Book-Entry Only System" attached hereto.

The Series 2010 Bonds are subject to redemption prior to maturity, as described herein. See "THE SERIES 2010 BONDS – Redemption of the Series 2010 Bonds" herein.

THE OBLIGATION OF THE COUNTY TO PAY THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION 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 THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE SERIES 2010 BONDS SHALL BE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE LEASE REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE COUNTY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2010 BONDS. THE AUTHORITY HAS NO TAXING POWER AND HAS NO OBLIGATION TO PAY BASE RENTAL PAYMENTS.

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 Series 2010 Bonds are offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority and the County by County Counsel and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. It is anticipated that the Series 2010 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about November 23, 2010.

BofA Merrill Lynch

Barclays Capital **Wells Fargo Securities**
Blaylock Robert Van, LLC **Stone & Youngberg** **Wedbush Securities**

Dated: November 9, 2010

MATURITY SCHEDULE

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

$102,900,000
Lease Revenue Bonds
(Multiple Capital Projects I) 2010 Series A (Tax-Exempt)

(Base CUSIP†: 54473E)

Due (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†	Due (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2014	$ 1,325,000	2.000%	1.800%	MZ4	2016	$15,350,000	5.000%	2.520%	NM2
2014	700,000	4.000	1.800	NE0	2017	17,475,000	5.000	2.910	NH3
2014	13,180,000	5.000	1.800	NL4	2018	125,000	3.250	3.180	NC4
2015	4,665,000	3.000	2.140	NA8	2018	2,175,000	4.000	3.180	NJ9
2015	11,250,000	5.000	2.140	NF7	2018	16,060,000	5.000	3.180	NN0
2016	305,000	3.000	2.520	NB6	2019	405,000	3.500	3.450	ND2
2016	1,000,000	4.000	2.520	NG5	2019	18,885,000	5.000	3.450	NK6

$688,005,000
Lease Revenue Bonds
(Multiple Capital Projects I) 2010 Series B
(Build America Bonds/Recovery Zone Economic Development Bonds)

(Base CUSIP†: 54473E)

Due (August 1)	Principal Amount	Interest Rate	Price	CUSIP†	Due (August 1)	Principal Amount	Interest Rate	Price	CUSIP†
2020	$20,070,000	5.591%	100.000	NP5	2023	$22,530,000	6.466%	100.000	NV2
2021	20,825,000	5.841	100.000	NQ3	2024	1,000,000	6.591	100.000	NW0
2022	21,640,000	6.091	100.000	NR1	2025	4,815,000	6.841	100.000	NU4

$289,330,000 7.488% Term Bonds due August 1, 2033; Price - 100% CUSIP†: 54473ENT7
$307,795,000 7.618% Term Bonds due August 1, 2040; Price - 100% CUSIP†: 54473ENS9

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† Copyright, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. The Authority, the County and the Underwriters do not assume responsibility for the accuracy of such data.

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE BONDS
Series 2010A and Series 2010B

Board of Supervisors

Gloria Molina
First District, Chair

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Sachi A. Hamai
Executive Officer-Clerk
Board of Supervisors

County Officials

William T Fujioka
Chief Executive Officer

Andrea Sheridan Ordin
County Counsel

Mark J. Saladino
Treasurer and Tax Collector

Wendy L. Watanabe
Auditor-Controller

Public Resources Advisory Group
Financial Advisor

U.S. Bank National Association
Trustee

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 Authority. 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 Series 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2010 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.

The information set forth in this Official Statement has been obtained from the Authority and County, and other sources that are believed by the Authority and County 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 the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof. 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 Authority.

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010 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 UNDERWRITERS MAY OFFER AND SELL THE SERIES 2010 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

TABLE OF CONTENTS

Page

INTRODUCTION **1**
- General 1
- Terms of the Series 2010 Bonds 1
- Security and Sources of Payment for the Series 2010 Bonds 2
- Reserve Fund 2
- Additional Bonds 3
- The County 3
- The Authority 3
- Designation of Series 2010B Bonds as "Build America Bonds" and "Recovery Zone Economic Development Bonds" 3
- Continuing Disclosure 4
- Forward-Looking Statements 4

THE PROJECTS **4**

DESCRIPTION OF THE PROPERTY **6**

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2010 BONDS **7**

THE SERIES 2010 BONDS **7**
- General 7
- Redemption of the Series 2010 Bonds 8

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS **13**
- Special Obligations; Pledge of Lease Revenues 13
- Base Rental Payments; Abatement 13
- Additional Rental 16
- Reserve Fund 16
- Additional Bonds 17
- Insurance 17
- Substitution and Release 17
- Events of Default and Remedies 17

RISK FACTORS **18**
- Not a Pledge of Taxes 18
- Additional Obligations of the County 19
- Adequacy of County Insurance Reserves or Insurance Proceeds 19
- Abatement 19
- No Right of Relet; No Acceleration Upon an Event of Default; Limitations on Remedies 20
- Seismic Events 20
- Economic Conditions in the State of California 21

TAX MATTERS **21**
- Series 2010A Bonds 21
- Series 2010B Bonds 23

CONTINUING DISCLOSURE **26**

CERTAIN LEGAL MATTERS **26**

FINANCIAL STATEMENTS **26**

FINANCIAL ADVISOR **26**

LITIGATION **26**

TABLE OF CONTENTS
(continued)

Page

RATINGS **27**

UNDERWRITING **27**

ADDITIONAL INFORMATION **28**

APPENDIX A – The County of Los Angeles Information Statement A-1
APPENDIX B – The County of Los Angeles Audited Financial Statements for the Fiscal Year Ended June 30, 2009 ..... B-1
APPENDIX C – Summary of Principal Legal Documents C-1
APPENDIX D – Book-Entry Only System D-1
APPENDIX E – Form of Continuing Disclosure Certificate E-1
APPENDIX F – Form of Opinion of Bond Counsel F-1

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

$102,900,000 **Lease Revenue Bonds** **(Multiple Capital Projects I) 2010 Series A** **(Tax-Exempt)**	**$688,005,000** **Lease Revenue Bonds** **(Multiple Capital Projects I) 2010 Series B** **(Build America Bonds/Recovery Zone Economic Development Bonds)**

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2010 Bonds being offered, and a brief description of the 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 (the "State") and any documents referred to herein 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 have the respective meanings assigned to them in the Indenture. See APPENDIX *C – "Summary of Principal Legal Documents" attached hereto.*

General

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series A (Tax-Exempt) (the "Series 2010A Bonds") and Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series B (Build America Bonds/Recovery Zone Economic Development Bonds) (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "Series 2010 Bonds"). The Series 2010 Bonds are being issued pursuant to the Master Indenture, dated as of November 1, 2010 (the "Indenture"), by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee").

The proceeds of the Series 2010 Bonds will be used to finance and/or refinance certain capital improvement projects described herein (collectively, the "Projects"), including payment of a portion of the Commercial Paper Notes (as defined herein), to fund the Reserve Fund for the Series 2010 Bonds and to pay certain costs of issuance incurred in connection with the issuance of the Series 2010 Bonds. See "THE PROJECTS" and "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2010 BONDS" herein.

Terms of the Series 2010 Bonds

The Series 2010 Bonds will be issued in denominations of $5,000 and any integral multiple thereof (the "Authorized Denominations"). The Series 2010 Bonds will be dated their date of delivery and are payable with respect to interest semiannually each February 1 and August 1, commencing on August 1, 2011.

The Series 2010 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 for the Bonds. Ownership interests in the Series 2010 Bonds may be purchased in book-entry form only. Principal of and interest on the Series 2010 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its

Participants (defined herein) for subsequent disbursement to the Owners of the Series 2010 Bonds. See APPENDIX D – "Book-Entry Only System" attached hereto.

The Series 2010 Bonds are subject to redemption prior to maturity, as described herein. See "THE SERIES 2010 BONDS – Redemption of the Series 2010 Bonds" herein.

Security and Sources of Payment for the Series 2010 Bonds

The County will lease certain real property and the improvements located thereon, as more particularly described herein (the "Property"), to the Authority pursuant to a Master Site Lease, dated as of November 1, 2010 (the "Site Lease"), by and between the County and the Authority. The County will sublease the Property from the Authority pursuant to a Master Sublease, dated as of November 1, 2010 (the "Sublease"), by and between the County and the Authority. The Series 2010 Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues, including the Base Rental Payments to be made by the County under the Sublease for the use of the Property, and the other assets pledged therefor under the Indenture as described herein. "Lease Revenues" is defined in the Indenture to mean all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon a Sublease Default Event.

Base Rental Payments to be made by the County under the Sublease will be used to pay principal of and interest and premium, if any, on the Series 2010 Bonds when due. The Base Rental Payments are scheduled to be sufficient to pay principal of and interest on the Series 2010 Bonds when due. The County has covenanted under the Sublease to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments in its annual budgets and to make necessary annual appropriations for all such Rental Payments.

The County's obligation to pay Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. Failure of the County to pay Base Rental Payments during any such period shall not constitute a default under the Sublease, the Indenture or the Series 2010 Bonds.

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State of California or of any political subdivision thereof in contravention 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 the state of California has levied or pledged any form of taxation. The Series 2010 Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2010 Bonds. The Authority has no taxing power and has no obligation to pay Base Rental Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS" herein and APPENDIX C – "Summary of Principal Legal Documents" attached hereto.

Reserve Fund

A reserve fund (the "Reserve Fund") will be established under the Indenture in order to secure the payment of principal of and interest on the Series 2010 Bonds and any Additional Bonds (collectively, the "Bonds") issued under the Indenture. The Reserve Fund will be funded in an amount sufficient to satisfy the Reserve Requirement, which is defined as an amount equal to, as of any date of calculation, the least of (a) 10% of the original principal amount of the Bonds (excluding Bonds refunded with the proceeds of

subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service. The initial deposit to the Reserve Fund will be made from a portion of the proceeds of the Series 2010 Bonds. See "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2010 BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS – Reserve Fund" herein.

Additional Bonds

Under the Indenture, the Authority may issue additional bonds (the "Additional Bonds") payable from Lease Revenues on a parity with all other Bonds theretofore issued under the Indenture, but only subject to satisfaction of certain conditions precedent, including, the filing with the Trustee, among other things, of (a) a certificate of the County to the effect that, upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period, is not in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds, and (b) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type set forth in the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS – Additional Bonds" herein and APPENDIX C – "Summary Principal Legal Documents –Indenture – The Bonds – Conditions for the Issuance of Additional Bonds " and "– Procedures for the Issuance of Additional Bonds" attached hereto.

The County

The County is located in the southern coastal portion of 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 is more populous than 43 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, and tourism. For additional economic, demographic and financial information with respect to the County, see APPENDIX A – "The County of Los Angeles Information Statement" and APPENDIX B – "The County of Los Angeles Audited Financial Statements for the Fiscal Year Ended June 30, 2009" attached hereto.

The Authority

The Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated May 18, 1993 (as amended by a Certificate of Amendment dated April 26, 1994 and a Certificate of Amendment dated October 22, 1996, and as further amended from time to time, the "JPA Agreement"), to provide financial assistance from time to time to the County, the Los Angeles County Flood Control District, the Los Angeles County Regional Park and Open Space District, the Community Facilities District No. 2 (Rowland Heights Area) of the County of Los Angeles and any entity that becomes a party to the JPA Agreement in accordance with its terms. The Authority has previously issued obligations secured by certain revenues of and rental payments from certain contracting parties and may issue additional obligations in the future. These other obligations of the Authority are not secured by the Lease Revenues, and the Series 2010 Bonds are not secured by any other assets or property of the Authority other the Lease Revenues and the other assets pledged to the payment of the Series 2010 Bonds under the Indenture.

Designation of Series 2010B Bonds as "Build America Bonds" and "Recovery Zone Economic Development Bonds"

The County has designated a portion of the Series 2010B Bonds as "Build America Bonds" and a portion of the Series 2010B Bonds as "Recovery Zone Economic Development Bonds" under the

provisions of the American Recovery and Reinvestment Act of 2009. The interest on the Series 2010B Bonds is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. The County expects to receive periodic payments from the United States Treasury equal to 35% of the interest payable on the portion of the Series 2010B Bonds designated as Build America Bonds under the Code and 45% of the interest payable on the portion of the Series 2010B Bonds designated as Recovery Zone Economic Development Bonds under the Code. However, any such payments are not pledged under the Indenture and the County is not obligated to apply any such payments to pay any portion of the Base Rental Payments. The County is obligated to pay the Base Rental Payments notwithstanding a delay or failure to receive any such payments from the United States Treasury relating to the Series 2010B Bonds.

Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Series 2010 Bonds, the County has covenanted to provide, or cause to be provided, by not later than February 1 of each fiscal year, commencing on February 1, 2011, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system certain annual financial information and operating data and, in a timely manner, notice of certain material events. These covenants have been made in order to assist the Participating Underwriters of the Series 2010 Bonds in complying with the Rule15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" herein and APPENDIX E – "Form of Continuing Disclosure Certificate" attached hereto. The County has never failed to comply in all material respects with any previous undertakings with regard to the Rule.

Forward-Looking Statements

Certain statements included or incorporated by reference in the Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The County is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

THE PROJECTS

The proceeds of the Series 2010 Bonds will be used to finance and/or refinance the Projects, including payment of the Commercial Paper Notes, to fund the Reserve Fund for the Series 2010 Bonds and to pay certain costs of issuance incurred in connection with the issuance of the Series 2010 Bonds. None of the Projects are included in the Property that is the subject of the Site Lease and the Sublease; the Projects are not security for the Series 2010 Bonds. The following are summary descriptions of the Projects:

Harbor – UCLA Medical Center Surgery/Emergency Room Replacement Addition Project. The Harbor – UCLA Medical Center Surgery/Emergency Replacement Addition Project includes the design and construction of an approximate 190,000 square foot addition to replace the existing emergency and surgical suites, and central sterile facilities; a new 540-stall parking structure; upgrades to the existing

Emergency Power Station; and a permanent Helistop. The estimated cost of this project is approximately $322 million.

Hall of Justice Rehabilitation. The Hall of Justice Rehabilitation project includes the rehabilitation of the approximately 500,000 square foot Hall of Justice building. The rehabilitation plan includes replacement of building systems and construction of tenant improvements to provide use as office space to tenant departments and construction of a new, approximately 1,000-stall parking garage. The estimated cost of this project is approximately $244 million.

Bob Hope Patriotic Hall General Improvements Project. The Bob Hope Patriotic Hall General Improvements Project includes the refurbishing and replacement of the Bob Hope Patriotic Hall's mechanical, electrical, heating, ventilation and air conditioning, plumbing, fire suppression and telecommunications systems. This project also includes renovation of the Bob Hope Patriotic Hall's office and meeting and conference rooms and the construction of upgrades to this office in compliance with the Americans with Disabilities Act. The estimated cost of this project is approximately $45 million.

Harbor – UCLA Medical Center Seismic Retrofit Project. The Harbor – UCLA Medical Center Seismic Retrofit Project includes seismic upgrades of structural and nonstructural systems in existing in-patient facilities to comply with the requirements of State law known as "Senate Bill 1953". Senate Bill 1953 requires hospitals that have Structural Performance Category 1 buildings (*i.e.,* those that are considered hazardous and at risk of collapse or significant loss of life in the event of an earthquake) to be replaced or retrofitted to higher seismic safety standards by 2013, or later with an approved extension. The estimated cost of this project is approximately $50 million.

Olive View – UCLA Medical Center Emergency Room Replacement Project and Tuberculosis Isolation Unit Project. The Olive View – UCLA Medical Center Emergency Room Replacement and Tuberculosis Isolation Unit Project includes the design and construction of a new 31,000 square feet emergency room space to accommodate current and projected needs for emergency services. This project also includes construction of a 10,000 square foot Tuberculosis Isolation Unit. The estimated cost of this project is approximately $51 million.

Coroner Crypt Building Addition and Improvements Renovation Project. The Coroner Crypt Building Addition and Improvements Renovation Project includes the renovation of the old administration building and the construction of a new crypt addition to the Coroner Crypt Building. This project also includes the construction of tenant improvements to the existing 1104A Biological Building in order to separate hazardous and non-hazardous areas and to allocate more space for autopsy, laboratory and forensic support functions. The estimated cost of this project is approximately $28 million.

Olive View – UCLA Medical Center Seismic Retrofit Project. The Olive View – UCLA Medical Center Seismic Retrofit Project includes seismic upgrades of structural and nonstructural systems in existing in-patient facilities to comply with the requirements of Senate Bill 1953. The estimated cost of this project is approximately $21 million.

The Commercial Paper Notes to be refinanced with a portion of the proceeds of the Series 2010 Bonds consist of various series of Los Angeles County Capital Asset Leasing Corporation Lease Revenue Commercial Paper Notes (the "Commercial Paper Notes") issued pursuant to the Amended and Restated Trust Agreement, dated as of April 1, 2010, by and between the Los Angeles County Capital Asset Leasing Corporation and Deutsche Bank National Trust Company, as trustee. The Commercial Paper Notes were issued to finance certain capital improvement projects, including providing interim financing for a portion of the Projects.

DESCRIPTION OF THE PROPERTY

The Property consists of the recently completed Los Angeles County+USC Medical Center (the "Medical Center"). The Medical Center is a 600-bed public teaching hospital located in the Boyle Heights neighborhood of the County. The Property is a 1.5 million-square-foot facility which includes an 8-story, 600-bed inpatient tower, a 7-story outpatient building, a 5-story diagnostic and treatment building, and an underground central utility plant. The Property complies with the strict seismic state requirements for inpatient hospitals and the inpatient tower and central utility plant are designed to remain operational following the maximum earthquake anticipated for the site. Construction of the Medical Center was completed and the Medical Center began operation in November, 2008. The total project budget for the Medical Center was approximately $924 million, of which the County paid approximately $451 million, net of grant moneys received. This is the largest capital project ever undertaken by the County.

The Medical Center is one of the largest public hospitals and medical training centers in the nation and is the largest single provider of healthcare in the County. The Medical Center provides a full spectrum of emergency, inpatient and outpatient services. The Medical Center provides healthcare services for the region's medically underserved, is classified as a Level I trauma center and tertiary care facility and treats a large percentage of the region's trauma victims. For the fiscal year ended June 30, 2010, the Medical Center had approximately 35,000 admissions, 520,000 outpatient visits and 450,000 Emergency Department visits.

The Medical Center is adjacent to the University of Southern California Health Sciences Campus, which includes the USC Keck School of Medicine, the USC School of Pharmacy, the USC University Hospital and the USC/Norris Comprehensive Cancer Center and Hospital. Some of the attending doctors at the Medical Center are faculty of the USC Keck School of Medicine. In addition, medical care is provided by approximately 900 medical residents.

The County currently has full use and possession of all of the Property. In connection with the construction of the Medical Center, the County received a grant (the "Grant") from the State of California (the "State") in the amount of approximately $473 million from funds made available by the Federal Emergency Management Agency ("FEMA") to fund a portion of the construction costs of the Medical Center. In connection therewith, the County provided the Office of Emergency Services of the State a lien encumbering the Medical Center (the "OES Lien") to secure the County's agreement to maintain the Medical Center's status as an acute care hospital facility. The OES Lien provides that the State may recover all or a portion of the amount of the Grant in the event there is a "Change in Function" or a "Change in Status" of the Medical Center. A "Change in Function" would occur if the Medical Center is no longer operated and maintained as an acute care inpatient hospital. A Change in Status would occur if the County sells, transfers, leases or otherwise disposes of a material amount of the Medical Center to a for profit entity or transfers control, responsibility or governance of a material amount of the assets or operations of the Medical Center to a for profit entity. The amount owed by the County in the event there is either a Change in Function or Change in Status of the Medical Facility is reduced based on a forty-year depreciation factor but such potential liability will terminate in November 2016, which date is eight years after the first license was issued to operate the Medical Center as an acute care hospital. Presently, if a Change in Status or a Change in Function were to occur, this amount would be approximately $450 million. In the event there is either a Change in Function or Change in Status of the Medical Facility prior to November 2016, unless waived by FEMA, the OES Lien could be foreclosed upon in accordance with State law and title to the Medical Center could be transferred or sold to another party. However, any such party, including the State, would be required to obtain a license to maintain the Medical Center in accordance with the provisions of the OES Lien.

The County is liable to repay a portion of the Grant only upon the occurrence of a Change in Status or a Change in Function. The full or partial loss of the Property from an insured or uninsured event

does not constitute a Change in Function or a Change in Status. The casualty and other insurance required to be maintained under the Sublease is not available to the State to repay any amount due under the OES Lien. The Property is designed specifically to be operated as an acute care hospital facility. The County has no intention to operate the facility other than as an acute care hospital facility. Under the Sublease, there is no right to relet the Property and use the Property for any other purpose than for which it is presently used. Under the Sublease, the County has agreed that, unless the County shall have substituted alternate real property for the Property in accordance with the provisions of the Sublease, so long as the OES Lien is effective, the County will not take any action or fail to take any action if such action or failure to take such action would cause a Change in Function or Change in Status of the Property within the meaning of the provisions of the OES Lien to occur. See APPENDIX C – "Summary of Principal Legal Documents –Sublease – Representations and Warranties; Covenants and Agreements – Use of the Property; Covenants with respect to OES Lien" attached hereto.

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2010 BONDS

The proceeds of the Series 2010 Bonds are expected to be applied approximately as set forth below:

	Series 2010A Bonds	Series 2010B Bonds	Total
Sources of Funds:			
Principal Amount of the Bonds	$102,900,000.00	$688,005,000.00	$790,905,000.00
Net Original Issue Premium	11,746,043.10	--	11,746,043.11
TOTAL SOURCES	$114,646,043.10	$688,005,000.00	$802,651,043.10
Uses of Funds:			
Payment of Commercial Paper Notes	$ 52,529,869.53	$116,174,661.63	$168,704,531.16
Project Fund	55,052.681.61	523,697,507.86	578,750,189.47
Reserve Fund	6,678,813.22	44,655,557.72	51,334,370.94
Costs of Issuance[1]	384,678.74	3,477,272.79	3,861,951.53
TOTAL USES	$114,646,043.10	$688,005,000.00	$802,651,043.10

[1] Includes underwriters' discount, title insurance costs, rating agency fees, bond counsel fees, financial advisor fees, printing costs and other miscellaneous expenses.

THE SERIES 2010 BONDS

The following is a summary of certain provisions of the Series 2010 Bonds. Reference is made to the Series 2010 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

The Series 2010 Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Series 2010 Bonds will be dated their date of delivery and are payable with respect to interest semiannually each February 1 and August 1, commencing on August 1, 2011.

The Series 2010 Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2010 Bonds. Ownership interests in the Series 2010 Bonds may be purchased in book-entry form only. Principal of and interest and premium, if any, on the Series 2010 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein)

for subsequent disbursement to the Owners of the Series 2010 Bonds. See APPENDIX D – "Book-Entry Only System" attached hereto.

Redemption of the Series 2010 Bonds

Extraordinary Redemption of the Series 2010 Bonds. The Series 2010 Bonds shall be subject to redemption, in whole or in part, on any date, in denominations of $5,000 or any integral multiple thereof, from and to the extent of any Net Proceeds (other than Net Proceeds of rental interruption insurance) received with respect to all or a portion of the Property and deposited by the Trustee in the Redemption Fund in accordance with the provisions of the Indenture, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

Optional Redemption of the Series 2010B Bonds.

(A) The Series 2010B Bonds are subject to optional redemption prior to their respective stated maturity dates, on any date, in whole or in part, in denominations of $5,000 or any integral multiple thereof, from (i) prepaid Base Rental Payments paid pursuant to the Sublease, or (ii) any other source of available funds, at a redemption price equal to the greater of: (1) the original issue price (but not less than 100%) of such principal amount of the Series 2010B Bonds to be redeemed as set forth on the inside front cover hereof; or (2) the principal amount thereof plus the Make-Whole Premium, together, in each case, with accrued interest, if any, to the date fixed for redemption.

(B) The Series 2010B Bonds are subject to optional redemption, upon the occurrence of a Tax Law Change, prior to their respective stated maturity dates, on any date, in whole or in part, in denominations of $5,000 or any integral multiple thereof, from (i) prepaid Base Rental Payments paid pursuant to the Sublease, or (ii) any other source of available funds, at a redemption price equal to the greater of: (1) the original issue price (but not less than 100%) of such principal amount of the Series 2010B Bonds to be redeemed as set forth on the inside front cover page hereof; or (2) the principal amount thereof plus the Make-Whole Premium, together, in each case, with accrued interest, if any, to the date fixed for redemption.

"Comparable Treasury Issue" means the United States Treasury security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the Series 2010B Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2010B Bond being redeemed.

"Comparable Treasury Price" means, with respect to any date on which a Series 2010B Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Independent Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Independent Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Independent Banking Institution, at 5:00 p.m. New York City time on any Business Day that falls not less than three Business Days nor more than 45 calendar days immediately preceding the applicable date fixed for redemption.

"Comparable Treasury Yield" means the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant

Maturities," or any successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2010B Bond being redeemed. The Comparable Treasury Yield will be determined as of any Business Day that falls not less than three Business Days nor more than 45 calendar days immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series 2010B Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Series 2010B Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2010B Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) at the Comparable Treasury Price as of the date fixed for redemption.

"Independent Banking Institution" means an investment banking institution of national standing which is a primary United States government securities dealer in the City of New York designated by the County (which may be one of the Participating Underwriters).

"Make-Whole Premium" means, with respect to any Series 2010B Bond to be redeemed, an amount calculated by an Independent Banking Institution equal to the positive difference, if any, between:

(a) the sum of the present values, calculated as of the date fixed for redemption of:

(i) each interest payment that, but for the redemption, would have been payable on the Series 2010B Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such Series 2010B Bond (excluding any accrued interest for the period prior to the date fixed for redemption); plus

(ii) the principal amount that, but for such redemption, would have been payable on the maturity date (or applicable mandatory sinking fund redemption date or dates) of the Series 2010B Bond or portion thereof being redeemed; minus

(b) the principal amount of the Series 2010B Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (a) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve (12) 30-day months) at a discount rate equal to the Comparable Treasury Yield, plus (1) with respect to a Series 2010B Bond redeemed as described in paragraph (A) above, 55 basis points, or (2) with respect to a Series 2010B Bond redeemed as described in paragraph (B) above, 100 basis points.

"Reference Treasury Dealer" means a primary United States Government securities dealer in the United States appointed by the County and reasonably acceptable to the Independent Banking Institution (which may be one of the Participating Underwriters).

"Tax Law Change" means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the County, would be to suspend, reduce or terminate the timely payment from the United States Treasury to the County with respect to the Series 2010B Bonds, or to state or local government issuers generally with respect to obligations of the general character of the Series 2010B Bonds, pursuant to Section 54AA or 6431 of the Code or pursuant to Section 1400U-2 or 6431 of the Code, of an amount equal to at least, with respect to the portion of the Series 2010B Bonds designated as Build America Bonds under Section 54AA of the Code, 35% of the interest due thereon on each interest payment date, or with respect to the portion of the Series 2010B Bonds designated as Recovery Zone Economic Development Bonds under Section 1400U-2of the Code, 45% of the interest due thereon on each interest payment date (the "Subsidy Payments"); provided, that any such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the County to comply with the requirements under the Code to receive such Subsidy Payments.

Mandatory Sinking Fund Redemption of the Series 2010B Bonds. The Series 2010B Bonds maturing August 1, 2033 (the "2033 Series 2010B Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on August 1 in each year, commencing August 1, 2024, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2024	$22,555,000
2025	19,890,000
2026	25,915,000
2027	27,195,000
2028	28,535,000
2029	29,945,000
2030	31,420,000
2031	32,970,000
2032	34,600,000
2033 (Maturity)	36,305,000

The Series 2010B Bonds maturing August 1, 2040 (the "2040 Series 2010B Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on August 1 in each year, commencing August 1, 2034, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2034	$38,115,000
2035	40,030,000
2036	42,040,000
2037	44,010,000
2038	45,895,000
2039	47,840,000
2040 (Maturity)	49,865,000

If some but not all of the 2033 Series 2010B Term Bonds or 2040 Series 2010B Term Bonds are redeemed pursuant to the extraordinary redemption provisions as described herein under the caption " – Extraordinary Redemption of the Series 2010 Bonds", the principal amount of 2033 Series 2010B Term Bonds or 2040 Series 2010B Term Bonds, as applicable, to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of the 2033 Series 2010B Term Bonds or 2040 Series 2010B Term Bonds, as applicable, so redeemed pursuant to the extraordinary redemption provisions, such reduction to be allocated among sinking fund redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Authority and the County. If some but not all of the 2033 Series 2010B Term Bonds or 2040 Series 2010B Term Bonds are redeemed pursuant to the optional redemption provisions as described herein under the caption "-Optional Redemption of the Series 2010B Bonds", including optional redemption upon the occurrence of a Tax Law Change, the principal amount of 2033 Series 2010B Term Bonds or 2040 Series 2010B Term Bonds, as applicable, to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of the 2033 Series 2010B Term Bonds or 2040 Series 2010B Term Bonds, as applicable, so redeemed pursuant to the optional redemption provisions, such reduction to be allocated among sinking fund redemption dates as nearly as practicable on a pro rata basis, in amounts equal to $5,000 and integral multiples thereof, as determined by the Trustee.

Selection of Series 2010 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any redemption described above under the caption " – Extraordinary Redemption" among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, (b) with respect to any optional redemption of Series 2010B Bonds, among maturities as directed by the County, (c) with respect to Series 2010A Bonds with the same maturity, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair, and (d) with respect to Series 2010B Bonds with the same maturity, (i) if the Series 2010B Bonds are not Book-Entry Bonds, the Trustee shall select the Series 2010B Bonds of such maturity to be redeemed among the Owners of such Series 2010B Bonds on a pro rata basis as nearly as practicable, and (ii) if the Series 2010B Bonds are Book-Entry Bonds, the Trustee shall select the Series 2010B Bonds of such maturity to be redeemed on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2010B Bonds are held in book-entry form, the selection for redemption of such Series 2010B Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for

redemption on a pro rata pass-through distribution of principal basis, the Series 2010B Bonds will be selected for redemption, in accordance with DTC procedures, by lot. It is the Authority's intent that the redemption allocations described in clause (d)(ii) made by DTC be made on a pro rata pass-through distribution of principal basis as set forth in clause (d)(ii). However, the Authority can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis.

Notice of Redemption. The Trustee on behalf of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Series 2010 Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities of the Series 2010 Bonds to be redeemed (except in the event of redemption of all of the Series 2010 Bonds of such maturity or maturities in whole), and shall require that such Series 2010 Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Series 2010 Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Series 2010 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of any optional redemption of Series 2010 Bonds, unless at the time such notice is given the Series 2010 Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Series 2010 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such Series 2010 Bonds. In the event a notice of redemption of Series 2010 Bonds contains such a condition and such moneys are not so received, the redemption of Series 2010 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Series 2010 Bonds pursuant to such notice of redemption.

Notice having been mailed as described above, and moneys for the redemption price, and the interest to the applicable date fixed for redemption, having been set aside, the Series 2010 Bonds shall become due and payable on said date and, upon presentation and surrender thereof at the Office of the Trustee, said Series 2010 Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date. If, on said date fixed for redemption, moneys for the redemption price of all the Series 2010 Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as described above and not canceled, then, from and after said date, interest on said Series 2010 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2010 Bonds shall be held in trust for the account of the Owners of the Series 2010 Bonds so to be redeemed without liability to such Owners for interest thereon.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS

Special Obligations; Pledge of Lease Revenues

The Series 2010 Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues, including the Base Rental Payments to be made by the County under the Sublease for the use of the Property, and the other assets pledged therefor under the Indenture as described herein. Neither the faith and credit nor the taxing power of the Authority, the County or the State of California, or any political subdivision thereof, is pledged to the repayment of the Series 2010 Bonds. "Lease Revenues" is defined in the Indenture to mean all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon a Sublease Default Event. The Indenture provides that, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Lease Revenues and all amounts on deposit from time to time in the funds and accounts established under Indenture (other than the Rebate Fund) are pledged to the payment of the principal of and interest on the Bonds as provided in the Indenture, and that the Lease Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. The Indenture provides that said pledge shall constitute a first lien on such assets.

In order to secure the pledge of the Lease Revenues under the Indenture, the Authority, in the Indenture, sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Site Lease and the Sublease, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Sublease in the event of a default by the County thereunder; provided that the Authority retains the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Sublease. See "– Base Rental Payments; Abatement" herein.

Base Rental Payments; Abatement

The County covenants under the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee, insurance premiums and other amounts payable under the Sublease or the Indenture), due under the Sublease in its annual budgets and to make the necessary annual appropriations therefor. The Sublease provides that it shall be, and shall be deemed and construed to be, a "net-net-net lease" and that the Rental Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the County and the Authority. Base Rental Payments to be made by the County under the Lease will be used to pay principal of and interest and premium, if any, on the Series 2010 Bonds when due. The Base Rental Payments are equal to the principal of and interest on the Series 2010 Bonds when due. See APPENDIX C – "Summary of Principal Legal Documents –Sublease – Rental Payments – Base Rental Payments" attached hereto.

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State of California or of any political subdivision thereof in contravention 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 the state of California has levied or pledged any form of taxation.

During any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, the Sublease provides that the Rental Payments shall be

abated proportionately and the Sublease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the Sublease, except that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date (as defined in the Sublease); provided, however, that during abatement to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts. Failure of the County to pay Base Rental Payments during any such abatement period shall not constitute a default under the Sublease, the Indenture or the Series 2010 Bonds. See APPENDIX C – "Summary of Principal Legal Documents –Sublease – Rental Payments – Rental Abatement" attached hereto.

A table of the aggregate annual Base Rental Payments to be made by the County under the Sublease is set forth below.

SCHEDULE OF BASE RENTAL PAYMENTS

Fiscal Year Ending June 30,	Base Rental Payment		
	Principal	Interest[1]	Total[1]
2012	$ --	$ 66,078,895	$ 66,078,895
2013	--	55,580,379	55,580,379
2014	--	55,580,379	55,580,379
2015	15,205,000	55,223,629	70,428,629
2016	15,915,000	54,515,654	70,430,654
2017	16,655,000	53,756,104	70,411,104
2018	17,475,000	52,910,904	70,385,904
2019	18,360,000	52,026,998	70,386,998
2020	19,290,000	51,100,754	70,390,754
2021	20,070,000	50,060,485	70,130,485
2022	20,825,000	48,891,234	69,716,234
2023	21,640,000	47,623,994	69,263,994
2024	22,530,000	46,236,553	68,766,553
2025	23,555,000	44,630,743	68,185,743
2026	24,705,000	42,843,951	67,548,951
2027	25,915,000	40,964,314	66,879,314
2028	27,195,000	38,975,876	66,170,876
2029	28,535,000	36,889,345	65,424,345
2030	29,945,000	34,699,854	64,644,854
2031	31,420,000	32,402,348	63,822,348
2032	32,970,000	29,991,586	62,961,586
2033	34,600,000	27,461,766	62,061,766
2034	36,305,000	24,807,082	61,112,082
2035	38,115,000	21,996,023	60,111,023
2036	40,030,000	19,019,480	59,049,480
2037	42,040,000	15,893,433	57,933,433
2038	44,010,000	12,615,789	56,625,789
2039	45,895,000	9,191,307	55,086,307
2040	47,840,000	5,620,941	53,460,941
2041	49,865,000	1,899,358	51,764,358
Total[1]:	$790,905,000	$1,129,489,159	$1,920,394,159

[1] Amounts reflect individual rounding.

Additional Rental

The County shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following: (a) all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates of the Authority or the County therein; (b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Sublease or to defend the Authority and its members, officers, agents and employees; (c) insurance premiums for all insurance required pursuant to the Sublease; (d) any amounts with respect to the Bonds required to be rebated to the federal government in accordance with the Code; and (e) all other payments required to be paid by the County under the provisions of the Sublease or the Indenture.

Reserve Fund

A Reserve Fund will be established under the Indenture in order to secure the payment of principal of and interest on the Series 2010 Bonds and any Additional Bonds issued under the Indenture. The Reserve Fund will be funded in an amount sufficient to satisfy the Reserve Requirement, which is defined as an amount equal to, as of any date of calculation, the least of (i) 10% of the original principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service. The initial deposit to the Reserve Fund will be made from a portion of the proceeds of the Series 2010 Bonds. See "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2010 BONDS" herein.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year); provided, however, that, in connection with the calculation of the Reserve Requirement, including any calculation of Average Annual Debt Service and/or Maximum Annual Debt Service in connection therewith, the interest due on the Outstanding Bonds in each Bond Year shall be net of any subsidy expected to be received from the United States with respect to such Bonds or the interest thereon (whether or not such subsidy is to be paid to the Trustee). "Average Annual Debt Service" means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made. "Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made. See APPENDIX C — "Summary of Principal Legal Documents —Indenture – Definitions" attached hereto.

If the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, the first of Base Rental Payments thereafter received from the County under the Sublease and not needed to pay the principal of and interest on the Bonds on the next Interest Payment Date or Principal Payment Date shall be used to increase the amount on deposit in the Reserve Fund so that the amount on deposit in the Reserve Fund shall equal the Reserve Requirement. See APPENDIX C — "Summary of Principal Legal Documents – Indenture – Pledge and Assignment; Funds and Accounts – Reserve Fund" attached hereto. The Indenture does not provide for satisfaction of the Reserve Requirement through deposit of a surety policy in the Reserve Fund.

Additional Bonds

Under the Indenture, the Authority may issue Additional Bonds payable from Lease Revenues on a parity with all other Bonds theretofore issued under the Indenture, but only subject to satisfaction of certain conditions precedent, including, the filing with the Trustee, among other things, of (a) a certificate of the County to the effect that, upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period, is not in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds, and (b) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type set forth in the Sublease. See APPENDIX C — "Summary of Principal Legal Documents – Indenture – The Bonds – Conditions for Issuance of Additional Bonds" and "– Procedures for the Issuance of Additional Bonds" attached hereto.

Insurance

The County has covenanted in the Sublease to secure and maintain or cause to be secured and maintained at all times with insurers rated "A" or better such insurance (excluding earthquake) as provided for therein. See APPENDIX C – Summary of Principal Legal Documents – Sublease – Insurance" attached hereto.

Substitution and Release

Subject to the provisions described below, the Sublease provides that the County may substitute alternate real property for any portion of the Property or release a portion of the Property from the Sublease. Notwithstanding any substitution or release pursuant to the Sublease, the Sublease provides that there shall be no reduction in or abatement of the Base Rental Payments due from the County thereunder as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to, among other things, the following conditions: (a) a qualified employee of the County or an independent certified real estate appraiser selected by the County shall have certified that (i) the sum of Base Rental Payments plus Additional Rental Payments due under the Sublease in any Rental Period is not in excess of the annual fair rental value of the Property, as constituted after such substitution or release, and (ii) the Property, as constituted after such substitution or release, has a useful life equal to or greater than the maximum remaining term of the Sublease (including extensions thereof as provided under the Sublease); (b) the County shall have obtained or caused to be obtained a CLTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property; (c) the County shall have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on Series 2010A Bonds to be included in gross income for federal income tax purposes; and (d) the County shall have certified to the Trustee that the substituted real property is essential for performing the County's governmental functions. See APPENDIX C – "Summary of Principal Legal Documents –Sublease – Assignment and Subletting; Substitution or Release; Title – Substitution or Release of the Property" attached hereto.

Events of Default and Remedies

An Event of Default under the Sublease includes, among other events, (a) the failure of the County to pay any Rental Payment payable under the Sublease when the same becomes due and payable, time being expressly declared to be of the essence in the Sublease and (b) the failure by the County to observe and perform any of the other covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the

Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, provided, further, however, that the period of time for such cure shall not exceed 90 days without the prior written consent of the Authority. See APPENDIX C – "Summary of Principal Legal Documents –Sublease – Events of Default and Remedies" attached hereto.

In each and every case during the continuance of an Event of Default under the Sublease, the Trustee, as assignee of the Authority, shall have the right, without terminating the Sublease or the County's right to possession of the Property, to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and to pay the full amount of the Rental Payments to the end of the term of the Sublease. Notwithstanding anything to the contrary contained in the Sublease, the Authority in the Sublease expressly waives any right to terminate the Sublease or the County's right to possession of the Property thereunder regardless of whether or not the County has abandoned the Property, and the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease. See "RISK FACTORS – No Right of Relet; No Acceleration Upon an Event of Default; Limitations on Remedies" herein APPENDIX C – "Summary of Principal Legal Documents –Sublease – Events of Default and Remedies" attached hereto.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds. These factors do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2010 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of such risks.

Not a Pledge of Taxes

The Series 2010 Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2010 Bonds. The Authority has no taxing power and has no obligation to pay Base Rental Payments. The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State of California or of any political subdivision thereof in contravention 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 the state of California has levied or pledged any form of taxation.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Sublease to pay the Base Rental Payments from legally available funds for the use and possession of the Property as provided therein and the County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental Payments except to the extent such payments are abated in accordance with the Sublease. The County is currently liable on other obligations

payable from general revenues, some of which may have priority over the Base Rental Payments and Additional 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 Sublease (including payment of costs of replacement, maintenance and repair of the Property and taxes, other governmental charges and utility charges levied against the Property) 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 the Base Rental Payments when due.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Sublease. See APPENDIX C – Summary of Principal Legal Documents – Sublease – Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Property. 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. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement" and "– Abatement" herein.

Abatement

During any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments shall be abated proportionately, and the Sublease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the Sublease, except that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date; provided, however, that during abatement, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the County's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the Reserve Fund or other funds and accounts established under the Indenture, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Series 2010 Bonds, there could be insufficient funds to make payments to Owners of the Series 2010 Bonds in full.

No Right of Relet; No Acceleration Upon an Event of Default; Limitations on Remedies

Pursuant to the Sublease, the Authority expressly waives any right to terminate the Sublease or the County's right to possession of the Property under the Sublease regardless of whether or not the County has abandoned the Property, and the Authority expressly waives any right of entry or re-entry to take possession of and/or re-let the Property. In accordance with the Sublease, in each and every case during the continuance of an Event of Default under the Sublease, the Authority shall have the right, without terminating the Sublease or the County's right to possession of the Property, to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and to pay the full amount of the Rental Payments to the end of the term of the Sublease; and further agrees to pay said Rental Payments punctually at the same time and in the same manner as provided in the Sublease for the payment of Rental Payments under the Sublease, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease. In addition, the Sublease provides that the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease.

The Trustee, as assignee of the Authority's rights under the Sublease, would be required to seek a separate judgment each year for that year's defaulted 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 Rental Payments were due and against funds needed to serve the public welfare and interest.

Additionally, enforceability of the rights and remedies of the Owners, and the obligations incurred by the Authority 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 Owners 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.

Seismic Events

The Property is located within a seismically active area, and damage to the Property from an earthquake could be substantial. Under the Sublease, the County is not required to maintain earthquake insurance. The County presently maintains earthquake insurance on certain of its properties, including the Property. However, such insurance is less than the value of all the insured properties, is less than the initial principal amount of the Series 2010 Bonds and is not required to be used, if obtained, to replace or repair the Property or to redeem the Series 2010 Bonds. If the proceeds of any earthquake insurance were not used or were insufficient to replace or repair the damage caused to the Property, the County would be limited to its general fund, reserves and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the County's obligation to make Base Rental Payments under the respective Sublease would be subject to abatement. See "RISK FACTORS – Abatement" herein.

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

Series 2010A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion on whether interest on the Series 2010A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F – "Form of Opinion of Bond Counsel."

To the extent the issue price of any maturity of the Series 2010A Bonds is less than the amount to be paid at maturity of such Series 2010A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2010A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2010A Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2010A Bonds is the first price at which a substantial amount of such maturity of the Series 2010A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2010A Bonds accrues daily over the term to maturity of such Series 2010A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2010A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2010A Bonds. Beneficial Owners of the Series 2010A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2010A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2010A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2010A Bonds is sold to the public.

Series 2010A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2010A Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2010A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2010A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2010A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2010A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2010A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2010A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from State income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2010A Bonds. Prospective purchasers of the Series 2010A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2010A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2010A Bonds ends with the issuance of the Series 2010A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Series 2010A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2010A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2010A Bonds, and may cause the Authority or Beneficial Owners to incur significant expense.

Series 2010B Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Series 2010B Bonds is exempt from State of California personal income taxes. Interest on the Series 2010B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series 2010B Bonds. The proposed form of opinion of Bond Counsel is set forth in APPENDIX F – "Form of Opinion of Bond Counsel"."

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2010B Bonds that acquire their Series 2010B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2010B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2010B Bonds pursuant to this offering for the issue price that is applicable to such Series 2010B Bonds (i.e., the price at which a substantial amount of the Series 2010B Bonds are sold to the public) and who will hold their Series 2010B Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2010B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series 2010B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2010B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2010B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2010B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

The Series 2010B Bonds are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the Series 2010B Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the Series 2010B Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Series 2010B Bonds.

Disposition of the Series 2010B Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement (including pursuant to an offer by the Authority) or other disposition of a Series 2010B Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2010B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2010B Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the Series 2010B Bond (generally, the purchase price paid by the U.S. Holder for the Series 2010B Bond). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Series 2010B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2010B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any Series 2010B Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Authority through stock ownership and (2) a bank which acquires such Series 2010B Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2010B Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority) or other disposition of a Series 2010B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Authority) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2010B Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series 2010B Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the Series 2010B Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority) or other disposition of a Series 2010B Bond, to certain noncorporate holders of Series 2010B Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any Series 2010B Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2010B Bond or a

financial institution holding the Series 2010B Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Series 2010B Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Bond to the seller of the Series 2010B Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2010B Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a Series 2010B Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Authority and its tax advisors are (or may be) required to inform prospective investors that:

i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;

ii. any such advice is written to support the promotion or marketing of the Series 2010B Bonds and the transactions described herein; and

iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Series 2010 Bonds, the County has covenanted to provide, or cause to be provided, by not later than February 1 of each fiscal year, commencing on February 1, 2011, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system certain annual financial information and operating data and, in a timely manner, notice of certain material events. These covenants have been made in order to assist the Underwriters of the Series 2010 Bonds in complying with the Rule15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. See APPENDIX E – "Form of Continuing Disclosure Certificate" attached hereto. The County has never failed to comply in all material respects with any previous undertakings with regard to the Rule.

CERTAIN LEGAL MATTERS

The validity of the Series 2010 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX F – "Form of Opinion of Bond Counsel" attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California and for the County and the Authority by County Counsel.

FINANCIAL STATEMENTS

The Fiscal Year 2008-09 financial statements of the County, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias Gini & O'Connell LLP (the "Independent Auditor"), certified public accountants, as stated in their report appearing in Appendix B. Independent Auditor has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Independent Auditor with respect to any event subsequent to its report dated December 11, 2009.

FINANCIAL ADVISOR

Public Resources Advisory Group, has served as Financial Advisor to the County in connection with the issuance of the Series 2010 Bonds. The Financial Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

LITIGATION

To the best knowledge of the County and the Authority, there is no litigation pending or threatened against the County or the Authority concerning the validity of the Series 2010 Bonds or challenging any action taken by the County or the Authority in connection with the authorization of the Indenture, the Sublease or any other document relating to the Series 2010 Bonds to which the County or the Authority is or is to become a party or the performance by the County or the Authority 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 the Rental Payments when due. See APPENDIX A – "The County of Los Angeles Information Statement – General Litigation" attached hereto.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") have assigned the Series 2010 Bonds ratings of "A+," "A1" and "A+", respectively. 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 Series 2010 Bonds. Explanation of the significance of such ratings may be obtained only from the respective organizations at: Fitch Ratings, 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 10007-2796; and Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2010 Bonds.

UNDERWRITING

The Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith, Inc., as representative of itself and the underwriters identified on the cover page of this Official Statement (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Series 2010 Bonds from the County and the Authority at an aggregate purchase price of $799,592,501.07 (consisting of the aggregate principal amount of the Series 2010 Bonds of $790,905,000.00, plus an original issue premium of $11,746,043.10 and less underwriters' discount of $3,058,542.03), pursuant to the terms of the Bond Purchase Agreement. The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Series 2010 Bonds offered under the Bond Purchase Agreement if any of the Series 2010 Bonds offered thereunder are purchased.

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

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

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Series 2010 Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Series 2010 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2010 Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

ADDITIONAL INFORMATION

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Site Lease and the Sublease may be obtained upon request from the Trustee at: 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Services. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority, the County and the purchasers or Owners of any of the Series 2010 Bonds.

The County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Any Owner of the Series 2010 Bonds 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 by the County and the Authority.

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

APPENDIX A

THE COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES

CALIFORNIA

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 an estimated population of 10.4 million in 2010, the County is the most populous of the 58 counties in California and has a larger population than 43 states. As required by the County Charter, County ordinances, and State or Federal mandates, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes.

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

COUNTY GOVERNMENT

The County of Los Angeles is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts. Supervisors serve four-year alternating terms with elections held every two years. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving three consecutive terms commencing as of December 2002.

On March 27, 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance. This new governance structure delegates to the Chief Executive Office (the "CEO") additional responsibilities for the administration of the County, including the oversight, evaluation and recommendation for appointment and removal of specific Department Heads and County Officers. The five departments that continue to report directly to the Board of Supervisors (rather than to the CEO) are the Fire Department, Auditor-Controller, County Counsel, Executive Office of the Board of Supervisors, and the CEO. The change in administrative structure was designed to improve the operational efficiency of County governance. The Board of Supervisors has retained the exclusive responsibility for establishing County policy, regulations, and organizational directions.

COUNTY SERVICES

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

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

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

Health and Welfare

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

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

Disaster Services

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

Public Safety

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific

functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily population of over 17,000 inmates.

General Government

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

Culture and Recreation

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

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

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 85% of the County workforce is represented by certified employee organizations. These organizations include sixty (60) collective bargaining units, which are represented either by the Services Employees International Union ("SEIU") Local 721 (formerly known as Local 660), the Coalition of County Unions ("CCU"), which represents nine (9) unions, or one of eight (8) Independent Unions. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division negotiates sixty (60) individual collective bargaining agreements for wages and salaries and two fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

In 2006, the County negotiated a 3-year contract with SEIU Local 721, which currently covers over 79,000 County employees. Under the terms of the collective bargaining agreement, SEIU Local 721 members received a 10% salary increase between October 1, 2006 and January 1, 2009, with the salary range for most employees being extended by an additional 5.5% increase. The County reached similar agreements with most of the bargaining units represented by the CCU and the Independent Unions. One SEIU Local 721 group, the Registered Nurses, negotiated a new classification and salary structure that resulted in some employees receiving raises substantially higher than 15.5%. The fringe benefit agreements negotiated with SEIU Local 721 and the CCU had a term of three years, which expired on September 30, 2009.

In 2006, the County also executed collective bargaining agreements with the Association for Los Angeles Deputy Sheriffs and the Professional Peace Officers Association with terms that extended through January 2009. These agreements resulted in salary increases totaling up to 18.5% over the three-year contract term. A similar agreement was reached with the Los Angeles County Fire Fighters and the Los Angeles County Lifeguard Association. Deputy Probation Officers also settled in early 2006, resulting in10% salary increases as well as longevity pay for employees with 20 or more years of County service.

In March 2009, the Board of Supervisors approved amendments to eight Memoranda of Understanding ("MOU") covering wages and salaries with Independent Unions representing fire fighters, peace officers, public defender investigators, beach lifeguards and deputy probation officers, The amendments extended the MOUs for an additional 2-year period through December 31, 2010 or January 31, 2011, depending on the related bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

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

RETIREMENT PROGRAM

General

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

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service and age. County employees have the option to participate in a contribution based defined benefit plan or a non-contribution based 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 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, 2009 was 160,701, consisting of 64,489 active vested members, 31,299 non-vested

active members, 53,069 retired members and 11,844 terminated vested (deferred) members.

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 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 a manner that is consistent with changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. The 2002 Agreement, which expired in July 2010, provides 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. Each year, contributions to fund the UAAL are amortized as a level percentage of the projected salaries of present and future members of LACERA over a 30-year period from the valuation date. Utilizing a level percentage of projected salaries methodology, this rolling 30-year amortization may cause the UAAL amount to increase over time. However, the amortization method is only one of multiple factors that affect the UAAL. Other factors such as investment returns, changes in actuarial assumptions and benefit increases may cause an increase or decrease in the UAAL.

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

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 actuarial assumed rate of return (7.75%), then the shortfall or excess is smoothed, or spread, over a five-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 are reflected in the June 30, 2009 Actuarial Valuation prepared by Milliman (the "2009 Actuarial Valuation"). The significant changes in the 2009 Funding Policy are described as follows:

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

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

- STAR Program Reserve: If the Funded Ratio of LACERA is below 100%, the actuary will recognize the STAR Program Reserve as a valuation asset to the extent that it restores the Funded Ratio to a level at or below 100%. For the 2009 Actuarial Valuation, the entire $614 million of the STAR Program Reserve is included in the valuation assets of the Retirement Fund. As long as the Funded Ratio remains below 100%, the recognition of the Star Program Reserve as a valuation asset will result in a lower required contribution rate to LACERA.

UAAL and Deferred Investment Returns

The 2009 Actuarial Valuation reported a rate of return on Retirement Fund assets of negative 18.3% for the Fiscal Year ended June 30, 2009, which corresponds to an $8.226 billion reduction in the market value of assets from June 30, 2008. Under the 2009 Funding Policy, the actuarial value of Retirement Fund assets decreased by $120 million to $39.542 billion as of June 30, 2009, and the Funded Ratio decreased by 5.6% from 94.5% to 88.9% as of June 30, 2009. However, the actuarial value does not include $9.819 billion of deferred investment losses that will be recognized over the next four fiscal years. A summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-8.

The 2009 Actuarial Valuation reported that the AAL increased by $2.494 billion to $44.469 billion, and the UAAL increased from $2.313 billion on June 30, 2008 to $4.927 billion as of June 30, 2009. The $2.614 billion increase in the UAAL was primarily the result of the significant investment losses in Fiscal Year 2008-09. A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio") on page A-8.

In Fiscal Year 2010-11, the County's required contribution rate increased by 2.14% to 14.22% of covered payroll. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 1.99% to 4.12%, and an increase in the normal cost contribution rate from 10.09% to 10.10%. The increase in the contribution rate to fund the UAAL was primarily driven by the recognition of significant actuarial investment losses, which account for 3.91% of the 14.22% total contribution rate. The impact of the actuarial investment losses on the required contribution rate was partially offset by the transition to a five-year smoothing period (-1.16%) and the inclusion of STAR Program Reserves (-.52%) as a result of the 2009 Funding Policy. To demonstrate the impact of utilizing an asset smoothing period, the actuary estimates that the Funded Ratio would have been 66.8% as of June 30, 2009, and the required County contribution rate would be 22.64% for Fiscal Year 2010-11, if the actual market value of Retirement Fund assets was used as the basis for the actuarial calculations.

As a result of the improvements in the equity markets since June 30, 2009, LACERA reported an 11.8% return on Retirement Fund Assets for the fiscal year ended June 30, 2010, which compares favorably to their benchmark rate of return of 9.5%. As of May 31, 2010, the asset allocation percentages for the Retirement Fund were 26.9% domestic equity, 23.9% international equity, 26.4% fixed income, 8.8% real estate, 9.7% private equity, 2.2% cash and 2.1% commodities.

The investment losses recognized by LACERA during Fiscal Year 2008-09, combined with the 2009 Funding Policy will have a major impact on future contribution requirements to the Retirement Fund. For Fiscal Year 2010-11, the County's required contribution is expected to increase by $145.1 million from 2009-10 to $949.4 million.

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 experience 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. In performing its preliminary review for the Investigation of Experience as of June 30, 2010, Milliman has recommended that the Board of Investments consider the adoption of some key changes to the economic assumptions related to inflation and investment return. For the June 30, 2010 actuarial valuation (the "2010 Actuarial Valuation"), Milliman has recommended a decrease in the assumed rate of inflation from 3.5% to a range of 3.00% to 3.25%, and a decrease in the assumed investment rate of return from 7.75% to a range of 7.25% to 7.5%.

Based on the 2009 Actuarial Valuation, if the Board of Investments had adopted the most costly scenario within the range of options proposed by Milliman (adjusting the assumed rate of inflation and the investment rate of return to 3.25% and 7.25%, respectively), the County's required contribution rate would have increased to 17.5% in Fiscal Year 2010-11. The actual fiscal impact to the County in Fiscal Year 2011-12 from adopting any of the changes within the ranges proposed by Milliman will depend on the results of the 2010 Actuarial Valuation. The Board of Investments is expected to vote on Milliman's recommendations in December 2010.

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.

Contributions

Employers and members contribute to LACERA based on unisex rates recommended by an independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates.

The County has funded 100% or more of its annual required contribution to LACERA in each of the last twelve years. In Fiscal Years 2008-09 and 2009-10, the County's total contributions to the Retirement Fund were $805.3 million and $802.5 million, respectively. These payments did not include any contribution from excess earnings. For Fiscal Year 2010-11, the County is budgeting $949.4 million for the County contribution to the LACERA Retirement Fund. A summary of employer contributions for the seven years ended June 30, 2010 is presented in Table 3 ("County Pension Related Payments") on page A-8.

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 available to the County to fund retirement program costs is approximately $470 million as of June 30, 2009. These funds will not be affected by the 2009 Funding Policy.

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

Pension Obligations

In California, the obligation of the County to fund the UAAL by making actuarially required contributions is an obligation imposed by State Law. The County has previously issued pension obligation bonds and certificates and transferred the proceeds to LACERA to reduce its UAAL. As of October 1, 2010, the County has deposited an advance payment in the amount of $372.13 million with the trustee, representing the final payment of its outstanding pension obligations. The final payment to bondholders will be made on June 30, 2011. A complete description of the County's pension obligations is included in the "Debt Summary" portion of this Appendix. A six-year history of the County's debt service payments on its pension obligations is also presented in Table 3 on page A-8.

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, 2009, $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, the liability for any STAR Program benefits that may be granted in the future was not included in the 2009 Actuarial Valuation. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would increase by .52% to 14.74%, and the Funded Ratio would decrease by 1.4% to 87.5%.

Postemployment Health Care Benefits

LACERA administers a Health Care Benefits Program ("HBP") under an agreement with the County. The HBP 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 HBP at any time. County HBP-related payments are calculated based on the employment service credit of retirees, survivors, and dependents. For eligible members with 10 years of service credit, the County pays 40% of the health care plan premium. For each year of service credit beyond 10 years, the County pays an additional 4% of the plan premium, up to a maximum of 100% for a member with 25 years of service credit.

For Fiscal Year 2007-08, total HBP-related payments from the County to LACERA were $352.0 million, including a $9.0 million transfer from excess earnings. Total HBP-related payments for Fiscal Year 2008-09 were $365.4 million, with no transfers from excess earnings. The County made $383.5 million of HBP-related payments in Fiscal Year 2009-10, and is projecting $429.1 million in payments in the 2010-11 Final Adopted Budget, without any supplemental contributions from excess earnings.

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 the annual reporting periods ended June 30, 2008 and June 30, 2009.

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

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

In order to comply with the requirements of GASB 43 and GASB 45, LACERA engaged Milliman to complete the initial actuarial valuation of OPEB liabilities for the LACERA plans as of July 1, 2006 (the "2006 OPEB Valuation"). In a report dated May 25, 2007, Milliman presented the first actuarial calculation of the County's unfunded accrued liability for post retirement health care and life insurance benefits paid to its employees.

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

The 2006 OPEB Valuation determined the AAL for LACERA's healthcare and life insurance benefits using a 5% discount rate and the Projected Unit Credit actuarial cost method. Using this methodology, the AAL for LACERA's OPEB program (including employees of the Los Angeles Superior Court) was $21.22 billion as of July 1, 2006, of which approximately $20.30 billion was the County's share of the liability. The total annual required contribution for the County to fund its OPEB liability, referred to in GASB 45 as the "ARC", was estimated to be $1.55 billion as of July 1, 2006, which represented approximately 31.2% of the County's annual payroll costs.

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

In accordance with the requirements of GASB 43, LACERA engaged Milliman to complete its second OPEB actuarial valuation as of July 1, 2008 (the "2008 OPEB Valuation"), which was issued on June 22, 2009. In the 2008 OPEB Valuation, Milliman reported an AAL of $21.86 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability, $20.9 billion, represented a 3% increase from the 2006 OPEB Valuation. The OPEB ARC as of July 1, 2008 was estimated to be $1.66 billion, which represents approximately 28% of the County's payroll costs, and a 7% increase from the 2006 OPEB Valuation.

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

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

Funding for Other Postemployment Benefits

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

In Fiscal Year 2006-07, the Board of Supervisors gave its support to the development of a specific fiscal policy to pre-fund retiree health benefits. The County is planning to use the remaining $470 million of excess earnings with LACERA to fund an initial deposit to an OPEB trust. On April 20, 2010, in response to the presentation of the 2010-11 Proposed Budget, the Board of Supervisors instructed the CEO to resume work with LACERA and the County labor unions to establish an OPEB trust fund and to take the necessary steps to fund the OPEB trust with the remaining balance of excess earnings. Beyond these measures, the County may also consider applying general fund revenues to supplement an initial trust fund deposit.

Long-Term Disability Benefits

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

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

LITIGATION

The County is a party to numerous cases. The following are summaries of the most significant pending proceedings, as reported by the Office of the County Counsel.

Litigation Regarding Health Services

In March 2003, two lawsuits were filed in Federal District Court against the County challenging health care reductions approved by the Board. Specifically, *Rodde, et al. v. Bonta, et al. ("Rodde")* challenged the closure of Rancho Los Amigos National Rehabilitation Center (*"Rancho"*). *Harris, et al. v. County of Los Angeles, et al. ("Harris")* challenged the closure of Rancho as well as the reduction of the 100 beds at LAC+USC Medical Center ("LAC+USC").

Negotiated settlements in the *Harris* and *Rodde* cases were approved by the Board of Supervisors in August 2005 and became final in December 2005 and March 2006, respectively. Pursuant to the settlement agreements, the County agreed to keep Rancho open through March 9, 2009 at a specified level of service. The settlement agreement expired on March 10, 2009, but the County has continued to operate Rancho, and intends to evaluate its future role in providing specialized services under Federal health care reform as a means to enhance revenue for DHS. With respect to LAC+USC, the settlement agreement expired in December 2009. Despite the expiration of the settlement agreement, the County has continued to honor many of the "fixes" required under the agreement, including key provisions related to the operation of the facility as an urgent care center.

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 and the Los Angeles County Professional Peace Officers Association, the unions that represent public safety officers in the Los Angeles County Sheriff's department and the Office of Public Safety. These collective action lawsuits seek to recover compensation for overtime related to performing pre-shift and post-shift employment activities such as the donning and doffing of uniforms and equipment, preparing patrol cars, preparing reports, working through meal times and other such activities which occurred "off the clock." Taken together, there is the potential that the number of claimants could reach 9,000 individuals. These cases are in the early discovery stages. These cases are in the collective action certification stage. In March 2010, the United States Court of Appeals for the Ninth Circuit issued a decision in *Bamonte v. City of Mesa*, holding 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. If this decision becomes final, it may strengthen the County's defense of related claims in the three collective action lawsuits because the Sheriff's Department has a written policy clearly stating that uniformed employees do not have to dress at work.

Various lawsuits have been filed against the County alleging that certain classes of employees were not compensated for overtime worked in excess of forty hours per week, as required by FLSA. These lawsuits seek overtime pay for a three-year period, liquidated damages (double damages), attorneys' fees and costs. In 2008, a lawsuit entitled *Ellerd v. County of Los Angeles* was filed by adult protective services social workers in the Department of Community and Senior Services. The plaintiffs allege that they worked extra unrecorded hours for which they should have been paid overtime at time and one-half. No trial date has been set. The County's collective action decertification motion is set for hearing in January 2011.

Other Litigation

In 1999, a lawsuit entitled *Roger E. Bacon v. Alan T. Sasaki* was filed against the County challenging the Auditor-Controller's method of calculating interest on property tax refunds. A bench trial was held on January 9, 2006 regarding two test claims, and the trial court only partially sustained the Auditor-Controller's position. On August 11, 2009, the Board of Supervisors approved a settlement of the case. The trial court has preliminarily approved the proposed settlement, which provides for a total maximum payout amount, including all fees and costs, of $45 million. It is anticipated that a final fairness hearing prior to entry of final judgment will be held in October 2010. The County has reserved $35 million for the expected fees and costs to settle this lawsuit.

In July 2004 and February 2007, two related cases, *Ricketts v. McCormack, et al*. (*"Ricketts"*) and *Conner, et al., v. McCormack, et al.* (*"Conner"*), respectively, were filed against the County Recorder. In the *Ricketts* case, the plaintiff alleged that the County Recorder did not timely record reconveyances of deeds of trust as required by statute. The County obtained dismissal of the monetary claims in April 2006. In February 2007, the plaintiff prevailed on summary judgment and obtained a writ of mandate compelling the Recorder to timely record reconveyances. The County's motion for a new trial was granted in May 2007 and the trial was held in December 2007. In May 2008, the trial court overturned the prior summary judgment and ruled in favor of the County. The plaintiff appealed the decision and the Court of Appeals upheld the trial court ruling that the County must comply with the statutory requirements regarding the reconveyance of deeds of trust. The plaintiff's Petition for Review was denied by the California Supreme Court in December 2009. In the *Conner* case, a class action lawsuit, plaintiffs are seeking statutory forfeitures of five hundred dollars per violation against the County and its Recorder for alleged late recording of reconveyances of deeds of trust. As a result of the outcome in the *Ricketts* case, the plaintiff voluntarily dismissed the Conner case, with prejudice, in January 2010, thus concluding the litigation.

In March, 2008, a lawsuit entitled *Natural Resources Defense Counsel v. County of Los Angeles, et al.*, was filed against the County and the Los Angeles County Flood Control District (the "Flood Control District") under the citizen suit provision of the Federal Clean Water Act. The plaintiffs have identified approximately 274 days of alleged violations and they contend that the violations are ongoing. The case was bifurcated to first determine liability, and if liability was found, then to determine the penalties and remedies. The trial judge has issued a ruling on cross-motions for summary judgment that disposed of most of the liability issues. However, the County and the Flood Control District were found to have violated water quality standards at two locations. Assuming the ruling remains unchanged, the plaintiffs will be entitled to attorneys fees and costs to the extent they prevailed on liability. No cost has yet been determined for the injunctive relief sought, in the event that such relief is ordered. In March 2009, the County and Flood Control District filed administrative claims under the Government Tort Claims Act against 64 cities and public entities for equitable indemnity and contribution. The County and Flood Control District filed a complaint for indemnity in state court against the three public entities who did not execute tolling agreements. No trial dates have been set in either the federal action or the state lawsuit.

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

In 2008, the City of Alhambra, along with 46 other plaintiff cities, filed a *Petition for Writ of Mandat*e 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 August 2010, the County filed a Petition for Review with the California Supreme Court. If the Petition for Review is unsuccessful and the County is required to pay damages, the estimated liability of the plaintiffs' claim is approximately $18 million.

In 1997, the County sued insurance companies to obtain policy benefits arising out of damage to the County's buildings caused by the Northridge Earthquake. At trial, the County failed to realize a net recovery and the insurers were awarded $5.9 million, plus interest, in litigation costs and fees. Both the County and the insurer have appealed the decision. The appeal is currently pending and no hearing date has been set. If the County fails to succeed on appeal, it may owe the insurers up to $12 million, which has already been reserved by the County.

Pending Litigation

There are a number of other lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not impair the ability of the County to make debt service payments or otherwise meet its outstanding lease or debt service obligations.

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

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2004	$29,481,183	$27,089,440	$32,700,505	$5,611,065	82.84%
06/30/2005	32,026,105	29,497,485	34,375,949	4,878,464	85.81%
06/30/2006	35,185,589	32,819,725	36,258,929	3,439,204	90.51%
06/30/2007	40,908,106	37,041,832	39,502,456	2,460,624	93.77%
06/30/2008	38,724,671	39,662,361	41,975,631	2,313,270	94.49%
06/30/2009	30,498,981	39,541,865	44,468,636	4,926,771	88.92%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2009.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return
2003-2004	$29,481,183	16.5%
2004-2005	32,026,105	11.0%
2005-2006	35,185,589	13.0%
2006-2007	40,908,106	19.1%
2007-2008	38,724,671	-1.5%
2008-2009	30,498,981	-18.3%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2009.

TABLE 3: COUNTY PENSION RELATED PAYMENTS
(in thousands)

Fiscal Year	Cash Payment to LACERA	Transfer From Excess Earnings to LACERA	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
2003-04	$395,062	$126,916	$316,115	$838,093	2.5%
2004-05	527,810	222,542	336,329	1,086,681	29.7%
2005-06	676,667	179,368	356,883	1,212,918	11.6%
2006-07	751,851	111,775	381,235	1,244,861	2.6%
2007-08	827,789	-	381,603	1,209,392	-2.8%
2008-09	805,300	-	320,339	1,125,639	-6.9%
2009-10	802,500	-	358,165	1,160,665	3.1%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2009 and County of Los Angeles Chief Executive Office.

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

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

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

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

Throughout the balance of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The levels of 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 can be amended, which could affect the level of County revenues and budgetary appropriations.

COUNTY BUDGET OVERVIEW

The County Budget is comprised of seven (7) fund groups through which the County's resources are allocated and controlled. These groups include the General and Hospital Enterprise (which represents the General County Budget), Special, Special District, Other Enterprise, Other Proprietary, and Other Funds.

The General County Budget accounts for approximately 76.3% of the 2010-11 Final Adopted Budget and funds programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Funds represent approximately 12.0% of the 2010-11 Final Adopted Budget, and are used to account for the allocation of revenues that are restricted to specific purposes, such as public library operations, courthouse construction programs and operations, and specified automation projects.

Special District Funds account for approximately 8.2% of the 2010-11 Final Adopted Budget and are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Other Proprietary and Other Funds account for 3.5% of the 2010-11 Final Adopted Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

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

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

Article XIIIB of the California Constitution limits the amount of appropriations of local governments for "proceeds of taxes." The County's appropriation limit for "proceeds of taxes" for 2010-11 is $16,206,518,388. The 2010-11 Final Adopted Budget includes proceeds from taxes of $6,297,826,000, which is well below the allowable limit.

Proposition 62

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

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

of the case, which was finally approved by the court in March 2009. The settlement, which is currently in the process of being implemented, calls for a total expenditure by the County of $75 million to be used for tax refunds to class members and enhanced services within the areas of the County from which the tax was collected. At the outset of this lawsuit, the County established a separate reserve account to fund any liabilities resulting from the litigation. The reserve is more than sufficient to fully fund the entire $75 million settlement. In November 2008, the County's utility user tax was approved by the voters in conformity with Proposition 62, thus removing any further concern as to its validity going forward.

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 case will proceed with the discovery and class certification phases of the lawsuit. Since the November 4, 2008, election, the County estimates that $100 million has been collected and continues to be collected at an average rate of $5 million per month. The County intends to re-evaluate the litigation risks after any rulings on dispositive motions.

Proposition 218

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

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

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

Proposition 218 also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees, and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. SB 919, the Proposition Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Proposition 218, states that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. Furthermore, in the 2006 case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)*, the State Supreme Court suggested that the initiative power under Proposition 218 is not free of all limitations, and could be subject to restrictions imposed by the contract clause of the United States Constitution. No assurance can be given, however, that voters in the County will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges that are deposited into the County's General Fund. In addition, "fees" and "charges" are not defined by Article XIIIC or SB 919, and the scope of the initiative power under Article XIIIC could include all sources of General Fund revenue not received from or imposed by the Federal or State government or derived from investment income.

Proposition 1A 2004

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

Proposition 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 up to 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 tax revenue that funds the operation and maintenance of streets and roads in the unincorporated areas of the County. Additional effects of Proposition 26 on the 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 revenues of the County 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-16] of this Appendix A, $4.9 billion of the $18.5 billion 2010-11 Final Adopted General County Budget is received from the federal government and $4.5 billion is funded by the State. The remaining $9.1 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 51% of General County funding is provided by the State and Federal governments underscores the County's significant reliance on outside funding sources.

American Recovery and Reinvestment Act

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (the "ARRA"), a major economic stimulus and fiscal relief package. The ARRA's biggest financial impact to the County comes from the temporary increase in the Federal Medical Assistance Percentage ("FMAP"), which resulted in additional Federal revenue provided for non-administrative Medicaid costs and Title IV-E foster care maintenance and adoption assistance costs. The 2010-11 Final Adopted Budget includes $185.8 million in net budgetary savings as a result of the FMAP rate increase, $68.8 million to fund employment training programs and a $9.6 million funding increase for the managed care rate supplement. The President's proposal for a six-month extension of the FMAP was passed, which increased the funding through June 30, 2011 at a slightly lower rate than had been expected.

Federal Budget Update

On February 1, 2010, the President released his proposed budget for Federal Fiscal Year 2011, which will begin on October 1, 2010. The President's budget aims to reduce the federal budget deficit by proposing a three-year freeze on overall spending for all non-security discretionary spending, which is spending set in annual appropriations bills. Non-security discretionary spending represents 17% of total Federal spending and an even smaller percentage of the total funding received by the County under Federal programs. Entitlement programs, most notably Medicaid, Title IV-E foster care and adoption assistance, Temporary Assistance for Needy Families ("TANF") and child support enforcement, represent a much larger portion of the County's revenue, especially when considering the significant level of State matching and maintenance-of-effort funds. Historically, Congress enacts very few, if any, major changes to health and welfare entitlement programs, and funds the vast majority of state and local grant programs at or near prior year levels. With the exception of the recently passed Federal health care reform legislation and pending jobs legislation, the County is not anticipating any significant changes in the funding level for Federal entitlement programs.

State Budget Process

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

Realignment Program

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

Property Tax Shift

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

2010-11 STATE BUDGET

On January 8, 2010, the Governor released his Fiscal Year 2010-11 Proposed State Budget (the "Proposed State Budget"), which included $82.9 billion for General Fund expenditures and proposed solutions to close a $19.9 billion deficit and establish a $1 billion reserve. The total State budget deficit was comprised of shortfalls of $6.6 billion in Fiscal Year 2009-10 and $13.3 billion for Fiscal Year 2010-11. The County estimated that the Proposed State Budget would result in a direct funding reduction to the County of $188.9 million, with the potential for an additional $1.26 billion of funding reductions if the State does not receive increased Federal funding from the restructuring of the "Federal-State Relationship," as proposed by the Governor.

An additional item that could have an adverse impact on County finances is the enactment of State legislation in March 2010, which authorized a cash flow management plan that will allow the State to defer payments to counties in Fiscal Year 2010-11 for various health, mental health and social service programs, as well as for gasoline excise tax payments from the Highway User Tax Account. If a determination is made that the State's cash flow is insufficient to meet its financial obligations, payment

deferrals could be implemented for periods ranging from 2 to 11 months. The County estimates that its exposure to the payment deferrals could be as high as $500.6 million in Fiscal Year 2010-11. As prescribed by the State legislation, such deferrals must be paid to the County by May 2011, and therefore would not have an impact on the County's June 30, 2011 cash balance.

On May 14, 2010 the Governor released his May revisions to the Proposed State Budget (the "May Revision"). The May Revision included $83.4 billion of General Fund expenditures and projected an overall budget deficit of $19.1 billion, which was comprised of a $7.7 billion shortfall in Fiscal Year 2009-10, a $10.2 billion deficit in Fiscal Year 2010-11, and a recommended year-end reserve of $1.2 billion. The estimated impact of potential funding reductions to the County in the Proposed State Budget was reduced by $194.0 million in the May Revision to $1.25 billion for Fiscal Year 2010-11.

On August 23, 2010, the State Controller, the State Treasurer and the Director of Finance announced that in the absence of a State Budget, they would need to accelerate the deferral of $2.5 billion in payments to schools and $400 million in payments to counties for the CalWORKS Program by one month to September 2010. The payment deferrals were previously scheduled for October 2010 for a period not to exceed 90 days. The three State officials stated that this action was necessary to conserve the State's cash position to provide a positive cash balance through the end of September in order to meet State priority payments, particularly debt service obligations. Based on a review of these actions, it is estimated that $82.7 million in payments due to the Department of Public Social Services were deferred in September 2010.

After a record delay of 100 days, the Governor signed the Omnibus Budget Bill on October 8, 2010, which authorizes the 2010 State Budget Act (the "State Budget Act"). The State Budget Act estimates Fiscal Year 2009-10 revenues and transfers of $86.92 billion, total expenditures of $86.35 billion and a year-end deficit of $4.80 billion, which included a negative $5.38 billion prior-year General Fund balance, a $6.34 billion withdrawal from the reserve for economic uncertainties and an allocation of $1.54 billion to the reserve for the liquidation of encumbrances. For Fiscal Year 2010-11, the State Budget Act projects revenues and transfers of $94.23 billion, total expenditures of $86.55 billion and a year-end surplus of $2.87 billion (net of the $4.80 billion deficit from Fiscal Year 2009-10), of which $1.54 billion and is budgeted to be reserved for the liquidation of encumbrances and $1.34 billion is projected to be deposited in the reserve for economic uncertainties. The State Budget Act also includes $963 million in General Fund expenditure reductions as a result of the Governor's line-item veto authority. Consistent with his actions over the previous two budget cycles, over 96% of the line item vetoes were directed toward reducing State funding for various health and social service programs.

The State Budget Act also includes certain reform measures that have the potential to improve the financial stability of the State in future years. The reform measures include a proposed constitutional amendment on the March 2012 ballot that would increase the maximum size of the State's Budget Stabilization Account from five percent to ten percent of annual General Fund revenues, and would further restrict the State's ability to withdraw funds from its reserves; and a pension reform measure that will reduce the benefits for newly hired State employees to levels that were in place prior to 1999. However, the State Budget Act failed to address the chronic structural budget deficit, which is expected to be a continuing problem for the State in Fiscal Year 2011-12.

The projected impact of the State Budget Act on the County is currently estimated to be a negative $88.65 million in Fiscal Year 2010-11. The County programs that may experience funding reductions include Mental Health ($53.5 million), Public Health ($12.1 million), Social Services ($15.3 million) and General Government ($7.75 million).

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

RECENT COUNTY BUDGETS

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

The reliability of property tax revenues is due in large part to Proposition 13, which helps to insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that had not been reflected on the property tax rolls and has helped to offset a significant decrease in property values during the current economic downturn. The County Assessor estimates that approximately 14.6% of all residential parcels and 17.5% of commercial-industrial parcels are 1975 base-year parcels in the Fiscal Year 2010-11 tax roll. The assessed value of the 1975 base-year parcels has increased by no more than 2% each year since the passage of Proposition 13, while the increase in the market value of the these parcels has greatly exceeded the 2% annual increase in assessed valuation since 1975. To illustrate this point, average median home prices in the County declined by 43% from their peak in August 2007 ($562,346) to a cyclical low in February 2010 ($318,392), but the value of the property tax roll (the "Net Local Roll") decreased by only 0.5% in Fiscal Year 2009-10 and 1.9% in Fiscal Year 2010-11.

The largest contributor to the decrease in assessed valuation for 2010-11 is the reassessment of properties under Proposition 8, a constitutional amendment that allows a temporary reduction in assessed value when a property suffers a "decline in value." Proposition 8 reassessments resulted in a $24.3 billion reduction in the Net Local Roll for Fiscal Year 2010-11. A

significant factor contributing to the Proposition 8 reductions in assessed value is the County Assessor's decision to initiate Proposition 8 reviews of all homes sold between July 2003 and June 2008. In addition to the Proposition 8 adjustments, assessed valuation is expected to decline by $2.1 billion for deflation, $3.9 billion for changes to personal property and fixtures and $1.3 billion for increased exemptions. The Fiscal Year 2010-11 Net Local Roll is projected to include $12.6 billion of additional value to reflect changes in ownership, new construction and changes in the value of homeowners' exemptions. Overall, these adjustments resulted in a reduction in the value of the Net Local Roll by $19.8 billion in Fiscal Year 2010-11.

2009-10 FINAL ADOPTED COUNTY BUDGET

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

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

2010-11 FINAL ADOPTED COUNTY BUDGET

The 2010-11 Final Adopted County Budget (the "2010-11 Final Adopted Budget") is shaped largely by the effects of a severe and prolonged economic downturn, which continues to have a significant impact on the County. The 2010-11 Final Adopted Budget, which was approved by the Board of Supervisors on September 28, 2010, appropriates $24.2 billion, representing a 2.7% increase from the previous fiscal year. For General County purposes (General Fund and Hospital Enterprise Fund), the 2010-11 Final Adopted Budget appropriates $18.5 billion, which represents a 0.1% decrease from the 2009-10 Final Adopted Budget. The 2010-11 Final Adopted Budget reflects a net increase of 183.0 budgeted positions from the 2009-10 Final Adopted Budget. The increase in budgeted positions is primarily due to changes in the County's reporting convention for certain part-time employees. If these part-time positions had also been reported in the 2009-10 Final Adopted Budget, the result would have been a net decrease of 808 budgeted positions for Fiscal Year 2010-11.

The 2010-11 Final Adopted Budget includes additional appropriations relative to the 2010-11 Proposed County Budget in the amount of $527.9 million for the General County Budget and $542.0 million for Special Districts and Special Funds. The increase in appropriations for the General County Budget are funded by an $135.9 million increase in the fiscal year-end fund balance, a $10.6 million increase in locally generated revenues, an increase of $189.4 in revenue offsets from various funding sources, and various other administrative changes of $192.0 million.

For the second year in a row, the County has experienced an overall reduction in assessed property valuation. For Fiscal Year 2010-11, the Assessor is forecasting a 1.9% decrease in the Net Local Roll. The 1.9% reduction in assessed valuation for Fiscal Year 2010-11 corresponds to a $113.1 million decrease in property tax revenue from the previous Fiscal Year.

Compared to Fiscal Year 2009-10 budgeted amounts, the County continues to see reductions in a number of key revenue sources tied to consumer spending, which include Proposition 172 public safety sales tax, VLF-realignment, realignment sales tax, and local sales tax. However, since the current data suggests that economic conditions may be improving, the 2010-11 Final Adopted Budget assumes a 4% increase in taxable sales and a 2% increase in VLF-realignment from the previous Fiscal Year. Although the County is forecasting modest growth in these revenue sources, the estimates for Fiscal Year 2010-11 are still below the budgeted amounts in Fiscal Year 2009-10.
As a result of the rising unemployment rate, the County has experienced a significant increase in the number of residents seeking public assistance, with a corresponding increase in general relief caseloads and costs to the County. The cost of providing general relief assistance is particularly acute, as the County is responsible for funding the entire cost of this program. Most economists are forecasting that the unemployment rate has already peaked, or will soon peak, and the County is beginning to see that monthly increases in the general relief caseload have stabilized. While the County's general relief estimates reflect the assumption that caseloads have peaked, 2010-11 general relief expenditures costs will be greater than Fiscal Year 2009-10 expenditures.

In the 2010-11 Final Adopted Budget, the County is projecting a $491.6 million General Fund Net County Cost ("NCC") budget gap. NCC is the portion of the County budget that is financed with discretionary funding (also known as locally generated revenues). The major components of the Fiscal Year 2010-11 NCC budget gap are described in the following table:

Fiscal Year 2010-11 NCC Budget Gap

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

To close this budget gap the County will utilize a combination of ongoing and one-time solutions, including the use of reserves.

The major components of the Fiscal Year 2010-11 NCC budget gap solutions are described in the following table:

Fiscal Year 2010-11 NCC Budget Gap Solutions

Ongoing Departmental Budget Curtailment	$173.0 million
Ongoing Revenue Solutions	13.0 million
One-Time Bridge Funding	167.2 million
Federal Stimulus Funding	26.2 million
Labor-Management Savings	51.0 million
Excess Prior Year Fund Balance	61.2 million
Total Budget Gap Solutions	**$491.6 million**

Departmental Budget Curtailments

Each County department, with the exception of DHS, was asked to submit a Budget request for 2010-11 that included a 9% NCC reduction. DHS is expected to resolve its $253.3 million budget shortfall in Fiscal Year 2010-11, which represents a 7.2% curtailment from their $3.5 billion budget appropriation. After reviewing the results of the NCC reduction exercise and analyzing the potential impact, the County modified some of the NCC curtailments. These reductions resulted in $173.0 million of ongoing departmental funding reductions, either through curtailments or revenue increases.

One-Time Bridge Funding

In previous years, the County was able to set aside funds for capital projects and for a "rainy day" reserve. County budget policy requires the CEO to target a 10% reserve of locally generated revenues to be set aside in the Reserve for Rainy Day Fund. One generally accepted use of a rainy day fund is to protect against reducing service levels due to temporary revenue shortfalls. In light of the recent improvements in economic conditions and the return to a modest level of growth, the County believes that it is fiscally responsible to utilize some of its reserves and capital project funds to help bridge the current budget gap.

After accounting for the use of approximately $110 million of reserves in the 2010-11 Final Adopted Budget, the County will still have $328 million of reserves available to help address future economic challenges. However, due to the significant level of uncertainty related to both the State and local economies, the County does not recommend using additional reserves to close the current budget gap. In accordance with the budget policy, the County intends to replenish its reserve funds once the economy returns to historical levels of growth and the budget situation improves.

Federal Stimulus Funding

The American Recovery and Reinvestment Act of 2009 ("ARRA"), among other things, temporarily increased the FMAP, which is the federal match rate for non-administrative costs. The FMAP change is projected to temporarily decrease the County's contribution to the In-Home Supportive Services ("IHSS") program. A change in the FMAP percentage also affects other County administered programs. An extension of the FMAP rate increase was approved for all of Fiscal Year 2010-11, but at a slightly lower rate than had been expected.

Labor-Management Savings

The County has initiated a process to work cooperatively with County labor unions regarding potential cost savings, which was originally estimated at $115.0 million in the 2010-11 Proposed Budget. As a result of excess fund balance identified during the year-end closing process, the County was able to reduce the targeted Labor-Management savings amount to $51.0 million in the 2010-11 Final Adopted Budget. To the extent the County is unable to negotiate meaningful savings with its collective bargaining units, the County will likely initiate deeper curtailments and service reductions, including the potential for a significantly higher number of layoffs.

Health Services Budget

The structural deficit in the DHS budget represents one of the County's most difficult budgetary challenges. To address its projected budgetary shortfall in Fiscal Year 2010-11 and in future years, DHS continues to implement a number of cost saving and revenue generating initiatives through their Financial Stabilization Plan efforts. The 2010-11 Final Adopted Budget includes $120.5 million in savings related to these initiatives and an additional $253.3 million in unspecified cost reductions and revenue solutions. To address its structural deficit, DHS continues to focus on high-impact revenue solutions, including the hospital provider fee and the next Hospital Financing Waiver (the "Waiver").

The amended hospital provider fee bill, AB 1383, signed by the Governor in September 2010, is currently pending approval by the Centers for Medicare and Medicaid Services ("CMS"), which is expected to occur by December 2010. The estimated value of the hospital provider fee to the County for Fiscal Years 2008-09, 2009-10 and 2010-11 is $12.8 million, $131.4 million and $57.7 million, respectively.

DHS is actively participating in negotiating the terms of the next Waiver in order to maximize the potential benefits available to the County and other public hospitals. The current Waiver has been extended for 60 days from the original expiration date of August 31, 2010. The extension of the Waiver ensures that while negotiations between the State and CMS continue on the new Waiver, payments under the current Waiver will continue to be made. DHS has also provided the State with a proposal, developed in discussions with L.A. Care, for the transition of Medi-Cal Seniors and Persons with Disabilities into managed care, which is one of the State's Waiver goals. DHS continues to actively collaborate with the California Association of Public Hospitals and Health Systems and other stakeholders, and continues to engage the State directly on Waiver concerns.

The passage of Federal health care reform is expected to have an overall positive impact on DHS in future fiscal years. There are provisions to expand Medi-Cal eligibility beginning in 2014, which will provide coverage for a significant number of DHS' uninsured patients. There are corresponding proposed reductions in the Disproportionate Share Hospital ("DSH") funding beginning in 2014. The net benefit of anticipated increases in Medi-Cal revenue offsets with DHS reductions cannot be estimated at this time, and will depend on many factors, such as the level of reimbursement rates and how many patients stay in the DHS system once they have other care options.

In order to ensure that the County health delivery system is better prepared for the changes resulting from Federal health care reform, the Board of Supervisors recently approved recommendations from a consultant to explore the development of an integrated safety net delivery system, which would include DHS, community clinics, other safety net hospitals, and behavioral health providers. An integrated system would be designed to more effectively align the health care delivery system to serve the population of patients who are likely to be moved into Medi-Cal managed care. Given the pending implementation of Federal health care reform in 2014, it may be necessary for DHS to utilize one-time bridge funding to help facilitate the transition of DHS to a new health care delivery system for the County.

The County is committed to continuing its work with the State and other stakeholders to identify other legislative solutions, and is constantly exploring new funding opportunities. The continuing focus for DHS is the preservation of County services as a balanced health care delivery system, in the following order of priority for the delivery of services: (1) trauma and emergency services; (2) acute inpatient care; (3) tertiary care and specialty services; and (4) primary care. DHS will continue to update the Board of Supervisors on the status of current efforts to increase revenues and reduce on-going costs, and will make necessary adjustments to in the 2010-11 Final Adopted Budget, as more information becomes available.

Martin Luther King Jr. – Harbor Hospital

In August 2007, the CMS notified the County that Martin Luther King, Jr. – Harbor Hospital (the "MLK Hospital") had lost its Medicare and Medicaid certification. To remedy this situation, MLK Hospital was converted into a Multi-Service Ambulatory Care Center, while additional inpatient beds were opened at other County hospitals and purchased from the private sector. On October 12, 2007, Governor Schwarzenegger signed into law Senate Bill 474 to establish a $100 million annual fund, named the South Los Angeles Medical Services Preservation Fund, to stabilize the health services for low-income, under-served residents of South Los Angeles. The continuation of this fund is currently in the legislative process (AB 2599) and has passed both houses in the California Legislature.

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

Tobacco Settlement Revenue

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

The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated $206.0 billion through the year 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. While the County's share of the State settlement is expected to average an estimated $105.0 million each year, the amount of settlement funding may fluctuate significantly from year to year. Factors that could impact the annual payments to the State include actions of the Federal government, declines in cigarette sales, 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.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and reserved in a designation for health services. Through June 2010, the County has received $1.242 billion in tobacco settlement revenues ("TSRs") and accrued interest, with approximately $1.085 billion of the collected proceeds disbursed, and $157 million remaining in reserves. 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 help address its ongoing budget deficit.

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 is also the year in which debt service on the Tobacco Bonds commences. The sale of the Tobacco Bonds was undertaken to finance 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. 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.

BUDGET TABLES

The 2010-11 Final Adopted Budget is supported by $3.7 billion in property taxes, $4.9 billion in federal contributions, $4.5 billion in State contributions, $0.4 billion in cancelled reserves and designations, $1.6 billion in fund balance and approximately $3.4 billion in other funding.

The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2009-10 Final Adopted Budget with the 2010-11 Final Adopted Budget.

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

Fund	Final 2006-07	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11
General Fund	$ 14,837,253	$ 15,981,000	$ 16,273,308	$ 16,368,794	$ 16,380,905
Hospital Enterprise Fund	1,773,047	1,818,990	1,897,508	2,121,468	2,127,184
Debt Service Fund	9,554	-	-		-
Total General County Budget	$ 16,619,854	$ 17,799,990	$ 18,170,816	$ 18,490,262	$ 18,508,089

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

	Final 2006-07	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11
Requirements					
Social Services	$ 4,749,055	$ 4,991,495	$ 5,166,283	$ 5,503,085	$ 5,707,144
Health	4,930,299	5,307,606	5,322,713	5,338,390	5,424,321
Justice	4,177,707	4,499,905	4,719,253	4,693,943	4,745,700
Other	2,762,793	3,000,984	2,962,567	2,954,844	2,630,924
Total	**$ 16,619,854**	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**
Revenue Sources					
Property Taxes	$ 3,246,500	$ 3,628,517	$ 3,840,369	$ 3,789,308	$ 3,676,161
State Assistance	4,716,625	4,963,934	4,818,285	4,554,097	4,528,710
Federal Assistance	4,091,431	3,963,490	4,104,390	4,730,605	4,868,199
Other	4,565,298	5,244,049	5,407,772	5,416,252	5,435,019
Total	**$ 16,619,854**	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**

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

	Final 2006-07	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11
Financing Requirements					
Salaries & Employee Benefits	$ 7,701,124	$ 8,437,462	$ 8,792,005	$ 8,974,526	$ 9,004,826
Services & Supplies	5,480,217	5,859,213	6,192,312	6,350,306	6,530,982
Other Charges	3,031,605	3,127,968	3,233,859	3,350,510	3,503,195
Capital Assets	1,269,445	1,510,033	1,436,772	1,257,509	1,077,873
Other Financing Uses	1,130,994	1,155,780	985,458	726,958	704,520
Residual Equity Transfers Out	379	278	181	295	-
Interbudget Transfers[1]	(1,547,962)	(1,643,528)	(1,579,769)	(1,325,677)	(1,452,816)
Gross Appropriation	$ 17,065,802	$ 18,447,206	$ 19,060,818	$ 19,334,427	$ 19,368,580
Less: Intrafund Transfers	791,309	888,376	912,753	915,868	946,497
Net Appropriation	$ 16,274,493	$ 17,558,830	$ 18,148,065	$ 18,418,559	$ 18,422,083
Reserves					
General Reserve	$ 3,439	$ 3,000	$ 5,400	$ 3,000	$ -
Designations/Other Reserves	341,871	238,160	17,351	68,703	86,006
Estimated Delinquencies	51	-	-	-	-
Total Financing Requirements	**$ 16,619,854**	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**
Available Financing					
Fund Balance	$ 1,073,017	$ 1,706,356	$ 1,808,804	$ 1,713,428	$ 1,628,644
Cancellation of Reserve/Designation	823,328	478,323	345,500	437,653	409,097
Property Taxes: Regular Roll	3,132,117	3,439,292	3,735,359	3,732,264	3,654,517
Supplemental Roll	114,383	189,225	105,010	57,044	21,644
Revenue	11,477,009	11,986,794	12,176,143	12,549,873	12,794,187
Total Available Financing	**$ 16,619,854**	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**

[1] This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling $1.4 billion in 2010-11, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $19.4 billion.

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2009-10 BUDGET TO PROPOSED 2010-11 BUDGET
Net Appropriation: By Function
(In thousands)

Function	2009-10 Final Budget (1)	2010-11 Proposed Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 886,467.0	$ 887,319.0	$ 852.0	0.10%
General Services	725,775.0	592,911.0	(132,864.0)	-18.31%
Public Buildings	1,139,464.0	894,933.0	(244,531.0)	-21.46%
Total General	$ 2,751,706.0	$ 2,375,163.0	$ (376,543.0)	-13.68%
Public Protection				
Justice	$ 4,409,250.0	$ 4,475,587.0	$ 66,337.0	1.50%
Other Public Protection	175,759.0	188,832.0	13,073.0	7.44%
Total Public Protection	$ 4,585,009.0	$ 4,664,419.0	$ 79,410.0	1.73%
Health and Sanitation	5,290,921.0	5,394,110.0	103,189.0	1.95%
Public Assistance	5,457,888.0	5,648,852.0	190,964.0	3.50%
Recreation and Cultural Services	263,341.0	269,845.0	6,504.0	2.47%
Insurance and Loss Reserve	69,694.0	69,694.0	-	0.00%
Reserves/Designations	71,703.0	86,006.0	14,303.0	19.95%
Appropriation for Contingency	-	-	-	0.00%
Total Requirements	**$ 18,490,262.0**	**$ 18,508,089.0**	**$ 17,827.0**	**0.10%**
AVAILABLE FUNDS				
Property Taxes	$ 3,789,308.0	$ 3,676,161.0	$ (113,147.0)	-2.99%
Fund Balance	1,713,428.0	1,628,644.0	(84,784.0)	-4.95%
Cancelled Prior-Year Reserves	437,653.0	409,097.0	(28,556.0)	-6.52%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 448,788.0	$ 430,075.0	$ (18,713.0)	-4.17%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	1,537,677.0	1,628,614.0	90,937.0	5.91%
Other Public Assistance	484,680.0	495,256.0	10,576.0	2.18%
Public Protection	798,476.0	752,793.0	(45,683.0)	-5.72%
Health and Mental Health	768,723.0	774,158.0	5,435.0	0.71%
Capital Projects	24,841.0	25,397.0	556.0	2.24%
Other State Revenues	51,709.0	52,091.0	382.0	0.74%
Total State Revenues	$ 4,135,394.0	$ 4,178,884.0	$ 43,490.0	1.05%
Federal Revenues				
Public Assistance Subventions	$ 2,506,961.0	$ 2,459,088.0	$ (47,873.0)	-1.91%
Other Public Assistance	231,167.0	324,133.0	92,966.0	40.22%
Public Protection	180,419.0	210,632.0	30,213.0	16.75%
Health and Mental Health	816,028.0	893,912.0	77,884.0	9.54%
Capital Projects	20,550.0	27,053.0	6,503.0	31.64%
Other Federal Revenues	28,515.0	53,703.0	25,188.0	88.33%
Total Federal Revenues	$ 3,783,640.0	$ 3,968,521.0	$ 184,881.0	4.89%
Other Governmental Agencies	137,213.0	141,001.0	3,788.0	2.76%
Total Intergovenmental Revenues	$ 8,056,247.0	$ 8,288,406.0	$ 232,159.0	
Fines, Forfeitures and Penalties	217,611.0	224,625.0	7,014.0	3.22%
Licenses, Permits and Franchises	50,528.0	46,064.0	(4,464.0)	-8.83%
Charges for Services	2,903,195.0	2,971,525.0	68,330.0	2.35%
Other Taxes	166,770.0	167,216.0	446.0	0.27%
Use of Money and Property	113,989.0	117,440.0	3,451.0	3.03%
Miscellaneous Revenues	416,659.0	338,160.0	(78,499.0)	-18.84%
Operating Contribution from General Fund	624,874.0	640,751.0	15,877.0	2.54%
Total Available Funds	**$ 18,490,262.0**	**$ 18,508,089.0**	**$ 17,827.0**	**0.10%**

(1) Reflects the Final Adopted 2009-10 General County Budget approved by the Board of Supervisors on September 22, 2009.
(2) Reflects the 2010-11 Final Adopted General County Budget approved by the Board of Supervisors on September 28, 2010.

COUNTY OF LOS ANGELES
FINAL ADOPTED 2009-10 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	$ 886,467.0	$ -	$ 886,467.0
General Services	725,775.0	-	725,775.0
Public Buildings	1,139,464.0	-	1,139,464.0
Total General	$ 2,751,706.0	$ -	$ 2,751,706.0
Public Protection			
Justice	$ 4,409,250.0	$ -	$ 4,409,250.0
Other Public Protection	175,759.0	-	175,759.0
Total Public Protection	$ 4,585,009.0	$ -	$ 4,585,009.0
Health and Sanitation	$ 3,169,453.0	$ 2,121,468.0	$ 5,290,921.0
Public Assistance	5,457,888.0	-	5,457,888.0
Recreation and Cultural Services	263,341.0	-	263,341.0
Insurance and Loss Reserve	69,694.0	-	69,694.0
Reserves/Designations	71,703.0	-	71,703.0
Appropriation for Contingency	-	-	-
Total Requirements	**$ 16,368,794.0**	**$ 2,121,468.0**	**$ 18,490,262.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,789,308.0	$ -	$ 3,789,308.0
Fund Balance	1,713,428.0	-	1,713,428.0
Cancelled Prior-Year Reserves	398,615.0	39,038.0	437,653.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 448,788.0	$ -	$ 448,788.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,537,677.0	-	1,537,677.0
Other Public Assistance	484,680.0	-	484,680.0
Public Protection	798,476.0	-	798,476.0
Health and Mental Health	728,837.0	39,886.0	768,723.0
Capital Projects	24,841.0	-	24,841.0
Other State Revenues	51,709.0	-	51,709.0
Total State Revenues	4,095,508.0	39,886.0	$ 4,135,394.0
Federal Revenues			
Public Assistance Subventions	$ 2,506,961.0	$ -	$ 2,506,961.0
Other Public Assistance	231,167.0	-	231,167.0
Public Protection	180,419.0	-	180,419.0
Health and Mental Health	813,518.0	2,510.0	816,028.0
Capital Projects	20,550.0	-	20,550.0
Other Federal Revenues	28,515.0	-	28,515.0
Total Federal Revenues	$ 3,781,130.0	$ 2,510.0	$ 3,783,640.0
Other Governmental Agencies	137,213.0	-	137,213.0
Total Intergovenmental Revenues	$ 8,013,851.0	$ 42,396.0	$ 8,056,247.0
Fines, Forfeitures and Penalties	217,611.0	-	217,611.0
Licenses, Permits and Franchises	50,402.0	126.0	50,528.0
Charges for Services	1,730,156.0	1,173,039.0	2,903,195.0
Other Taxes	166,770.0	-	166,770.0
Use of Money and Property	111,652.0	2,337.0	113,989.0
Miscellaneous Revenues	177,001.0	239,658.0	416,659.0
Operating Contribution from General Fund	-	624,874.0	624,874.0
Total Available Funds	**$ 16,368,794.0**	**$ 2,121,468.0**	**$ 18,490,262.0**

(1) Reflects the Final Adopted 2009-10 General County Budget approved by the Board of Supervisors on September 22, 2009.

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

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

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

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

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

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

PAYMENT DATES AND LIENS

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

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

LARGEST TAXPAYERS

The twenty largest taxpayers in the County, as shown on the Fiscal Year 2010-11 secured tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of $34,871,407,683 which constitutes only 3.5% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2010-11
Southern California Edison Co.	$ 56,157,978
Douglas Emmett Residential	40,649,287
BP West Coast/Arco Terminal Services	34,358,078
Maguire Properties	31,225,484
Chevron USA Inc./Texaco	26,121,980
Trizechahn Colony Square GP LLC	22,825,119
Exxon Mobil Corporation	21,147,189
AT&T/Pacific Bell Telephone Co.	21,102,657
Verizon/MCI Communications Services	20,322,051
Southern California Gas Company	19,133,041
Conocophillips Co/Union Oil	18,555,751
Universal Studios LLC	16,357,335
Archstone Smith/Tishman Speyer	14,772,892
Long Beach Unit	13,846,886
Macerich	12,778,222
Valero Refining Company	12,771,350
EQP/ERP Limited	12,649,618
Tesoro Refining and Marketing Co.	11,425,751
ASN Woodland Hills East LLC	11,237,916
Boeing North American Inc.	10,734,260
	$ 428,172,845

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

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the assessed cash values, property tax levies and collections since 2006-07.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2006-07 THROUGH 2010-11

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 %
2006-07	$ 872,103,795,877	$ 2,139,425,148	$ 2,059,971,381	96.29%
2007-08	953,468,123,997	2,348,085,882	2,232,305,540	95.07%
2008-09	1,020,346,376,948	2,503,699,652	2,388,838,218	95.41%
2009-10	1,013,549,301,342	2,449,393,435	2,370,955,825	96.80%
2010-11	997,502,481,662	2,410,613,896 [3]	2,333,418,133 [3]	96.80%

(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. Subject to change.

Source: Los Angeles County Auditor-Controller, Tax Division

REDEVELOPMENT AGENCIES

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

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

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the Fiscal Years 2006-07 through 2010-11.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2006-07 THROUGH 2010-11

Fiscal Year	Full Cash Value Increments [1]	Total Tax Allocations [2]
2006-07	$ 111,226,063,567	$ 1,039,226,436
2007-08	127,113,321,984	1,167,170,104
2008-09	142,705,432,962	1,279,129,462
2009-10	140,955,357,917	1,266,067,367
2010-11	136,964,953,487	0 [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) Tax distribution for Fiscal Year 2010-11 has not occurred.

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

CASH MANAGEMENT PROGRAM

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

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

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

2010-11 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 18, 2010, the $1.5 billion 2010-11 TRANs are general obligations of the County attributable to the 2010-11 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 2010-11 for the purpose of repaying the 2010-11 TRANs at maturity. The deposits will be made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2010-11 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

December, 2010	$	465,000,000
January, 2011		405,000,000
February, 2011		150,000,000
March, 2011		120,000,000
April, 2011		387,623,056
Total	$	1,527,623,056

* Reflects a 2.0% interest rate and $1.5 billion in 2010-11 Notes.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2005-06.

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

	2005-06	2006-07	2007-08	2008-09	2009-10	Estimated 2010-11
Property Taxes	$ 2,933,232	$ 3,426,681	$ 3,568,098	$ 3,867,816	$ 3,768,220	$ 3,667,542
Other Taxes	204,889	208,530	176,349	144,945	154,228	137,077
Licenses, Permits and Franchises	56,194	55,523	53,545	52,957	46,825	46,525
Fines, Forfeitures and Penalties	227,104	215,122	239,456	261,477	254,428	255,034
Investment and Rental Income	180,511	273,149	295,191	204,889	133,640	142,586
State In-Lieu Taxes	465,913	471,401	459,242	422,053	424,760	424,360
State Homeowner Exemptions	21,528	21,468	21,765	21,827	21,966	21,674
Charges for Current Services	1,314,525	1,474,540	1,516,390	1,671,756	1,673,098	1,585,827
Miscellaneous Revenue, incl. Tobacco Settlement	251,722	257,391	302,248	262,766	192,973	209,088.8
TOTAL UNRESTRICTED RECEIPTS	$ 5,655,618	$ 6,403,805	$ 6,632,284	$ 6,910,486	$ 6,670,138	$ 6,489,714

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

Intrafund and Interfund Borrowing

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

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

Funds Available for Intrafund Borrowing

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

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

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

The Hospital Enterprise Funds generally represent working capital advances from the General Fund and cash generated from the County hospitals. At year-end, the remaining balances are transferred back to the General Fund. The one exception in this fund group is the ACO - Equipment Fund, which was established for the purpose of financing hospital equipment purchases at the LAC+USC Medical Center Replacement Facility. It is expected that this fund will be depleted in Fiscal Year 2010-2011 as the LAC+USC Medical Center has become fully operational.

The average daily balances shown for these intrafund sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the Property Tax Group, can fluctuate greatly during the month. The General Fund cash balance also fluctuates during the month, with the third week being the lowest and month-end the highest due to the timing of State receipts and receipt of welfare advances on the last day of the month. The tables on the following pages indicate the average daily balances in each of the funds available for intrafund borrowing.

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 on pages A-25 through A-28 provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2009-10 and Fiscal Year 2010-11 through September 2010.

General Fund Cash Flow Statements

The Fiscal Year 2009-10 General Fund Cash Flow Statement and the Fiscal Year 2010-11 General Fund Cash Flow Statement, with actual amounts through September 2010, are provided on pages A-31 through A-34. In Fiscal Year 2009-10, the County had an ending General Fund cash balance of $727 million. For Fiscal Year 2010-11, the County is currently projecting a negative ending cash balance in the General Fund of $82 million.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2009-10: 12 MONTHS ACTUAL
2010-11: 3 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2009-10
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009
PROPERTY TAX GROUP						
Tax Collector Trust Fund	$ 169,018	$ 58,452	$ 49,172	$ 172,421	$ 1,053,812	$ 2,464,823
Auditor Unapportioned Property Tax	295,548	215,969	223,660	306,785	562,345	388,075
Unsecured Property Tax	163,501	83,567	130,418	149,140	122,321	84,617
Miscellaneous Fees & Taxes	7,289	15,703	36,892	31,599	12,918	10,440
State Redemption Fund	60,243	121,910	124,767	121,343	106,071	68,323
Education Revenue Augmentation	4,278	21,108	0	0	1,389	136,373
State Reimbursement Fund	0	0	0	0	486	9,284
Sales Tax Replacement Fund	3,862	13,796	25,841	25,841	26,215	64,488
Vehicle License Fee Replacement Fund	21,187	75,687	141,762	141,762	143,818	353,780
Property Tax Rebate Fund	(6,480)	(23,339)	(25,804)	(43,520)	(55,694)	(26,774)
Utility User Tax Trust Fund	12,357	17,062	21,399	27,000	30,809	30,174
Subtotal	$ 730,803	$ 599,915	$ 728,107	$ 932,371	$ 2,004,490	$ 3,583,603
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 455,977	$ 451,248	$ 412,273	$ 427,360	$ 407,649	$ 402,324
Payroll Revolving Fund	129,608	122,987	125,919	122,635	142,889	121,972
Asset Development Fund	36,271	35,642	35,707	35,736	35,759	35,793
Productivity Investment Fund	8,465	8,440	8,454	8,465	8,493	8,184
Motor Vehicle Capital Outlays	2,431	2,390	2,432	2,432	2,432	2,400
Civic Center Parking	(11)	68	137	89	133	128
Reporters Salary Fund	998	1,021	808	616	588	1,005
Cable TV Franchise Fund	7,529	7,497	7,989	8,154	8,058	8,386
Megaflex Long-Term Disability	18,951	19,029	19,113	19,171	19,247	19,226
Megaflex Long-Term Disability & Health	3,972	4,048	4,117	4,196	4,267	4,338
Megaflex Short-Term Disability	17,587	17,990	18,347	18,693	19,011	19,275
Subtotal	$ 681,778	$ 670,360	$ 635,296	$ 647,547	$ 648,526	$ 623,031
HOSPITAL GROUP						
Harbor-UCLA Medical Center	$ 1,063	$ 1,261	$ 2,352	$ (520)	$ 658	$ 7
Olive View-UCLA Medical Center	1,163	3,887	3,822	1,125	1,754	(984)
LAC+USC Medical Center	(2,893)	4,128	(265)	1,736	1,619	(3,259)
MLK Ambulatory Care Center	(1,164)	(2,512)	1,459	1,271	640	(743)
Rancho Los Amigos Rehab Center	77	(1,758)	317	806	96	(761)
LAC+USC Medical Center Equipment	9,607	9,544	9,276	8,740	8,351	7,899
Subtotal	$ 7,853	$ 14,550	$ 16,961	$ 13,158	$ 13,118	$ 2,159
GRAND TOTAL	**$ 1,420,434**	**$ 1,284,825**	**$ 1,380,364**	**$ 1,593,076**	**$ 2,666,134**	**$ 4,208,793**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	
						PROPERTY TAX GROUP
$ 1,026,720	$ 437,671	$ 542,437	$ 1,462,059	$ 658,674	$ 120,996	**Tax Collector Trust Fund**
495,306	506,070	383,552	1,425,206	567,553	495,121	**Auditor Unapportioned Property Tax**
83,077	75,643	69,114	64,480	79,319	107,468	**Unsecured Property Tax**
9,462	8,287	8,001	8,399	8,095	7,806	**Miscellaneous Fees & Taxes**
57,105	32,675	27,555	26,233	29,044	21,182	**State Redemption Fund**
42,029	13,688	1,903	44,020	0	1,370	**Education Revenue Augmentation**
21,660	1,421	1,421	2,555	24,536	9,440	**State Reimbursement Fund**
112,009	58,277	64,314	88,588	87,726	0	**Sales Tax Replacement Fund**
528,946	127,347	172,470	353,898	467,950	3,064	**Vehicle License Fee Replacement Fund**
(17,936)	(17,236)	(26,074)	(28,958)	(30,751)	(16,590)	**Property Tax Rebate Fund**
28,817	32,686	38,437	41,611	33,090	10,036	**Utility User Tax Trust Fund**
$ 2,387,195	$ 1,276,529	$ 1,283,130	$ 3,488,091	$ 1,925,236	$ 759,893	**Subtotal**
						VARIOUS TRUST GROUP
$ 419,247	$ 422,358	$ 464,173	$ 432,298	$ 415,335	$ 411,210	**Departmental Trust Fund**
119,770	140,893	122,717	121,251	57,668	47,886	**Payroll Revolving Fund**
35,819	36,704	37,899	38,359	38,487	38,560	**Asset Development Fund**
7,904	7,464	7,416	7,625	7,301	6,976	**Productivity Investment Fund**
2,381	2,366	2,366	2,319	2,303	2,304	**Motor Vehicle Capital Outlays**
187	166	233	179	45	383	**Civic Center Parking**
877	756	730	890	477	989	**Reporters Salary Fund**
8,653	8,644	8,816	8,819	8,721	9,105	**Cable TV Franchise Fund**
						Megaflex Long-Term Disability
						Megaflex Long-Term Disability & Health
43,259	43,824	44,268	44,706	45,037	45,403	**Megaflex Short-Term Disability**
$ 638,097	$ 663,175	$ 688,618	$ 656,446	$ 575,374	$ 562,816	**Subtotal**
						HOSPITAL GROUP
$ 1,247	$ 413	$ (2,283)	$ (2,295)	$ 2,663	$ 612	**Harbor-UCLA Medical Center**
1,037	(513)	1,699	(2,545)	2,644	1,272	**Olive View- UCLA Medical Center**
(199)	4,226	583	(5,845)	5,058	2,442	**LAC + USC Medical Center**
343	(517)	(236)	(883)	(780)	(605)	**MLK Ambulatory Care Center**
(1,173)	460	263	(1,377)	556	126	**Rancho Los Amigos Rehab Center**
7,504	7,212	7,047	6,769	6,611	6,514	**LAC+USC Medical Center Equipment**
$ 8,759	$ 11,281	$ 7,073	$ (6,176)	$ 16,752	$ 10,361	**Subtotal**
$ 3,034,051	**$ 1,950,985**	**$ 1,978,821**	**$ 4,138,361**	**$ 2,517,362**	**$ 1,333,070**	**GRAND TOTAL**

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

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
PROPERTY TAX GROUP						
Tax Collector Trust Fund	$ 89,690	$ 39,073	$ 38,030			
Auditor Unapportioned Property Tax	380,463	214,996	171,119			
Unsecured Property Tax	167,122	66,662	132,197			
Miscellaneous Fees & Taxes	7,837	18,895	26,992			
State Redemption Fund	46,810	97,148	110,926			
Education Revenue Augmentation	9,300	15,780	0			
State Reimbursement Fund	0	0	0			
Sales Tax Replacement Fund	2,607	11,321	19,355			
Vehicle License Fee Replacement Fund	21,360	84,618	144,659			
Property Tax Rebate Fund	(8,794)	(25,317)	(40,774)			
Utility User Tax Trust Fund	6,239	6,144	6,378			
Subtotal	$ 722,634	$ 529,320	$ 608,882	$ -	$ -	$ -
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 414,904	419,967.0	$ 413,489			
Payroll Revolving Fund	50,613	61,932.0	47,449			
Asset Development Fund	38,660	38,673.0	38,776			
Productivity Investment Fund	6,671	6,456.0	6,387			
Motor Vehicle Capital Outlays	2,304	2,304.0	2,271			
Civic Center Parking	499	106.0	117			
Reporters Salary Fund	763	900.0	1,004			
Cable TV Franchise Fund	8,487	7,948.0	8,484			
Megaflex Long-Term Disability	19,220	19,243.0	19,207			
Megaflex Long-Term Disability & Health	4,944	5,031.0	5,104			
Megaflex Short-Term Disability	21,759	22,146.0	22,501			
Subtotal	$ 568,824	$ 584,706	$ 564,789	$ -	$ -	$ -
HOSPITAL GROUP						
Harbor-UCLA Medical Center	$ 900	$ 149	$ 697			
Olive View-UCLA Medical Center	(1,019)	785	727			
LAC+USC Medical Center	(11,853)	(1,124)	(144)			
MLK Ambulatory Care Center	(2,124)	298	(377)			
Rancho Los Amigos Rehab Center	(263)	495	762			
LAC+USC Medical Center Equipment	6,147	6,047	6,043			
Subtotal	$ (8,212)	$ 6,650	$ 7,708	$ -	$ -	$ -
GRAND TOTAL	**$ 1,283,246**	**$ 1,120,676**	**$ 1,181,379**	**$ 1,512,105**	**$ 2,575,285**	**$ 4,165,519**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	
						PROPERTY TAX GROUP
						Tax Collector Trust Fund
						Auditor Unapportioned Property Tax
						Unsecured Property Tax
						Miscellaneous Fees & Taxes
						State Redemption Fund
						Education Revenue Augmentation
						State Reimbursement Fund
						Sales Tax Replacement Fund
						Vehicle License Fee Replacement Fund
						Property Tax Rebate Fund
						Utility User Tax Trust Fund
$ -	$ -	$ -	$ -	$ -	$ -	Subtotal
						VARIOUS TRUST GROUP
						Departmental Trust Fund
						Payroll Revolving Fund
						Asset Development Fund
						Productivity Investment Fund
						Motor Vehicle Capital Outlays
						Civic Center Parking
						Reporters Salary Fund
						Cable TV Franchise Fund
						Megaflex Long-Term Disability
						Megaflex Long-Term Disability & Health
						Megaflex Short-Term Disability
$ -	$ -	$ -	$ -	$ -	$ -	Subtotal
						HOSPITAL GROUP
						Harbor-UCLA Medical Center
						Olive View-UCLA Medical Center
						LAC + USC Medical Center
						MLK Ambulatory Care Center
						Rancho Los Amigos Rehab Center
						LAC+USC Medical Center Equipment
$ -	$ -	$ -	$ -	$ -	$ -	Subtotal
$ 2,974,761	**$ 1,857,022**	**$ 1,908,180**	**$ 4,103,871**	**$ 2,165,943**	**$ 1,287,995**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2009-10
(in thousands of $)

	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009
BEGINNING BALANCE	$ 1,101,528	$ 1,594,709	$ 1,086,473	$ 841,447	$ 674,135	$ 274,996
RECEIPTS						
Property Taxes	$ 79,583	$ 115,075	$ 376	$ 88	$ 69,294	$ 983,240
Other Taxes	5,528	9,741	7,515	7,220	7,349	21,717
Licenses, Permits & Franchises	1,415	5,760	4,800	1,249	1,650	3,022
Fines, Forfeitures & Penalties	34,446	26,342	13,649	13,789	27,311	12,669
Investment and Rental Income	23,307	10,478	9,500	6,896	13,929	7,794
Motor Vehicle (VLF) Realignment	26,443	31,890	55,330	39,908	29,418	34,368
Sales Tax Extension - Proposition 172	48,615	39,526	40,606	40,231	46,423	39,167
Sales Tax Allocation-Prog. Realignment	61,180	54,393	50,283	48,622	53,665	48,421
Other Intergovernmental Revenue	76,858	61,299	107,953	220,784	86,132	237,876
Charges for Current Services	139,195	129,588	86,544	109,392	154,809	171,547
Misc. Revenue & Tobacco Settlement	14,875	7,254	6,702	5,547	9,417	(1,694)
Transfers & Reimbursements	9,314	0	1,444	2,721	18,471	18,456
Hospital Loan Repayment	50,000	0	32,581	115,487	2,833	14,089
Welfare Advances	291,585	110,732	505,340	531,173	240,648	310,289
Other Receipts	93,439	10,520	4,654	6,869	25,489	13,776
Intrafund Transfers	0	0	0	0	0	0
TRANs Sold	1,300,000	0	0	0	0	0
Total Receipts	$ 2,255,783	$ 612,598	$ 927,277	$ 1,149,976	$ 786,838	$ 1,914,737
DISBURSEMENTS						
Welfare Warrants	$ 192,946	$ 228,934	$ 187,924	$ 223,912	$ 213,085	$ 207,709
Salaries	386,266	399,116	391,220	383,276	387,277	398,351
Employee Benefits	536,699	40,525	187,567	157,104	186,305	159,346
Vendor Payments	439,626	269,209	287,226	309,043	278,426	311,502
Loans to Hospital	0	0	0	6,244	52,013	161,932
Hospital Subsidy Payments	150,835	160,129	113,520	164,715	51,970	1,597
Transfer Payments	56,230	22,921	4,846	72,994	16,901	14,824
TRANs Pledge Transfer	0	0	0	0	0	403,000
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	$ 1,762,602	$ 1,120,834	$ 1,172,303	$ 1,317,288	$ 1,185,977	$ 1,658,261
ENDING BALANCE	**$ 1,594,709**	**$ 1,086,473**	**$ 841,447**	**$ 674,135**	**$ 274,996**	**$ 531,472**
Borrowable Resources (Avg. Balance)	$ 1,420,434	$ 1,284,825	$ 1,380,364	$ 1,593,076	$ 2,666,134	$ 4,208,793
Total Cash Available	$ 3,015,143	$ 2,371,298	$ 2,221,811	$ 2,267,211	$ 2,941,130	$ 4,740,265

January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	Total 2009 -10
$ 531,471	$ 594,512	$ 214,654	$ (169,894)	$ (90,175)	$ 427,453	
$ 821,688	$ 151,670	$ 14,357	$ 596,935	$ 929,754	$ 6,160	$ 3,768,220
8,214	6,660	4,849	21,873	7,981	45,581	154,228
996	6,397	6,238	10,550	2,265	2,483	46,825
12,998	31,946	18,801	16,062	31,922	14,493	254,428
8,987	10,646	11,339	9,133	11,792	9,839	133,640
31,753	32,315	32,819	39,623	31,840	39,053	424,760
43,794	56,702	43,461	36,492	51,190	41,079	527,286
52,206	71,131	53,896	42,131	63,546	50,726	650,200
87,841	120,782	235,004	201,725	158,770	222,787	1,817,811
128,601	83,146	128,120	252,146	99,628	190,382	1,673,098
12,241	4,970	12,618	98,954	10,728	11,361	192,973
30,093	6,975	8,715	7,165	10,286	24,074	137,714
210,418	36,206	94,066	162,917	45,778	479,860	1,244,235
333,295	271,854	265,552	380,231	403,073	457,115	4,100,887
10,565	7,953	35,211	132,192	13,856	25,742	380,266
0	0	0	0	0	0	1,300,000
0	0	0	0	0	0	
$ 1,793,690	$ 899,353	$ 965,046	$ 2,008,129	$ 1,872,409	$ 1,620,735	$ 16,806,571
$ 202,222	$ 207,802	$ 216,497	$ 211,275	$ 211,196	$ 231,604	$ 2,535,106
394,664	396,469	384,059	479,755	378,847	380,696	4,759,996
205,398	180,709	168,358	185,333	194,100	156,879	2,358,323
265,845	252,150	312,674	226,835	370,627	282,798	3,605,961
231,167	107,822	158,274	406,864	132,140	208,054	1,464,510
0	0	0	0	0	35,900	690,666
80,353	4,259	5,732	73,938	67,871	25,244	434,113
351,000	130,000	104,000	344,410	0	0	1,332,410
0	0	0	0	0		0
$ 1,730,649	$ 1,279,211	$ 1,349,594	$ 1,928,410	$ 1,354,781	$ 1,321,175	$ 17,181,085
$ 594,512	**$ 214,654**	**$ (169,894)**	**$ (90,175)**	**$ 427,453**	**$ 727,013**	
$ 3,034,051	$ 1,950,985	$ 1,978,821	$ 4,138,361	$ 2,517,362	$ 1,333,070	
$ 3,628,563	$ 2,165,639	$ 1,808,927	$ 4,048,186	$ 2,944,815	$ 2,060,083	

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

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
BEGINNING BALANCE	$ 727,012	$ 1,438,648	$ 1,097,190	$ 529,972	$ (12,231)	$ (183,729)
RECEIPTS						
Property Taxes	$ 97,946	$ 97,638	$ 121			
Other Taxes	5,598	19,151	8,842			
Licenses, Permits & Franchises	2,339	6,934	3,307			
Fines, Forfeitures & Penalties	33,529	24,455	13,267			
Investment and Rental Income	22,740	8,603	6,772			
Motor Vehicle (VLF) Realignment	26,770	37,556	46,972			
Sales Tax Extension - Proposition 172	52,034	41,966	40,992			
Sales Tax Allocation-Prog. Realignment	64,439	64,139	50,224			
Other Intergovernmental Revenue	103,644	102,195	89,966			
Charges for Current Services	110,636	115,602	86,245			
Misc. Revenue & Tobacco Settlement	10,543	4,563	6,890			
Transfers & Reimbursements	7,003	1,442	5,078			
Hospital Loan Repayment	40,960	171,783	21,303			
Welfare Advances	182,656	301,799	278,348			
Other Receipts	213,484	19,063	7,232			
Intrafund Borrowings	0	0	0			
TRANs Sold	1,500,000	0	0			
Total Receipts	$ 2,474,321	$ 1,016,889	$ 665,559	$ 919,150	$ 967,879	$ 2,150,171
DISBURSEMENTS						
Welfare Warrants	$ 194,893	$ 212,117	$ 201,988			
Salaries	382,098	397,636	380,087			
Employee Benefits	567,720	68,039	197,385			
Vendor Payments	423,446	351,442	297,977			
Loans to Hospitals	0	6,277	60,135			
Hospital Subsidy Payments	164,601	303,185	91,827			
Transfer Payments	29,927	19,651	3,378			
TRANs Pledge Transfer	0	0	0			
Intrafund Repayment	0	0	0			
Total Disbursements	$ 1,762,685	$ 1,358,347	$ 1,232,777	$ 1,461,353	$ 1,139,377	$ 1,753,397
ENDING BALANCE	**$ 1,438,648**	**$ 1,097,190**	**$ 529,972**	**$ (12,231)**	**$ (183,729)**	**$ 213,044**
Borrowable Resources(Avg. Balance)	$ 1,283,246	$ 1,120,676	$ 1,181,379	$ 1,512,105	$ 2,575,285	$ 4,165,519
Total Cash Available	$ 2,721,894	$ 2,217,866	$ 1,711,351	$ 1,499,874	$ 2,391,556	$ 4,378,563

January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	Estimated Total 2010-11
$ 213,044	$ 327,635	$ 61,409	$ (306,112)	$ (532,545)	$ (33,938)	
$ 1,866,802	$ 988,819	$ 985,372	$ 1,770,458	$ 1,689,096	$ 1,149,755	$ 16,644,274
$ 1,752,211	$ 1,255,045	$ 1,352,894	$ 1,996,891	$ 1,190,489	$ 1,198,045	$ 17,453,514
$ 327,635	**$ 61,409**	**$ (306,113)**	**$ (532,545)**	**$ (33,938)**	**$ (82,228)**	
$ 2,974,761	$ 1,857,022	$ 1,908,180	$ 4,103,871	$ 2,165,943	$ 1,287,995	
$ 3,302,396	$ 1,918,431	$ 1,602,067	$ 3,571,326	$ 2,132,005	$ 1,205,767	

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of September 30, 2010, 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	$6.282
Schools and Community Colleges	13.113
Independent Public Agencies	2.143
Total	$21.538

Of these entities, the involuntary participants accounted for approximately 90.05% and all discretionary participants accounted for 9.95% 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 30, 2010, reaffirmed the following criteria and order of priority for selecting investments:

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

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated October 29, 2010, the September 30, 2010 book value of the Treasury Pool was approximately $21.538 billion and the corresponding market value was approximately $21.670 billion.

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

The following table identifies the types of securities held by the Treasury Pool as of September 30, 2010:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	45.10
Certificates of Deposit	16.55
Commercial Paper	33.86
Bankers Acceptances	0.98
Municipal Obligations	0.12
Corporate Notes & Deposit Notes	3.39
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00

The Treasury Pool is highly liquid. As of September 30, 2010 approximately 46.97% of the investments mature within 60 days, with an average of 526.17 days to maturity for the entire portfolio.

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

FINANCIAL STATEMENTS-GAAP BASIS

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

The basic financial statements for the Fiscal Year ended June 30, 2009, and the unqualified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2009-10 Final Adopted Budget included an available (unreserved and undesignated) General Fund balance of $1,713,428,000 as of June 30, 2009.

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

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

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and

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

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

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

- In conjunction with the issuance of Tobacco Settlement Asset-Backed Bonds, the County sold a portion of its future rights to tobacco settlement revenues. Under the budgetary basis, the bond proceeds were recognized as revenues. Under the modified accrual basis, the bond proceeds were recorded as a sale of future revenues and are being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is discussed in further detail in Note 10 to the 2008-09 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

- In conjunction with the implementation of GASB 45, the County determined that certain assets were held by LACERA (the OPEB Agency) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2009.

The following table provides a reconciliation of the General Fund's June 30, 2009 fund balance (unreserved and undesignated) on a budgetary and GAAP basis.

The tables on the following pages summarize the audited balance sheet for the General Fund since 2004-05 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, 2009 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$	1,713,428
Adjustments:		
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP		154,664
Recognition of Assets held by LACERA for future OPEB benefits		131,493
Accrual of liabilities for accrued vacation and sick leave not required by GAAP		46,797
Change in revenue accruals related to encumbrances		(24,645)
Deferral of property tax receivables		(103,552)
Deferral of unearned investment income		(1,143)
Deferral of sale of tobacco settlement revenue		(266,794)
Change in fair value of Investments		5,140
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$	1,655,388

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2005, 2006, 2007, 2008 and 2009.
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
ASSETS					
Pooled Cash and Investments	$ 2,134,177	$ 2,506,016	$ 2,668,854	$ 2,343,525	$ 1,841,579
Other Investments	6,594	6,502	6,400	6,236	6,099
Taxes Receivable	187,441	208,279	248,095	340,784	301,269
Other Receivables	1,102,712	1,285,684	1,357,683	1,804,965	1,907,656
Due from Other Funds	556,210	219,448	370,124	357,416	326,379
Advances to Other Funds	445,337	541,699	400,280	571,872	825,017
Inventories	39,713	42,562	42,561	43,906	46,486
Total Assets	$ 4,472,184	$ 4,810,190	$ 5,093,997	$ 5,468,704	$ 5,254,485
LIABILITIES					
Accounts Payable	$ 241,753	$ 272,245	$ 300,087	$ 252,794	$ 247,337
Accrued Payroll	328,578	350,421	392,779	472,007	504,374
Other Payables	62,092	67,912	86,055	151,700	121,665
Due to Other Funds	1,001,456	800,615	602,358	561,540	495,105
Deferred Revenue	259,897	275,198	338,714	380,322	343,386
Advances Payable	235,029	286,860	278,023	263,500	361,964
Third-Party Payor liability	16,650	18,661	15,537	12,401	13,836
Total Liabilities	$ 2,145,455	$ 2,071,912	$ 2,013,553	$ 2,094,264	$ 2,087,667
EQUITY					
Fund Balance (Deficit)					
Reserved	$ 400,627	$ 422,055	$ 478,280	$ 597,466	$ 539,851
Unreserved					
Designated	1,017,026	1,522,411	1,235,325	1,152,639	971,579
Undesignated	909,076	793,812	1,366,839	1,624,335	1,655,388
Total Unreserved	1,926,102	2,316,223	2,602,164	2,776,974	2,626,967
Total Equity	2,326,729	2,738,278	3,080,444	3,374,440	3,166,818
Total Liabilities and Equity	$ 4,472,184	$ 4,810,190	$ 5,093,997	$ 5,468,704	$ 5,254,485

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2005, 2006, 2007, 2008 and 2009.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2004-05 THROUGH 2008-09 (in thousands of $)

	2004-05	2005-06	2006-07	2007-08	2008-09
REVENUES:					
Taxes	$ 2,816,095	$ 3,217,726	$ 3,572,932	$ 3,796,296	$ 3,970,566
Licenses, Permits & Franchises	58,422	61,080	61,138	58,799	54,877
Fines, Forfeitures and Penalties	220,622	232,762	234,747	251,933	264,375
Use of Money and Property	103,863	226,005	294,511	280,803	183,772
Aid from Other Government	6,818,550	7,025,205	7,050,121	7,261,668	7,211,150
Charges for Services	1,272,536	1,357,380	1,467,608	1,695,004	1,654,173
Miscellaneous Revenues	207,201	211,059	189,636	282,818	198,837
TOTAL	$ 11,497,289	$ 12,331,217	$ 12,870,693	$ 13,627,321	$ 13,537,750
EXPENDITURES					
General	$ 634,113	$ 751,214	$ 854,052	$ 919,534	$ 946,008
Public Protection	3,239,152	3,473,835	3,855,819	4,222,644	4,420,786
Health and Sanitation	1,844,546	2,004,361	2,126,233	2,345,484	2,480,693
Public Assistance	4,257,038	4,333,920	4,410,224	4,619,225	4,796,019
Recreation and Cultural Services	172,338	197,749	217,221	231,584	242,999
Debt Service	256,826	285,640	294,301	308,207	247,248
Capital Outlay	7,329	22,533	818	97,270	772
Total	$ 10,411,342	$ 11,069,252	$ 11,758,668	$ 12,743,948	$ 13,134,525
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,085,947	$ 1,261,965	$ 1,112,025	$ 883,373	$ 403,225
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	$ (657,058)	$ (874,946)	$ (771,788)	$ (780,902)	$ (612,505)
Sales of Capital Assets	2,784	1,997	1,111	1,036	886
Capital Leases	7,329	22,533	818	97,270	772
OTHER FINANCING SOURCES (USES)-Net	$ (646,945)	$ (850,416)	$ (769,859)	$ (682,596)	$ (610,847)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	$ 439,002	$ 411,549	$ 342,166	$ 200,777	$ (207,622)
Beginning Fund Balance	1,887,727	2,326,729	2,738,278	3,173,663	3,374,440
Residual Equity Transfers from (to) Other Funds-Net	0	0	0	0	0
Ending Fund Balance	$ 2,326,729	$ 2,738,278	$ 3,080,444	$ 3,374,440	$ 3,166,818

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2005, 2006, 2007, 2008 and 2009.

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 governmental 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, 2010, approximately $805.3 million in intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $300.8 million of the outstanding debt. State and Federal subventions secured $32.1 million in outstanding obligations. Revenues from special districts, special funds, enterprise funds, and trust funds secured the remaining $472.4 million in outstanding obligations.

As of October 1, 2010, the General Fund was responsible for only $77.6 million of the $490.2 million in payments due in Fiscal Year 2010-11 for intermediate and long-term obligations. The table below identifies the funding sources for the debt payments due in 2010-11.

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

2010-11 Payments

Funding Source	2010-11 Payment
Total 2010-11 Payment Obligation	$490,152,096
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	121,615,782
Courthouse Construction Funds	30,988,835
Special Districts/Special Funds	38,080,088
Trial Court Trust Fund	19,128,598
State & Federal Subventions	100,669,724
Net 2010-11 General Fund Obligation	$179,669,069

Source: Los Angeles County Chief Executive Office

The principal amount of the outstanding General County intermediate and long-term debt obligations decreased to $657.7 million as of October 1, 2010, which includes debt issuance and repayment activity in Fiscal Year 2010-11. An additional $1.5 billion in TRANs, $25.0 million in Bond Anticipation Notes, and $330.0 million in Tax-Exempt Commercial Paper Notes were also outstanding as of October 1, 2010. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of October 1, 2010 (in thousands)

Type of Obligation		Outstanding Principal
Total County		
Short-Term Obligations:		
Tax and Revenue Anticipation Notes		$ 1,500,000.0
Bond Anticipation Notes		25,000.0
Intermediate & Long-Term Obligations		
Tax-Exempt Commercial Paper		330,000.0
Pension Obligations	(1)	0.0
Lease Obligations		657,719.0
Total Outstanding Principal		$ 2,512,719.0

(1) Does not include $118.5 million in principal payments that were deposited with trustees in advance, but will not be disbursed to bondholders until June 30, 2011.

Source: Los Angeles County Chief Executive Office

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

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

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

Pursuant to a resolution adopted by the Board of Supervisors on May 18, 2010, the County issued $1.5 billion of 2010-11 TRANs on July 1, 2010, with a maturity date of June 30, 2011. The 2010-11 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2010-11, in the amounts, and on the dates specified in the Cash Management Section of this Appendix A. Deposit obligations to the Repayment Fund for the 2010-11 TRANs will be satisfied in full as of April 2011.

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 October 1, 2010, $25.0 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 June 30, 2012.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

General Obligation Debt

On June 11, 1987, the County issued $96.0 million of direct, general obligation bonded indebtedness to fund the construction of adult and juvenile detention facilities. The bonds matured and were paid off on June 1, 2007. The County does not presently have any general obligation debt authorization.

Commercial Paper Program

The County has authorized a maximum of $400 million of Lease Revenue Commercial Paper Notes (the "Commercial Paper Notes") to finance construction costs on various capital projects. Repayment of the Commercial Paper Notes is secured by four Irrevocable, Direct-Pay Letters of Credit ("LOC") issued by JP Morgan Chase Bank, Bank of America, Wells Fargo Bank and Union Bank, and a lease-revenue financing structure between LAC-CAL and the County, which includes twenty-five County-owned properties pledged as collateral to support the LOC. The four LOC agreements, which expire on April 26, 2013, provide credit enhancement to support the issuance of both tax-exempt and taxable Commercial Paper Notes. As of October 1, 2010, $330.0 million of tax-exempt Commercial Paper Notes are outstanding. The Commercial Paper Notes provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion.

Pension Obligations

The County has periodically issued bonds or certificates to fund its UAAL for the retirement benefits of its employees. The obligation of the County to make payments with respect to these bonds and certificates represents an absolute and unconditional obligation imposed by law and is not limited to any special source of funds. As of October 1, 2010, the County had approximately $118.5 million in outstanding bonds and certificates that were issued to finance to the UAAL of the Retirement Fund. In July 2010, the County deposited the final principal payment with the trustee in the approximate amount of $118.5 million, which will be used to fund the final debt service payment for its maturing pension obligations on June 30, 2011.

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 October 1, 2010, approximately $657.7 million 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 2010-11 Final Adopted Budget contains sufficient appropriations to fund the County's payment obligations in Fiscal Year 2010-11. The County's Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to total assessed valuations decreased from 0.116% in 2009 to 0.109% in 2010. The following table provides the ratio of the General Fund's outstanding debt to total assessed valuation over the past ten years.

COUNTY OF LOS ANGELES
DEBT RATIOS - Principal as a percent of total valuation on July 1
INTERMEDIATE AND LONG-TERM OBLIGATIONS

Year	Outstanding Principal (1)	Total Assessed Valuation	% of Principal to Valuation
2001	$3,703,638,147	$567,296,327,872	0.653%
2002	3,404,067,514	605,942,874,836	0.562%
2003	3,093,060,550	656,073,063,881	0.471%
2004	2,785,149,946	709,671,759,735	0.392%
2005	2,387,949,433	783,342,364,874	0.305%
2006	1,789,004,365	872,103,795,877	0.205%
2007	1,444,326,104	953,468,123,997	0.151%
2008	1,385,613,183	1,020,346,376,948	0.136%
2009	1,178,437,056	1,013,549,301,342	0.116%
2010	1,085,297,030	997,502,481,662	0.109%

Source: Los Angeles County Chief Executive Office and Auditor-Controller
1. Includes Tax Exempt Commercial Paper

DEBT SUMMARY TABLES

The tables on the following pages provide:

1. A summary of the combined principal and interest payments due on General County obligations and the aggregate principal outstanding for each fiscal year by obligation type;

2. A summary of the combined principal and interest payments due on General County obligations and the aggregate principal outstanding for each fiscal year by funding source;

3. A detail of the 2010-11 payments on General County obligations by funding source and debt issue;

4. A detail of the principal outstanding in 2010-11 on General County debt issues by funding source and debt issue;

5. A summary of the outstanding principal, future payments and current year payments due on General County obligations as of October 1, 2010 ; and

6. The County's overlapping debt statement as of October 1, 2010.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2010

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL

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 OCTOBER 1, 2010

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS
AS OF JULY 1, 2010

Fiscal Year	Pension Obligation Certificates	Other Bonds	Total Annual Debt Service
2010-11	$ 372,130,000	$ 118,022,096	$ 490,152,096
2011-12	-	108,691,151	108,691,151
2012-13	-	110,330,749	110,330,749
2013-14	-	92,176,678	92,176,678
2014-15	-	88,130,823	88,130,823
2015-16	-	70,608,481	70,608,481
2016-17	-	51,908,479	51,908,479
2017-18	-	40,415,028	40,415,028
2018-19	-	41,297,796	41,297,796
2019-20	-	42,193,494	42,193,494
2020-21	-	43,125,344	43,125,344
2021-22	-	44,105,663	44,105,663
2022-23	-	41,123,113	41,123,113
2023-24	-	16,943,875	16,943,875
2024-25	-	16,933,500	16,933,500
2025-26	-	16,929,000	16,929,000
2026-27	-	16,918,875	16,918,875
2027-28	-	16,906,750	16,906,750
2028-29	-	16,905,750	16,905,750
2029-30	-	16,893,613	16,893,613
2030-31	-	9,432,600	9,432,600
2031-32	-	9,431,488	9,431,488
2032-33	-	6,918,000	6,918,000
2033-34	-	6,918,750	6,918,750
2034-35	-	-	-
Total	$ 372,130,000	$ 1,043,261,093	$ 1,415,391,093

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS
AS OF JULY 1, 2010

Fiscal Year	Pension Obligation Certificates	Other Bonds	Total Outstanding Principal
2010-11	$ 118,486,192	$ 686,810,838	$ 805,297,030
2011-12	-	606,562,754	606,562,754
2012-13	-	532,807,758	532,807,758
2013-14	-	454,942,515	454,942,515
2014-15	-	392,542,430	392,542,430
2015-16	-	332,205,289	332,205,289
2016-17	-	287,863,098	287,863,098
2017-18	-	261,578,779	261,578,779
2018-19	-	246,838,152	246,838,152
2019-20	-	231,520,857	231,520,857
2020-21	-	215,603,886	215,603,886
2021-22	-	190,725,000	190,725,000
2022-23	-	155,450,000	155,450,000
2023-24	-	121,425,000	121,425,000
2024-25	-	110,200,000	110,200,000
2025-26	-	98,410,000	98,410,000
2026-27	-	86,020,000	86,020,000
2027-28	-	73,005,000	73,005,000
2028-29	-	59,335,000	59,335,000
2029-30	-	44,965,000	44,965,000
2030-31	-	29,895,000	29,895,000
2031-32	-	21,735,000	21,735,000
2032-33	-	13,170,000	13,170,000
2033-34	-	6,750,000	6,750,000
2034-35	-	-	-

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

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2010

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Annual Debt Service
2010-11	$ 179,669,069	$ 121,615,782	$ 30,988,835	$ 38,080,088	$ 19,128,598	$ 100,669,724	$ 490,152,096
2011-12	52,887,005	21,038,605	31,546,195	3,219,346	-	-	108,691,151
2012-13	62,482,880	18,853,245	25,708,978	3,285,646	-	-	110,330,749
2013-14	44,406,911	17,098,477	27,323,569	3,347,721	-	-	92,176,678
2014-15	42,083,109	16,118,727	26,513,278	3,415,709	-	-	88,130,822
2015-16	27,014,874	14,471,134	25,636,390	3,486,084	-	-	70,608,481
2016-17	20,801,284	5,684,932	21,867,430	3,554,834	-	-	51,908,479
2017-18	19,814,394	-	16,975,475	3,625,159	-	-	40,415,028
2018-19	20,624,681	-	16,976,475	3,696,640	-	-	41,297,796
2019-20	21,454,019	-	16,965,725	3,773,750	-	-	42,193,494
2020-21	22,321,744	-	16,957,350	3,846,250	-	-	43,125,344
2021-22	23,224,363	-	16,954,300	3,927,000	-	-	44,105,663
2022-23	24,171,488	-	16,951,625	-	-	-	41,123,113
2023-24	-	-	16,943,875	-	-	-	16,943,875
2024-25	-	-	16,933,500	-	-	-	16,933,500
2025-26	-	-	16,929,000	-	-	-	16,929,000
2026-27	-	-	16,918,875	-	-	-	16,918,875
2027-28	-	-	16,906,750	-	-	-	16,906,750
2028-29	-	-	16,905,750	-	-	-	16,905,750
2029-30	-	-	16,893,613	-	-	-	16,893,613
2030-31	-	-	9,432,600	-	-	-	9,432,600
2031-32	-	-	9,431,488	-	-	-	9,431,488
2032-33	-	-	6,918,000	-	-	-	6,918,000
2033-34	-	-	6,918,750	-	-	-	6,918,750
2034-35	-	-	-	-	-	-	-
Total	$ 560,955,819	$ 214,880,900	$ 442,497,825	$ 77,258,227	$ 19,128,598	$ 100,669,724	$ 1,415,391,093

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2010

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Outstanding Principal
2010-11	$ 300,843,820	$ 134,525,761	$ 289,019,920	$ 42,763,744	$ 6,090,546	$ 32,053,240	$ 805,297,030
2011-12	221,999,861	83,036,248	271,616,645	29,910,000	-	-	606,562,754
2012-13	186,428,292	65,495,178	252,834,288	28,050,000	-	-	532,807,758
2013-14	140,450,877	49,377,538	239,074,099	26,040,000	-	-	454,942,515
2014-15	111,373,618	34,279,455	223,014,358	23,875,000	-	-	392,542,430
2015-16	84,203,277	19,440,996	207,011,017	21,550,000	-	-	332,205,289
2016-17	72,115,806	5,556,353	191,140,939	19,050,000	-	-	287,863,098
2017-18	66,818,779	-	178,385,000	16,375,000	-	-	261,578,779
2018-19	63,298,152	-	170,020,000	13,520,000	-	-	246,838,152
2019-20	59,820,857	-	161,225,000	10,475,000	-	-	231,520,857
2020-21	56,388,886	-	151,990,000	7,225,000	-	-	215,603,886
2021-22	44,695,000	-	142,290,000	3,740,000	-	-	190,725,000
2022-23	23,340,000	-	132,110,000	-	-	-	155,450,000
2023-24	-	-	121,425,000	-	-	-	121,425,000
2024-25	-	-	110,200,000	-	-	-	110,200,000
2025-26	-	-	98,410,000	-	-	-	98,410,000
2026-27	-	-	86,020,000	-	-	-	86,020,000
2027-28	-	-	73,005,000	-	-	-	73,005,000
2028-29	-	-	59,335,000	-	-	-	59,335,000
2029-30	-	-	44,965,000	-	-	-	44,965,000
2030-31	-	-	29,895,000	-	-	-	29,895,000
2031-32	-	-	21,735,000	-	-	-	21,735,000
2032-33	-	-	13,170,000	-	-	-	13,170,000
2033-34	-	-	6,750,000	-	-	-	6,750,000
2034-35	-	-	-	-	-	-	-

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

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2010

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations							
Pension Obligation Certificates							
1994 Pension Ob Certs, Ser D: LACERA Funding	$ 372,130,000	$ 120,957,135	$ 96,453,863		$ 34,920,679	$ 19,128,598	$ 100,669,724
Total Pension Obligation Certificates	$ 372,130,000	$ 120,957,135	$ 96,453,863	$ 0	$ 34,920,679	$ 19,128,598	$ 100,669,724
Long-Term Capital Projects							
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:							
Civic Center Heating & Refridgeration Plant	$ -	$ -					
Downey Courthouse	978,738			$ 978,738			
Sheriffs Training Academy	814,593	814,593					
San Fernando Court	1,364,386			1,364,386			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	$ 3,157,716	$ 814,593	$ 0	$ 2,343,123	$ 0	$ 0	$ 0
1993 COPs: Disney Parking Project	$ 11,920,000	$ 11,920,000					
1998 Refg COPs: Disney Parking Project	3,071,250	3,071,250					
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,627,675			$ 3,627,675			
2002 Lease Rev Bonds Ser B:							
Downey Courhouse	320,365			320,365			
Sheriffs Training Academy	264,469	264,469					
San Fernando Court	442,967			442,967			
Total 2002 Lease Rev Bonds Ser B	$ 1,027,800	$ 264,469	$ 0	$ 763,331	$ 0	$ 0	$ 0
2005 Lease Rev Refg Bonds Ser A:							
Music Center Improvements	$ 770,493	$ 770,493					
Alhambra Courthouse	584,704			$ 584,704			
Burbank Courthouse	758,349			758,349			
Ameron Building (Sheriff Headquarters)	2,507,262	2,507,262					
Biscailuz Center	222,157	222,157					
Emergency Operations Center	1,963,478	1,963,478					
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,489,276		$ 1,489,276				
Martin Luther King Medical Center - Trauma Center	6,230,310		6,230,310				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	107,641		107,641				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,397,293		4,397,293				
Rancho Los Amigos Medical Center - Parking Structure	1,641,994		1,641,994				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	687,867		687,867				
San Fernando Valley Juvenile Hall	975,988	975,988					
LAC/USC Medical Center Marengo Street Parking Garage	2,600,185		2,600,185				
LAX Area Courthouse	6,943,875			6,943,875			
San Fernando Valley Courthouse (Chatsworth)	5,502,170			5,502,170			
Harbor Med Center E.P.S.	1,253,897		1,253,897				
Total 2005 Lease Rev Refg Bonds Ser A	$ 38,636,939	$ 6,439,377	$ 18,408,463	$ 13,789,099	$ 0	$ 0	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 3,159,409				$ 3,159,409		
2006 Lease Rev Refg Bonds Ser A:							
East Los Angeles Courthouse	$ 1,224,313			$ 1,224,313			
Lynwood Regional Justice Center	10,663,475	10,663,475					
Men's Central Jail - Twin Towers	10,061,300	10,061,300					
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	419,625	419,625					
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	127,950	127,950					
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	511,750	511,750					
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	117,700	117,700					
Pitchess Honor Rancho: Vehicle Maintenance Facility	301,925	301,925					
Men's Central Jail Parking Structure	1,356,125	1,356,125					
Hutton Building - Registrar / Recorder Headquarters	1,737,925	1,737,925					
Pomona Municipal Courthouse	281,775			281,775			
Pitchess Honor Rancho Laundry Expansion	135,425	135,425					
Pitchess Honor Rancho Visitors Center	333,025	333,025					
Mira Loma Men's Medium Security Facility	242,400	242,400					
Temple City Sheriff Station	575,175	575,175					
Van Nuys Courthouse	2,043,125			2,043,125			
Public Library Headquarters	0						
Total 2006 Lease Rev Refg Bonds Ser A	$ 30,133,013	$ 26,583,800	$ 0	$ 3,549,213	$ 0	$ 0	$ 0
2006 Lease Rev Refg Bonds Ser B:	$ 6,916,394			$ 6,916,394			
Total Long-Term Capital Projects	$ 101,650,195	$ 49,093,488	$ 18,408,463	$ 30,988,835	$ 3,159,409	$ 0	$ 0
Total Long-Term Obligations	$ 473,780,195	$ 170,050,624	$ 114,862,326	$ 30,988,835	$ 38,080,088	$ 19,128,598	$ 100,669,724
Intermediate-Term Obligations							
Equipment							
2008 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 5,605,013	$ 2,858,556	$ 2,746,456				
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	10,017,500	6,010,500	4,007,000				
Total Equipment	$ 15,622,513	$ 8,869,056	$ 6,753,456	$ 0	$ 0	$ 0	$ 0
Taxable Bonds							
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 749,389	$ 749,389					
Total Intermediate-Term Obligations	$ 16,371,902	$ 9,618,445	$ 6,753,456	$ 0	$ 0	$ 0	$ 0
Total Obligations	$ 490,152,096	$ 179,669,069	$ 121,615,782	$ 30,988,835	$ 38,080,088	$ 19,128,598	$ 100,669,724

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, 2010

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations							
Pension Obligation Certificates							
1994 Pension Ob Certs, Ser D: LACERA Funding	$ 118,486,192	$ 38,512,752	$ 30,710,910		$ 11,118,744	$ 6,090,546	$ 32,053,240
Total Pension Obligation Certificates	$ 118,486,192	$ 38,512,752	$ 30,710,910	$ 0	$ 11,118,744	$ 6,090,546	$ 32,053,240
Long-Term Capital Projects							
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:							
Civic Center Heating & Refridgeration Plant	$ -	$ -					
Downey Courthouse	950,000			$ 950,000			
Sheriffs Training Academy	790,674	790,674					
San Fernando Court	1,324,326			1,324,326			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	$ 3,065,000	$ 790,674	$ 0	$ 2,274,326	$ 0	$ 0	$ 0
1993 COPs: Disney Parking Project	$ 34,515,838	$ 34,515,838					
1998 Refg COPs: Disney Parking Project	58,580,000	58,580,000					
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	6,800,000			$ 6,800,000			
2002 Lease Rev Bonds Ser B:							
Downey Courhouse	5,339,414			5,339,414			
Sheriffs Training Academy	4,407,809	4,407,809					
San Fernando Court	7,382,777			7,382,777			
Total 2002 Lease Rev Bonds Ser B	$ 17,130,000	$ 4,407,809	$ 0	$ 12,722,191	$ 0	$ 0	$ 0
2005 Lease Rev Refg Bonds Ser A:							
Music Center Improvements	$ 4,007,928	$ 4,007,928					
Alhambra Courthouse	2,132,788			$ 2,132,788			
Burbank Courthouse	3,943,580			3,943,580			
Ameron Building (Sheriff Headquarters)	9,156,254	9,156,254					
Biscailuz Center	813,569	813,569					
Emergency Operations Center	8,722,873	8,722,873					
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	6,608,777		$ 6,608,777				
Martin Luther King Medical Center - Trauma Center	36,536,181		36,536,181				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	381,502		381,502				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	22,829,527		22,829,527				
Rancho Los Amigos Medical Center - Parking Structure	8,521,418		8,521,418				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	2,514,283		2,514,283				
San Fernando Valley Juvenile Hall	5,722,423	5,722,423					
LAC/USC Medical Center Marengo Street Parking Garage	13,495,585		13,495,585				
LAX Area Courthouse	78,421,973			78,421,973			
San Fernando Valley Courthouse (Chatsworth)	64,450,062			64,450,062			
Harbor Med Center E.P.S.	2,401,277		2,401,277				
Total 2005 Lease Rev Refg Bonds Ser A	$ 270,660,000	$ 28,423,047	$ 93,288,551	$ 148,948,403	$ 0	$ 0	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 31,645,000				$ 31,645,000		
2006 Lease Rev Refg Bonds Ser A:							
East Los Angeles Courthouse	$ 6,920,000			$ 6,920,000			
Lynwood Regional Justice Center	49,205,000	49,205,000					
Men's Central Jail - Twin Towers	46,485,000	46,485,000					
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	410,000	410,000					
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	125,000	125,000					
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	500,000	500,000					
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	115,000	115,000					
Pitchess Honor Rancho: Vehicle Maintenance Facility	295,000	295,000					
Men's Central Jail Parking Structure	1,325,000	1,325,000					
Hutton Building - Registrar / Recorder Headquarters	4,945,000	4,945,000					
Pomona Municipal Courthouse	795,000			795,000			
Pitchess Honor Rancho Laundry Expansion	385,000	385,000					
Pitchess Honor Rancho Visitors Center	950,000	950,000					
Mira Loma Men's Medium Security Facility	685,000	685,000					
Temple City Sheriff Station	1,630,000	1,630,000					
Van Nuys Courthouse	12,755,000			12,755,000			
Public Library Headquarters	0						
Total 2006 Lease Rev Refg Bonds Ser A	$ 127,525,000	$ 107,055,000	$ 0	$ 20,470,000	$ 0	$ 0	$ 0
2006 Lease Rev Refg Bonds Ser B:	$ 97,805,000			$ 97,805,000			
Total Long-Term Capital Projects	$ 647,725,838	$ 233,772,368	$ 93,288,551	$ 289,019,920	$ 31,645,000	$ 0	$ 0
Total Long-Term Obligations	$ 766,212,030	$ 272,285,120	$ 123,999,461	$ 289,019,920	$ 42,763,744	$ 6,090,546	$ 32,053,240
Intermediate-Term Obligations							
Equipment							
2008 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 5,470,000	$ 2,789,700	$ 2,680,300				
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	19,615,000	11,769,000	7,846,000				
Total Equipment	$ 25,085,000	$ 14,558,700	$ 10,526,300	$ 0	$ 0	$ 0	$ 0
Taxable Bonds							
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 14,000,000	$ 14,000,000					
Total Intermediate-Term Obligations	$ 39,085,000	$ 28,558,700	$ 10,526,300	$ 0	$ 0	$ 0	$ 0
Total Obligations	$ 805,297,030	$ 300,843,820	$ 134,525,761	$ 289,019,920	$ 42,763,744	$ 6,090,546	$ 32,053,240

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 OCTOBER 1, 2010

Title	Outstanding Principal	Total Future Payments	2010-11 FY Payment Remaining
Long-Term Obligations			
Pension Obligation Certificates			
1994 Pension Obligation Bonds, Series D (Variable Rate Bonds)	$ 0 (1)	$ 0 (1)	$ 0 (1)
Total Pension Obligation Certificates	$ 0	$ 0	$ 0
Long-Term Capital Projects			
1992 Lease Rev Refg Bonds, 1992 Master Refunding Project	$ 3,065,000	$ 3,157,716	$ 3,157,716
1993 COPs: Disney Parking Project	32,674,019	153,515,000	5,960,000
1998 Refg COPs: Disney Parking Project	58,435,000	89,290,701	1,536,566
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding	6,800,000	7,104,988	3,478,838
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	17,130,000	21,414,000	1,027,800
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	270,660,000	366,796,554	38,636,939
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	31,645,000	42,337,548	3,159,409
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	102,785,000	115,608,575	2,399,769
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	95,440,000	161,381,663	2,255,003
Total Long-Term Capital Projects	$ 618,634,019	$ 960,606,744	$ 61,612,039
Total Long-Term Obligations	$ 618,634,019	$ 960,606,744	$ 61,612,039
Intermediate-Term Obligations			
Equipment			
2008 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 5,470,000	$ 5,605,013	$ 5,605,013
2009 Lease Rev Bonds Series A - LAC-CAL Equipment Program	19,615,000	21,000,625	10,017,500
Total Equipment	$ 25,085,000	$ 26,605,638	$ 15,622,513
Taxable Bonds			
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 14,000,000	$ 15,590,167	$ 329,000
Total Intermediate-Term Obligations	$ 39,085,000	$ 42,195,804	$ 15,951,513
Total Obligations	$ 657,719,019	$ 1,002,802,549	$ 77,563,552

COPs = Certificates of Participation

The Pension Obligation Certificates do not reflect principal and interest payment amounts remaining for FY 2010-11 that were deposited with the respective trustees in advance on July 15 or 30, 2010 as required by the individual Trust Agreements as follows:
(1) $118,486,192 in principal and $253,643,808 in interest

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 OCTOBER 1, 2010
Full Cash Value (2010-11): $926,404,454,179 (after deducting $137,261,121,657 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %	Debt as of 10/1/10
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County Flood Control District	100.000 %	$ 69,610,000
Metropolitan Water District	47.738	121,767,704
Los Angeles Community College District	100.000	3,536,745,000
Other Community College Districts	Various (1)	1,891,606,118
Arcadia Unified School District	100.000	171,179,433
Beverly Hills Unified School District	100.000	188,072,178
Glendale Unified School District	100.000	123,225,000
Long Beach Unified School District	100.000	491,060,606
Los Angeles Unified School District	100.000	11,596,250,000
Pasadena Unified School District	100.000	300,655,000
Pomona Unified School District	100.000	167,698,658
Santa Monica-Malibu Unified School District	100.000	229,595,034
Torrance Unified School District	100.000	178,908,540
Other Unified School Districts	Various (1)	2,637,459,401
High School and School Districts	Various (1)	1,304,746,928
City of Los Angeles	100.000	1,255,830,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000	58,010,000
City of Industry	100.000	156,770,000
Other Cities	100.000	80,480,000
Special Districts	100.000	6,520,000
Community Facilities Districts	100.000	810,803,527
Los Angeles County Regional Park & Open Space Assessment District	100.000	197,285,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	148,633,943
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 25,722,912,070
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	**100.000 %**	**$ 760,119,020**
Los Angeles County Pension Obligations	**100.000**	**118,486,192**
Los Angeles County Office of Education Certificates of Participation	100.000	12,204,890
Community College District Certificates of Participation	Various (2)	74,542,000
Azusa Unified School District Certificates of Participation	100.000	67,435,000
Compton Unified School District Certificates of Participation	100.000	31,365,000
Los Angeles Unified School District Certificates of Participation	100.000	415,879,782
Pomona Unified School District Certificates of Participation	100.000	61,555,000
Other Unified School District Certificates of Participation	Various (2)	228,105,293
High School and School District General Fund Obligations	Various (2)	165,013,613
City of Beverly Hills General Fund Obligations	100.000	254,350,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,901,300,000
City of Long Beach General Fund Obligations	100.000	259,900,000
City of Long Beach Pension Obligations	100.000	62,775,000
City of Pasadena General Fund Obligations	100.000	365,420,440
City of Pasadena Pension Obligations	100.000	111,636,488
Other Cities' General Fund Obligations	100.000	1,329,952,705
Los Angeles County Sanitation Districts General Fund Obligations	100.000	325,115,935
Walnut Valley Water District General Fund Obligations	100.000	10,890,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,556,046,358
Less: **Los Angeles County Lease Revenue Bonds supported by landfill revenues**		**(18,838,269)**
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds		(34,702,048)
Cities' self-supporting bonds		(169,621,093)
Walnut Valley Water District self-supporting General Fund Obligations		(10,890,000)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,321,994,948
GROSS COMBINED TOTAL DEBT		$ 32,278,958,428 (3)
NET COMBINED TOTAL DEBT		$ 32,044,907,018

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

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

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

RATIOS TO 2010-11 ASSESSED VALUATION	
Total Direct and Overlapping Tax and Assessment Debt	2.420 %
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Gross Combined Direct Debt ($878,605,212)	**0.090 %**
Net Combined Direct Debt ($859,766,943)	**0.090 %**
Gross Combined Total Debt	3.480 %
Net Combined Total Debt	3.460 %

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $ 0

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

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2009 Gross Domestic Product ("GDP") of $499.8 billion, Los Angeles County's economy is larger than that of 44 states and all but 17 countries. Los Angeles County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy suffered in 2009 as a result of the severe global recession, with decrease of 2.69% in Gross Product. In 2010, an increase in economic activity in the entertainment, international trade, tourism, and retail sales sectors of the economy is indicative of a gradual economic recovery in the region.

The 2006 unemployment rate of 4.7% was the lowest in the County since 1988. An upward trend started in 2007, with a small increase in the unemployment rate to 5.1% followed by a more substantial increase to 7.5% in 2008. By the end 2009, 241,300 non-agricultural jobs were lost, causing the average unemployment rate to reach 11.6%. The unemployment rate is expected to peak in 2010 at a projected rate of 12.3%. The significant job losses in 2009 were partially offset by the positive impact of major public and private construction projects. With $15 billion in voter approved school district bond measures, historically low interest rates and new capital financing programs and incentives provided by the Federal government under ARRA, local schools and community colleges have undertaken major capital construction projects. In July 2009, Measure R increased the County sales tax rate by one-half of one percent. The increase in sales tax revenue is providing funding for major highway and transit projects throughout the County. In addition, area hospitals are engaged in building programs to meet stricter earthquake standards and other regulatory requirements. These projects, combined with the terminal expansions under way at the two primary sea ports (Los Angeles and Long Beach) and the expansion of the Bradley International Terminal at the Los Angeles International Airport ("LAX"), have provided continued support to a struggling job market in the County.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with wholesale and retail trade and manufacturing being the leading employment sectors. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and Port of Long Beach, is the largest customs district in the nation. In 2009, the LACD experienced a sharp decline of $72.8 billion in the value of two-way trade to $283 billion, representing a 20.5% decrease from the $355.8 billion reported in 2008. The Los Angeles region has the largest manufacturing sector in the nation, with an estimated 389,000 workers employed in this sector of the economy in 2009.

Quality of Life

Higher Education

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

Culture

Los Angeles County is the cultural center of the western United States and has been referred to as the "entertainment capital of the world", offering world-class museums, theaters, and music venues. The County is home to the world's leading movie studios, television networks, recording studios video game developers and publishers, and artists, creating one of the largest concentrations of arts activity in the United States. The Performing Arts Center of Los Angeles County, which houses the Dorothy Chandler Pavilion, Ahmanson Theater, Mark Taper Forum and Walt Disney Concert Hall, is one of the three largest performing art venues in the nation.

Los Angeles County 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 acclaimed Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the George C. Page Museum, the Anderson Gallery, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, and the Huntington Library.

Los Angeles County features more musical and theatrical productions and has more weekly openings than most major cities in the world. The County is home to the Los Angeles Philharmonic Orchestra, which is recognized as one of the finest symphony orchestras in the world. The area also supports numerous regional orchestras such as the Long Beach Symphony, Pasadena Symphony, and Santa Monica Symphony orchestras.

Recreation

Los Angeles County, due to its geographic size, location, topography, and mild climate with an average of 329 days of sunshine per year, 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 Los Angeles County's 31 miles of public beaches stretching along the County's 75-mile shoreline, and bike enthusiasts are 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, motion picture and television studios, regional campgrounds and parklands, and world-renowned restaurants and retail centers. In addition, the County is the host to a number of major annual events such as the January 1st Rose Parade and Rose Bowl game, and the Academy Awards show. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, and the Super Bowl.

Population

The County of Los Angeles is the most populous county in the U.S. with over 10.4 million people estimated to be residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 27% of the total population of California. The demographic profile of the County indicates that 47.7% of the population is Hispanic; 28.7% white non-Hispanic; 13.0% Asian-Pacific Islander; 8.5% African American; and 2.1% other races. The County is also home to the highest number of foreign–born residents in the nation and has the largest population of persons of Filipino, Guatemalan, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 97 consulates, Los Angeles has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 75% of the adult population has a high school diploma or higher, while 28% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

The current economic downturn, which started in late 2007, has affected the entire nation and continues to have a significant adverse impact on the County economy. After experiencing a cyclical low of 4.7% in 2006, the unemployment rate climbed to 11.6% in 2009 and is projected to increase further to a peak of 12.4% in 2010. In comparison, the average unemployment rates for the State of California and the nation are projected to be 12.3% and 9.7%, respectively, in 2010. The aggregate projected job loss of 44,900 in 2010 will have varying degrees of impact on the diverse sectors of the local economy. The largest employment losses are projected in; manufacturing (-19,100); construction (-14,500); government (-7,500) and wholesale trade (-7,100). In terms of employment growth, the information sector, which includes the movie industry, is projected to add a substantial number of jobs (+21,300) in 2010, with more modest job growth in leisure & hospitality (+3,600), private education (+2,500), health services (+2,600), and the administration & support services (+600). Table F details the County's non-agricultural employment numbers by sector since 2005.

Personal Income

The County's total personal income in 2009 of $398 billion represents an estimated 25.5% of the total personal income generated in California. The sustained growth in personal income in past years came to an end in 2009 with a decline of -3.71%. The Los Angeles Economic Development Corporation ("LAEDC") is forecasting that personal income will regain momentum in 2010 with a projected increase of 1.8% in 2010 and 4.4% in 2011. Table C provides a summary of the personal income levels in Los Angeles County since 2005.

Consumer Spending

Los Angeles County is a national leader in consumer spending. As reported by LAEDC, the County experienced a steady growth in taxable retail sales from 2000 to 2007, with an increase of 36.65%, to over $96.1 billion in 2007. In 2008, taxable retail sales decreased by 6.5% to $89.8 billion from 2007 levels. The downward shift in consumer spending continued at an accelerated pace in 2009, with a substantial decrease of 14% from the previous year. The $77.3 billion of taxable retail sales in the County in 2009 represents over 25% of the total retail sales in California. Table D provides a summary of taxable retail sales activity in Los Angeles County since 2005.

Industry

With approximately $500 billion annual economic output, Los Angeles County continues to rank among the world's largest economies. Its 2009 Gross Product represents approximately 27.6% of the total economic output in California and 3.6% 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 the high-technology, electronics, energy, communications, and entertainment industries. Despite a loss of 45,300 manufacturing jobs in 2009, Los Angeles County is still considered the nation's largest manufacturing hub, with an estimated 389,000 workers employed in 2009. The largest components of the manufacturing sector include apparel, fabricated metal products, computer and electronics, and transportation equipment. According to the Kyser Center for Economic Research, the Los Angeles area is also "technology rich", with companies such as Lockheed Martin, Boeing and Northrop Grumman, and over 30,000 people working in computer systems design and software development.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, Los Angeles County has become the international trade capital of the United States. Its seaports and the airport serve as the lifelines of Southern California's thriving international trade community. The value of two-way trade in the LACD experienced steady increase from 2001 to 2008, resulting in a record level of $355.8 billion in 2008. As a result of the severe downturn in the global economy, the value of two-way trade experienced a significant decrease of -20.5% in 2009 to $283 billion. Despite the decline, LACD maintained its ranking as the top customs district in the nation for international trade in 2009, with China, Japan, South Korea and Taiwan remaining its top trading partners. In a July 2010 report, LAEDC provides a positive outlook in 2010, with a forecasted increase in the value of international trade of 14%.

Transportation/Infrastructure

Los Angeles County is one of the world's largest transportation centers. The region's ports, airports, integrated rail and highway facilities are part of an extensive transportation infrastructure that provides valuable service to residents, visitors, and industry. The additional revenue generated from the voter approved Measure R sales tax increase is intended to fund a projected $40 billion of transportation projects throughout the County over the next 30 years, and create an estimated 210,000 new construction jobs.

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the seventh busiest airport in the world for passenger traffic, and is ranked 13th in the world as measured by the volume of air cargo tonnage, contributing $61 billion to the local economy each year. In the May 2009 release of the U.S. Department of Transportation statistics, LAX ranked first among the nation's busiest airports for on-time performance for flight arrivals and departures. In 2009, LAX served 56.5 million passengers and handled 1.7 million tons of air cargo.

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

port facility in the United States, and the two ports are reported by LAEDC to be the largest port complex in the U.S. based on the volume of cargo handled in 2009, as measured by twenty-foot equivalent units ("TEUs"). The combined port complex, which handles nearly 40% of all the waterborne containerized cargo coming into the U.S., has become 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.

The Port of Los Angeles is one of the largest man-made harbors in the world. As measured by annual container volume, it ranks as the busiest container port in the United States, and the 16th busiest in the world. The port facilities cover over 7,500 acres and include 43 miles of waterfront. The port has 27 major cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. For the calendar year 2009, the port handled over 157 million metric revenue tons of cargo and 6.7 million TEUs, which represents a 14.0% decrease in container volume from 2008.

The Port of Long Beach is also among the world's busiest container ports, and ranks behind the Port of Los Angeles as the second busiest port in the nation, and the seventeenth busiest in the world. The port covers over 3,200 acres, with 10 piers, 80 berths and 71 cranes. In calendar year 2009, the port handled over 5.1 million TEUs of container cargo, which represents a decrease of 21.9% from 2008, the direct result of the global economic downturn and its adverse impact on the volume of trade moving through both ports.

As a result of stronger growth in the Asian economies and an increase in demand from U.S manufacturers and retailers as they restock depleted inventories, the volume of trade at the combined port complex is showing significant signs of improvement in 2010. For the six-month period ended June 30, 2010, the total container volume from the two ports increased by 17% from the same period in 2009.

Port Expansion

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

Metro System

The Metro System is a multi-modal and integrated passenger transportation system that provides service to the greater Los Angeles area. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation services that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority ("MTA"), which is responsible for the planning, design, construction and operation of the public transportation system for Los Angeles County. The Fiscal Year 2010 operating budget for the MTA is $3.827 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. According to the International Trade Administration, Office of Travel and Tourism Industries, the Los Angeles region is one of the top travel destinations in the United States, and the second ranked destination for international visitors behind only New York. In 2009, the Los Angeles region hosted an estimated 24.8 million overnight visitors, representing a 3.3% decrease from 2008. As reported by the Los Angeles Convention and Visitors Bureau, Los Angeles was the third ranked destination for overseas visitors, with international visitors spending amounting to $3.6 billion. Direct visitor spending totaled $11.8 when combined with domestic visitors spending. The opening of the convention center hotel in downtown Los Angeles is expected to trigger an increase in the visitor count to an estimated 25.1 million in 2010.

Real Estate and Construction

The residential housing market in Los Angeles County experienced a significant downturn starting in late 2007. The average median price for new and existing homes decreased by nearly 40% from a peak of $532,281 in 2007 to $321,550 in 2009. The significant decline in home values since 2007 helped to facilitate a 24% increase in the volume of home sales from 2008 to 2009, as homes became more affordable and buyers took advantage of historically low interest rates and various programs and incentives provided by the Federal government to help support the struggling housing market. Despite the increase in home sales, all of the major indicators for the housing market showed continued deterioration in 2009. Residential building permits and residential purchase lending decreased by 59% and 1%, respectively in 2009, and Notices of Default Recorded increased by 24.3% from 2008 to 2009.

The non-residential real estate sector, which struggled in 2008, experienced further difficulties in 2009, with a decrease in new construction and developers experiencing higher vacancy rates. The total non-residential building valuation of $2.67 billion in 2009 represents a decrease of 40% from 2008. Construction lending experienced a significant decrease of 60% to $1.4 billion over the same measurement period. Although there were major business expansions and construction projects in the County during 2009, which would normally indicate growth, the rise in vacancy rates for both the office and industrial markets (increases of 16.0% and 3.3%, respectively) are indicative of a struggling commercial real estate market. The decline in non residential building activity has continued in 2010, with the value of building permits projected to decrease by 3.6% to $2.63 billion.

Despite the severe downturn in the housing market, Los Angeles County has maintained a stable assessed valuation. This is due in part to the significant "stored value" in secured property as a result of Proposition 13. The Los Angeles County Assessor's Annual Report for the Fiscal Year 2010-11 shows a total assessed valuation of $1.042 trillion, representing a 1.9% decrease from the Fiscal Year 2009-10 Assessment Roll of $1.062 trillion.

GROSS PRODUCT

POPULATION LEVELS

TOTAL PERSONAL INCOME

TAXABLE RETAIL SALES

UNEMPLOYMENT RATES

AVERAGE ANNUAL EMPLOYMENT

SUMMARY OF AIRPORT AND PORT ACTIVITY

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

TOTAL TONNAGE OF MAJOR WEST COAST PORTS

INTERNATIONAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS

REAL ESTATE AND CONSTRUCTION INDICATORS

BUILDING PERMITS AND VALUATIONS

LARGEST PRIVATE SECTOR EMPLOYERS

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

	2005	2006	2007	2008	2009
Los Angeles County	$418,700	$446,800	$508,000	$513,600	$499,800
State of California	1,628,000	1,727,400	1,798,300	1,846,800	1,812,400
United States	12,455,800	13,244,600	13,794,200	14,441,440	14,256,280
Los Angeles County as a % of California	25.72%	25.87%	28.25%	27.81%	27.58%

Source: Los Angeles Economic Development Corporation

TABLE B: POPULATION LEVELS

	2005	2006	2007	2008	2009
Los Angeles County	10,185,800	10,216,700	10,252,200	10,341,400	10,409,000
State of California	38,899,400	37,274,600	37,674,400	38,134,500	38,487,900
Los Angeles County as a % of California	26.18%	27.41%	27.21%	27.12%	27.04%

Source: Los Angeles Economic Development Corporation

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

	2005	2006	2007	2008	2009
Los Angeles County	$357,194	$385,733	$402,108	$413,317	$398,000
Orange County	139,408	150,598	153,839	155,118	147,982
Riverside and San Bernardino Counties	108,599	116,926	122,811	125,379	120,364
Ventura County	33,151	35,706	37,192	37,185	36,500
State of California	1,387,700	1,495,600	1,572,300	1,604,100	1,563,400
Los Angeles County as a % of California	25.74%	25.79%	25.57%	25.77%	25.46%

Source: Los Angeles Economic Development Corporation

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

	2005	2006	2007	2008	2009
Los Angeles County	$92,271	$95,544	$96,096	$89,810	$77,250
State of California	375,800	389,100	387,000	357,300	306,000
Los Angeles County as a % of California	24.55%	24.56%	24.83%	25.14%	25.25%

Source: Los Angeles Economic Development Corporation

TABLE E: UNEMPLOYMENT RATES

	2005	2006	2007	2008	2009
Los Angeles County	5.4%	4.8%	5.1%	7.5%	11.6%
State of California	5.4%	4.9%	5.2%	7.2%	11.4%
United States	5.1%	4.6%	4.6%	5.8%	9.2%

Source: Los Angeles Economic Development Corporation

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2005	2006	2007	2008	2009
Government	583.7	589.4	595.7	603.7	599.5
Wholesale & Retail Trade	633.7	649.0	653.0	640.2	590.7
Health Care & Social Assistance	373.9	379.3	387.5	398.3	402.4
Manufacturing	471.7	461.7	449.7	434.4	389.1
Leisure & Hospitality	377.8	388.6	397.9	401.6	383.9
Professional, Scientific & Technical Services	250.9	264.0	273.9	269.6	250.3
Administrative & Support Services	257.7	271.9	272.7	256.4	225.4
Information	207.6	205.6	209.8	210.3	193.7
Transportation & Utilities	161.7	165.2	165.6	163.1	151.7
Finance & Insurance	166.2	169.0	165.8	156.3	145.9
Construction	148.7	157.5	157.6	145.2	116.5
Educational Services	97.4	99.4	102.9	105.1	111.5
Real Estate	77.8	79.8	80.3	79.4	74.3
Management of Enterprises	67.6	63.0	58.8	56.7	52.4
Other	148.0	149.2	151.5	150.5	142.0
Total	4,024.4	4,092.6	4,122.7	4,070.8	3,829.3

Source: Los Angeles County Economic Development Corporation

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

Type of Activity	2005	2006	2007	2008	2009
International Air Cargo (Tons)					
Los Angeles International Airport	1,123.9	1,113.6	1,138.6	996.5	916.0
As Percentage of Total Air Cargo	52.59%	52.95%	54.80%	55.47%	55.05%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,137.2	2,103.1	2,077.5	1,796.5	1,663.9
Bob Hope Airport (Burbank)	48.0	52.2	48.7	38.9	40.3
Total	2,185.1	2,155.3	2,126.3	1,835.5	1,704.1
International Air Passengers					
Los Angeles International Airport	17,486.3	16,910.7	17,248.0	16,683.7	15,100.9
As Percentage of Total Passengers	28.44%	27.70%	27.62%	27.89%	26.72%
Total Air Passengers					
Los Angeles International Airport	61,489.5	61,041.1	62,438.6	59,820.8	56,520.8
Bob Hope Airport (Burbank)	5,512.6	5,689.3	5,921.3	5,331.4	4,588.4
Total	67,002.1	66,730.4	68,359.9	65,152.2	61,109.2
Container Volume (TEUs)					
Port of Los Angeles	7,484.6	8,469.9	8,355.0	7,850.0	6,749.0
Port of Long Beach	6,709.8	7,290.4	7,312.5	6,487.8	5,067.6
Total	14,194.4	15,760.3	15,667.5	14,337.8	11,816.6

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

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

Customs District	2005	2006	2007	2008	2009
Los Angeles, CA	$291,600	$326,400	$347,300	$355,800	$283,000
New York, NY	267,200	294,700	323,600	353,400	266,700
Detroit, MI	230,000	239,800	248,900	236,400	169,900
Houston, TX	136,300	162,800	184,700	242,100	165,900
New Orleans, LA	127,400	149,900	172,700	214,200	149,600
Laredo, TX	138,700	156,000	166,400	173,300	146,000
Chicago, IL	108,400	120,800	132,900	153,300	127,900
Seattle, WA	95,400	108,500	119,400	120,400	101,300
Savannah, GA	72,200	82,100	93,400	101,000	87,200
San Francisco, CA	98,300	110,600	111,700	114,100	86,500

Source: Los Angeles Economic Development Corporation

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

Port	2005	2006	2007	2008	2009
Los Angeles-Long Beach, CA	186,533	210,503	211,691	201,456	167,866
Tacoma, WA	34,193	32,516	33,753	34,701	28,701
Seattle, WA	29,515	28,692	29,514	28,416	27,872
Oakland, CA	27,831	28,597	29,449	26,731	25,070
Portland, OR	18,728	20,173	23,167	21,683	16,348
Kalama, WA	9,506	8,444	9,624	12,320	9,065
San Diego, CA	5,307	6,705	6,548	5,903	5,135
Vancouver, WA	4,101	5,441	6,173	5,557	3,506
Port Hueneme	4,042	4,603	3,971	3,571	2,998

Source: Los Angeles Economic Development Corporation

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

Port	2005	2006	2007	2008	2009
Los Angeles-Long Beach, CA	14,195	15,760	15,667	14,338	11,817
New York, NY	4,785	5,086	5,299	5,265	4,562
Savannah, GA	1,902	2,160	2,604	2,616	2,357
Oakland, CA	2,274	2,392	2,388	2,236	2,045
Houston, TX	1,594	1,607	1,772	1,795	1,797
Norfolk, VA	1,982	2,046	2,128	2,083	1,745
Charleston, SC	1,987	1,517	1,754	1,636	1,368
Seattle, WA	1,746	1,636	1,628	1,376	1,285
Tacoma, WA	1,401	1,552	1,403	1,348	1,076

Source: Los Angeles Economic Development Corporation

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

Indicator	2005	2006	2007	2008	2009
1. Construction Lending (in millions)	$ 6,986	$ 8,435	$ 6,886	$ 3,520	$ 1,417
2. Residential Purchase Lending (in millions)	$ 62,485	$ 57,046	$ 38,388	$ 22,256	$ 22,111
3. New & Existing Median Home Prices	$ 469,045	$ 511,365	$ 532,281	$ 397,474	$ 321,550
4. New & Existing Home Sales	132,535	109,212	74,917	65,278	81,072
5. Notices of Default Recorded	16,299	26,296	53,414	84,806	105,433
6. Unsold New Housing (at year-end)	1,115	3,630	4,273	3,117	1,629
7. Office Market Vacancy Rates	11.2%	9.4%	9.7%	12.2%	16.0%
8. Industrial Market Vacancy Rates	2.0%	1.5%	1.5%	2.2%	3.3%

Source: Real Estate Research Council of Southern California

TABLE L: BUILDING PERMITS AND VALUATIONS

	2005	2006	2007	2008	2009
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	11,911	10,097	7,509	3,539	2,131
b. Multi-Family	13,736	16,251	12,854	10,165	3,515
Total Residential Building Permits	25,647	26,348	20,363	13,704	5,646
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$ 2,916	$ 2,561	$ 2,048	$ 1,134	$ 798
b. Multi-Family	1,810	2,205	2,011	1,409	522
c. Alterations and Additions	1,962	1,982	1,898	1,411	1,073
Residential Building Valuations Subtotal	$ 6,688	$ 6,747	$ 5,957	$ 3,954	$ 2,393
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$ 233	$ 241	$ 716	$ 446	$ 192
b. Retail Buildings	552	482	493	469	222
c. Hotels and Motels	93	119	343	256	11
d. Industrial Buildings	277	182	109	135	40
e. Alterations and Additions	1,669	1,694	2,005	2,158	1,658
f. Other	1,000	1,178	1,073	1,027	551
Non-Residential Building Valuations Subtotal	$ 3,824	$ 3,896	$ 4,739	$ 4,491	$ 2,674
Total Building Valuations (in millions)	$ 10,512	$ 10,643	$ 10,696	$ 8,445	$ 5,067

Source: Real Estate Research Council of Southern California

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

	Company (in order of 2009 Ranking)	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1	Kaiser Permanente	Health Care Provider	Oakland, CA	34,179	165,189
2	Northrop Grumman Corp.	Aerospace/Defense Contractor	Los Angeles, CA	19,137	125,622
3	Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	14,400	159,400
4	Kroger Co.	Grocery Retailer	Cincinnati, OH	14,000	326,000
5	University of Southern California	Education-Private University	Los Angeles, CA	13,044	13,044
6	Target Corp.	Retailer	Minneapolis, MN	13,000	351,000
7	The Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,000	209,300
8	Providence Health & Services	Medical Centers	Seattle, WA	9,715	50,916
9	Vons	Grocery Retailer	Pleasanton, CA	9,688	187,808
10	Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	9,300	N/A
11	Wells Fargo	Diversified Financial Services	San Francisco, CA	9,100	269,900
12	ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	9,000	105,000
13	AT&T Inc.	Telecommunications	Dallas, TX	8,950	294,600
14	California Institute of Technology	Private University, Operator of Jet Propulsion Lab	Pasadena, CA	8,504	8,660
15	Fedex Corp.	Shipping and Logistics	Memphis, TN	8,500	N/A
16	Catholic Healthcare West	Hospitals	San Francisco, CA	7,275	55,018
17	Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,500	16,700
18	Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	5,587	147,370
19	Long Beach Memorial Medical Ctr.	Regional Hospital	Huntington Beach, CA	5,400	N/A
20	UPS	Transportation and Freight	Atlanta, GA	5,100	425,000
21	JP Morgan Chase	Banking and Financial Services	New York, NY	4,700	220,255
22	Childrens Hospital Los Angeles	Hospital	Los Angeles, CA	4,211	4,211
23	Toyota Motor Sales U.S.A. Inc	Sales, Distribution, Customer Service	Torrance, CA	4,200	35,838
24	Adventist Health	Hospitals	Roseville, CA	3,804	17,753
25	Time Warner Cable	Cable Provider	Stamford, Conn.	3,100	N/A

N/A - Not Available
Source: Los Angeles Business Journal

APPENDIX B

THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS

Page

Independent Auditor's Report B-1
Management's Discussion and Analysis (Required Supplementary Information-Unaudited) .. B-3
Basic Financial Statements:
- Government-wide Financial Statements:
  - Statement of Net Assets B-25
  - Statement of Activities B-26
- Fund Financial Statements:
  - Balance Sheet - Governmental Funds B-28
  - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets B-30
  - Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds B-32
  - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities B-34
  - Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis:
    - General Fund B-35
    - Fire Protection District B-36
    - Flood Control District B-37
    - Public Library B-38
    - Regional Park and Open Space District B-39
  - Statement of Net Assets - Proprietary Funds B-40
  - Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds B-42
  - Statement of Cash Flows - Proprietary Funds B-44
  - Statement of Fiduciary Net Assets - Fiduciary Funds B-48
  - Statement of Changes in Fiduciary Net Assets - Fiduciary Funds B-49
- Notes to the Basic Financial Statements B-50

Required Supplementary Information-Unaudited:
- Schedule of Funding Progress - Pension Plan B-107
- Schedule of Funding Progress - Other Post Employment Benefits B-108

COUNTY OF LOS ANGELES

CALIFORNIA

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NEWPORT BEACH
SAN MARCOS
SAN DIEGO

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC) and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net assets/ fund balances, and revenues/additions of the following opinion units:

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues/ Additions
Governmental Activities	1%	2%	1%
Business-type Activities	4%	8%	10%
Aggregate Remaining Fund Information	65%	66%	1%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for CDC and LACERA, are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for

the General Fund, the Fire Protection District, the Flood Control District, the Public Library, and the Regional Park and Open Space District, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 18 to the basic financial statements, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments,* effective July 1, 2008.

The management's discussion and analysis on pages 3 through 21 and the schedules of funding progress on pages 105 and 106 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we and the other auditors express no opinion on them.

Macias Gini & O'Connell LLP
Certified Public Accountants

Los Angeles, California
December 11, 2009

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2009. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net assets (total assets less total liabilities) of the County were positive $16.129 billion. However, net assets are classified into three categories and the unrestricted component is negative $2.006 billion. See further discussion on page B-7.

During the current year, the County's net assets decreased by a total of $1.152 billion. Net assets related to governmental activities decreased by $787 million, while net assets related to business-type activities decreased by $365 million. Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45) was implemented in the prior year and continued to have a material effect on the County's changes in net assets during the current year. See further discussion on page B-7.

At the end of the current year, the County's General Fund reported a total fund balance of $3.167 billion. The amount of unreserved fund balance was $2.627 billion. Of the unreserved total, $972 million was designated.

The County's capital asset balances were $17.735 billion at year-end and increased by $210 million during the year.

During the current year, the County's total long-term debt decreased by $334 million. Bond maturities of $384 million exceeded the $50 million of newly issued and accreted long-term debt.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all County assets and liabilities, with the difference representing net assets. Over time, increases and decreases in net assets may serve as an indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods. For example, property tax revenues have been recorded that have been earned but not yet collected and workers' compensation expenses have been accrued but not yet paid.

The government-wide financial statements report the following different types of programs or activities:

- Governmental Activities - The majority of County services are reported under this category. Taxes and intergovernmental revenues are the major revenue sources that fund these activities which include general government, public protection, public ways and facilities, health and sanitation, public assistance, recreation, and cultural services.

- Business-type Activities - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, the Aviation Fund, and housing programs operated by the Community Development Commission, a blended component unit, are regarded as business-type activities.

- Discretely Presented Component Unit - Component units are separate entities for which the County is financially accountable. First 5 LA is the only component unit that is discretely presented.

FUND FINANCIAL STATEMENTS

The fund financial statements contain information regarding major individual funds. A fund is a fiscal and accounting entity with a balanced set of accounts. The County uses separate funds to ensure compliance with fiscal and legal requirements.

FUND FINANCIAL STATEMENTS-Continued

The County's funds are classified into the following three categories:

- Governmental Funds - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Permanent Funds.

- Proprietary Funds - These funds are used to account for functions that were classified as "business type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's five Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. The remaining proprietary funds are combined in a single column, with individual fund details presented elsewhere in this report.

- Fiduciary Funds - These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the County's programs. The Pension Trust Fund, the Investment Trust Funds, and Agency Funds are reported in this fund category, using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits and other postemployment benefits to employees.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $16.129 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2009 and 2008 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 7,981,471	$ 8,052,812	$ 730,736	$ 994,087	$ 8,712,207	$ 9,046,899
Capital assets	15,252,601	15,074,565	2,482,382	2,450,785	17,734,983	17,525,350
Total assets	23,234,072	23,127,377	3,213,118	3,444,872	26,447,190	26,572,249
Current and other liabilities	1,472,639	1,377,389	203,922	218,966	1,676,561	1,596,355
Long-term liabilities	7,009,138	6,179,573	1,631,997	1,483,193	8,641,135	7,662,766
Total liabilities	8,481,777	7,556,962	1,835,919	1,702,159	10,317,696	9,259,121
Net assets:						
Invested in capital assets, net of related debt	14,081,048	13,913,070	2,217,449	2,259,617	16,298,497	16,172,687
Restricted net assets	1,644,109	1,605,763	192,427	307,985	1,836,536	1,913,748
Unrestricted net assets (deficit)	(972,862)	51,582	(1,032,677)	(824,889)	(2,005,539)	(773,307)
Total net assets	14,752,295	15,570,415	1,377,199	1,742,713	16,129,494	17,313,128
Total liabilities and net assets	$ 23,234,072	$ 23,127,377	$ 3,213,118	$ 3,444,872	$ 26,447,190	$ 26,572,249

Significant changes in assets and liabilities included the following:

Current and Other Assets

Current and other assets decreased for governmental activities by $71 million. The total amount reported for "pooled cash and investments" and "other investments" decreased by $365 million while "internal balances" (receivables from the business-type activities) rose by $344 million. The economic downturn in the current period had a negative impact on overall cash flows. The internal balances predominately reflect short-term cash advances from the General Fund (a governmental activity) to hospital business-type activities, which required significantly higher ($253 million) short-term cash flows and therefore reduced current and other assets for business-type activities. As described in Note 7 to the basic financial statements, the asset classified as "net pension obligation" continued to amortize downward, and was reduced by $32 million for governmental activities during the current year.

Long-Term Liabilities

Long-term liabilities increased by $830 million for governmental activities and by $149 million for business-type activities. The County implemented GASB 45 in the prior year, which established new financial reporting requirements for other postemployment benefits (OPEB). OPEB continued to be funded on a pay-as-you-go basis in the current year and OPEB-related liabilities increased for both governmental and business-type activities by $1.030 billion and $201 million, respectively. Specific disclosures related to OPEB and other changes in long-term liabilities are discussed and referenced in Notes 8 and 10 to the basic financial statements.

The County's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The largest portion of the County's net assets ($16.298 billion) represents its investment in capital assets (i.e., land, structures and improvements, infrastructure, and equipment, net of related depreciation), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Assets

The County's restricted net assets at year-end were $1.837 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net assets that pertain to the various separate legal entities included in the basic financial statements are also generally restricted because their funding sources require that funds be used for specific purposes.

Unrestricted Net Assets (Deficit)

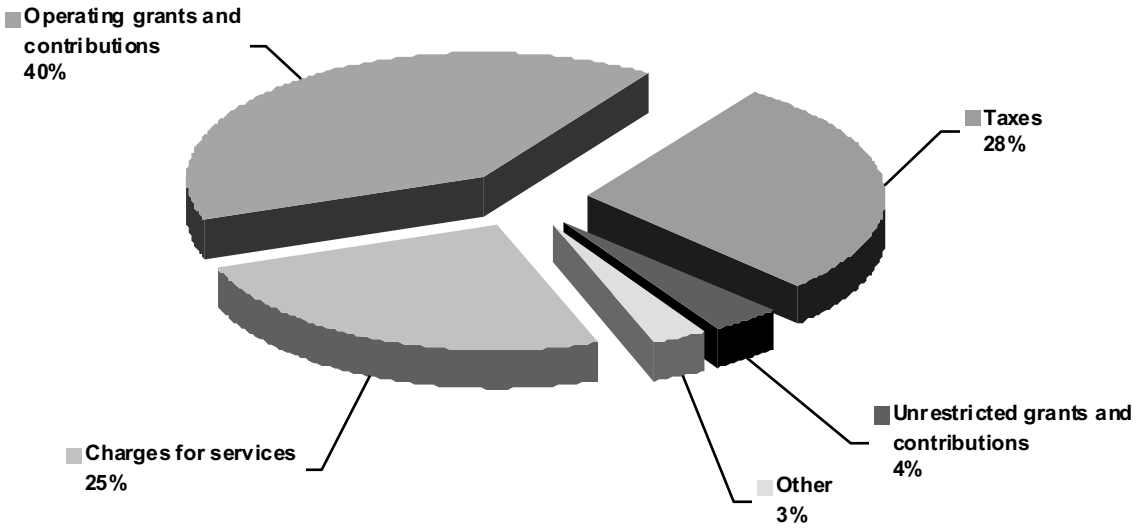
The County's total unrestricted net assets are negative $2.006 billion. Both governmental and business-type activities reported deficits in this category of $973 million and $1.033 billion, respectively. The deficits are primarily due to unfunded liabilities related to OPEB, workers' compensation, accrued vacation and sick leave, and litigation and self-insurance claims. For the business-type activities, medical malpractice liabilities and third party payor liabilities are additional factors. The current economic downturn and overall difficult budgetary environment has impaired the County's ability to implement a funding plan for OPEB liabilities. For the business-type activities, financial losses incurred by the County's healthcare business activities have limited the opportunities to accumulate reserves or incremental funding to address long-term accounting liabilities.

The following table indicates the changes in net assets for governmental and business-type activities:

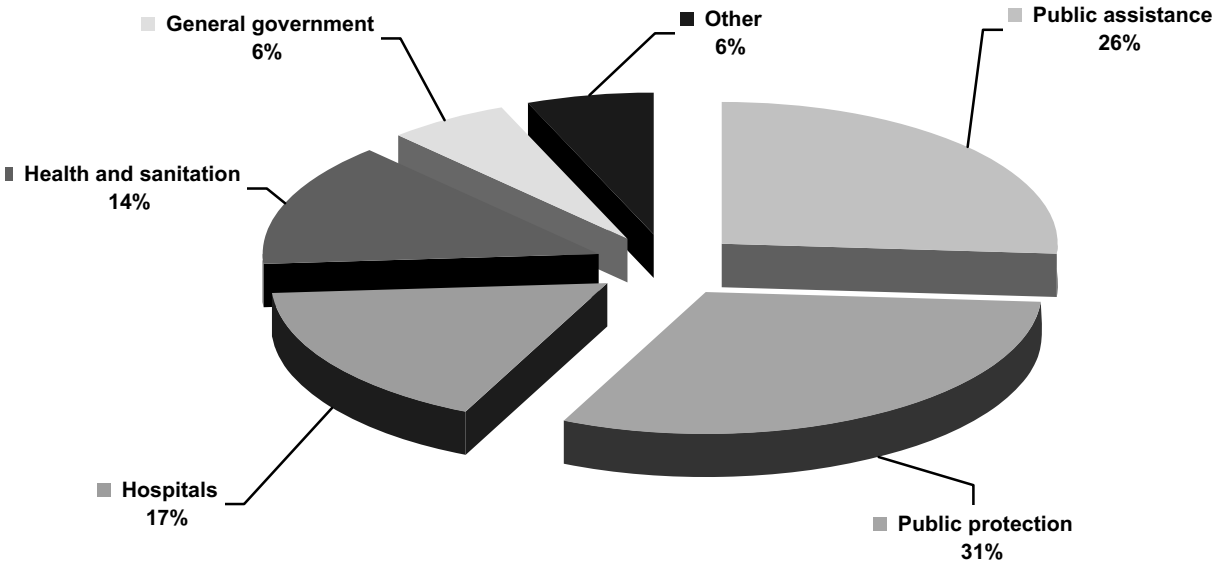
Summary of Changes in Net Assets
For the Years Ended June 30, 2009 and 2008
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 2,694,729	$ 2,738,552	$ 2,095,944	$ 1,806,747	$ 4,790,673	$ 4,545,299
Operating grants and contributions	7,215,270	7,113,135	279,195	263,471	7,494,465	7,376,606
Capital grants and contributions	206,137	184,502	837	2,897	206,974	187,399
General revenues:						
Taxes	5,192,566	5,034,399	4,453	4,405	5,197,019	5,038,804
Unrestricted grants and contributions	756,417	778,936	37	37	756,454	778,973
Investment earnings	197,705	324,132	9,844	14,073	207,549	338,205
Miscellaneous	142,075	229,810	25,758	24,950	167,833	254,760
Total revenues	16,404,899	16,403,466	2,416,068	2,116,580	18,820,967	18,520,046
Expenses:						
General government	1,103,361	1,171,448			1,103,361	1,171,448
Public protection	6,125,158	5,799,593			6,125,158	5,799,593
Public ways and facilities	327,403	299,304			327,403	299,304
Health and sanitation	2,783,150	2,638,135			2,783,150	2,638,135
Public assistance	5,233,389	5,061,367			5,233,389	5,061,367
Education	109,910	112,035			109,910	112,035
Recreation and cultural services	331,726	290,669			331,726	290,669
Interest on long-term debt	165,782	191,551			165,782	191,551
Hospitals			3,443,266	3,092,682	3,443,266	3,092,682
Aviation			5,073	4,182	5,073	4,182
Waterworks			76,904	74,810	76,904	74,810
Community Development Commission			268,201	246,195	268,201	246,195
Total expenses	16,179,879	15,564,102	3,793,444	3,417,869	19,973,323	18,981,971
Excess (deficiency) before transfers	225,020	839,364	(1,377,376)	(1,301,289)	(1,152,356)	(461,925)
Transfers	(1,011,862)	(1,152,946)	1,011,862	1,152,946		
Changes in net assets	(786,842)	(313,582)	(365,514)	(148,343)	(1,152,356)	(461,925)
Net assets – beginning, as restated	15,539,137	15,883,997	1,742,713	1,891,056	17,281,850	17,775,053
Net assets – ending	$ 14,752,295	$ 15,570,415	$ 1,377,199	$ 1,742,713	$ 16,129,494	$ 17,313,128

REVENUES BY SOURCE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009



EXPENSES BY TYPE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009



As discussed in Note 2 to the basic financial statements, the County restated beginning net asset balances in conjunction with implementing Governmental Accounting Standards Board Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." The beginning net assets were reduced from the amounts previously reported for governmental activities by $31 million. Prior year amounts were not restated as information was not available. During the current year, net assets decreased for both governmental activities ($787 million) and business-type activities ($365 million). Following are specific major factors that resulted in the net asset changes.

Governmental Activities

Total current year revenues ($16.405 billion) from governmental activities were nearly identical to the prior year total ($16.403 billion). The most significant changes in specific revenue sources were experienced in the following areas:

- Taxes, the County's largest general revenue source, were $158 million higher than the previous year. The additional growth in tax revenues was concentrated in property taxes ($141 million). Voter approved taxes also increased by $48 million, primarily due to an increase in the County's Measure B parcel tax, which provides funding for trauma centers and emergency medical services. However, documentary transfer taxes decreased by $20 million as real estate transfer activity declined for the second consecutive year. The continued property tax growth was attributable to the early lien date (January 1, 2008), which preceded the start of the fiscal year by six months. This gap, combined with the stabilizing effect of Proposition 13, enabled the County to continue to experience growth in this area. The net decrease in other taxes was $11 million in comparison to the prior year.

- Current year investment earnings decreased by $126 million, or 39%. The yield from the County's treasury pool declined from 4.62% in the prior year to 2.57% in the current year.

- Program revenues recognized from operating grants and contributions increased by $102 million. The largest source of this increase ($93 million) was associated with health and sanitation programs and was concentrated in mental health services. In the current year, mental health revenues were augmented by the federal economic stimulus program known as the American Recovery and Reinvestment Act (ARRA). The federal Medical Assistance Percentage (FMAP) was increased and provided $60 million of new mental health revenues in the current year. State mental health revenues derived from the Mental Health Services Act (Proposition 63) were $39 million higher than the previous year.

Expenses related to governmental activities increased by $616 million during the current year. The largest portion of the net increase was attributable to the public protection category, which grew by $326 million. Salaries and employee benefits expenses increased in the public protection area by $276 million, primarily due to previously negotiated increases that became effective in the current year.

Governmental Activities-Continued

Public assistance expenses and health and sanitation expenses were higher by $172 million and $145 million, respectively, during the current year. Although year-over-year staffing levels in these areas were comparable, there were increased demands for services. The recessionary economic conditions were especially noticeable in the public assistance area and contributed to higher assistance expenses in the current year.

Business-type Activities

Revenues from business-type activities increased in comparison to the prior year by $299 million (14.1%). The most significant change was in the area of charges for services, which increased by $289 million. As mentioned previously, the federal economic stimulus package increased the FMAP and also provided $60 million of current year revenues to the business-type healthcare activities.

Expenses related to business-type activities increased from the previous year by $376 million. The increased expenses were principally related to the Hospitals, where expenses were higher by $351 million. Hospital cost increases were most prominent at the LAC+USC Medical Center, where expenses were higher by $229 million. In November of the current year, LAC+USC began operating out of a new facility. For all facilities, the average patient census during the current year was very similar to the prior year, at approximately 1,300 patients per day.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Funds.

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $5.892 billion, a decrease of $111 million in comparison with the prior year. Of the total fund balances, $1.443 billion is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional $1.613 billion has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining $2.836 billion of the balances are unreserved and undesignated.

Governmental Funds-Continued

Revenues from all governmental funds for the current year were $16.240 billion, a decrease of $33 million (0.2%) from the previous year. Expenditures for all governmental funds in the current year were $15.345 billion, an increase of $465 million (3.1%) from the previous year. In addition, other financing uses exceeded other financing sources by $1.006 billion as compared to $1.045 billion in the prior year.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund decreased by $208 million (6.2%). At the end of the current fiscal year, the General Fund's total fund balance was $3.167 billion. Of this amount, $540 million was reserved and therefore unavailable for spending. Of the unreserved total of $2.627 billion, $972 million has been designated (earmarked) and the remaining $1.655 billion is considered both unreserved and undesignated.

General Fund revenues during the current year were $13.538 billion, a decrease of $90 million (0.7%) from the previous year. General Fund expenditures during the current year were $13.135 billion, an increase of $391 million (3.1%) from the previous year. Other financing sources/uses-net was negative $611 million in the current year as compared to negative $683 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $174 million (4.6%). Of this net increase, property taxes increased by $201 million. However, documentary transfer taxes decreased by $20 million as real estate activity declined for the second consecutive fiscal year. As previously mentioned, property tax revenues were not immediately impacted by the downturn in the housing market and provisions of Proposition 13 are also a stabilizing factor when housing prices decrease.

- Intergovernmental revenues recognized from the State decreased by $177 million. The County receives certain revenues from the State which are derived from the State's share of sales taxes and vehicle license fees. State revenues directly funded by sales taxes were $156 million lower than the previous year amount. The County relies on this revenue to augment funding for public safety programs (primarily the Sheriff's Department), health and mental health services, and public assistance programs. Revenues derived from State vehicle license fees also decreased in comparison with the prior year by $45 million and these revenues provide supplemental funding for health, mental health, and social service programs.

- Investment income decreased by $99 million, as current year revenues were $125 million in comparison with the prior year amount of $224 million. As previously mentioned, the yield on investments during the current year was considerably lower than the prior year's yield.

Governmental Funds-Continued

- Current expenditures increased by $548 million (4.4%), and there were increases in all functional areas. The most significant increase was in the area of public protection, where expenditures were higher by $198 million. Of this amount, salaries and employee benefits increased by $164 million. These costs were notably higher in the Sheriff's Department ($78 million) and Probation Department ($37 million), and were largely due to negotiated salary and benefit increases, as there was limited program expansion in these areas. Expenditures also increased in the areas of public assistance ($177 million) and health and sanitation ($135 million).

The Fire Protection District reported a year-end fund balance of $205 million, which represented an increase of $35 million from the previous year. The increase in fund balance also provided additional liquidity to the District, as total pooled cash and investments also increased by $35 million. Revenues increased by $44 million, of which $24 million was attributable to property taxes and the remaining increase was associated with a variety of other revenues. Expenditures were higher by $35 million, of which $31 million was related to salaries and benefits.

The Flood Control District reported a year-end fund balance of $192 million, which was $30 million higher than the previous year. The fund balance increase provided additional liquidity, as pooled cash and investments were $26 million higher than the prior year. Revenues increased from a wide variety of sources and were $18 million higher than the prior year. Expenditures were virtually unchanged from the prior year.

The Public Library Fund reported a year-end fund balance of $27 million, which was $2 million lower than the previous year. Although revenues were nearly $4 million higher in the current year, expenditures increased by $9 million, as salaries and employee benefits were $5 million higher and there were increased operating costs.

The Regional Park and Open Space District year-end fund balance ($288 million) remained nearly unchanged in comparison to the previous year balance of $286 million. Current year revenues were $6 million lower than the previous year, largely due to reduced investment income. Expenditures increased by $19 million, as additional reimbursement claims were received from County agencies, various cities, and other agencies that are eligible for recreational funding from this District.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The County's principal proprietary funds consist of four hospital enterprise funds and an additional fund (Martin L. King Jr. Ambulatory Care Center) which was converted from a full-service hospital in 2007-2008 to a multi-service ambulatory care center. Each of these funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The amount of subsidy, per facility, ranged from $60 million for M. L. King Ambulatory Care Center to $414 million for the LAC+USC Medical Center. The total subsidy amount was $803 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." By comparison, the total General Fund subsidy in the prior year was $1.001 billion.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund ("Measure B Fund"). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center ($110 million), Harbor UCLA Medical Center ($59 million), and Olive View UCLA Medical Center ($42 million). The total amount of current year Measure B transfers ($211 million) exceeded the prior year amount by $64 million. The additional transfer amounts were funded by unspent prior year Measure B funds plus a Board-approved 24% increase in the current year Measure B Fund tax rate.

Waterworks Funds reported year-end net assets of $884 million, an $11 million reduction from the previous year. There was a $4 million decrease in current year operating revenues, of which $3 million was associated with water service charges to customers. In addition, there were current year cost increases of $5 million for services, supplies, and other professional services.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 15 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net decrease of $95 million in the General Fund's available (unreserved and undesignated) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund revenues and other financing sources (in thousands):

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive (Negative)
Taxes	$ 12,372	$ 4,030,607	$ 3,938,502	$ (92,105)
Intergovernmental revenues	82,346	7,922,721	7,196,242	(726,479)
Charges for services	(186,727)	1,607,359	1,504,841	(102,518)
All other revenues	120,297	689,829	733,383	43,554
Other sources and transfers	5,455	496,713	264,099	(232,614)
Total	$ 33,743	$ 14,747,229	$ 13,637,067	$ (1,110,162)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $34 million. The most significant changes occurred in the following areas:

- Estimated revenues from charges for services decreased by $187 million. Nearly all ($172 million) of the decrease was associated with reduced revenues from the Managed Care health services program. The budget for these revenues was modified in the current year as certain Managed Care revenues ($170 million), initially budgeted in the General Fund, were recorded directly in the Hospital Enterprise Funds.

- The increase of $120 million related to "all other revenues" was mostly attributable to tobacco settlement revenues of $116 million. The County's policy is to budget tobacco settlement revenues after they have been received. Miscellaneous revenue increases accounted for the remaining $4 million.

- The budget for intergovernmental revenues was increased by $82 million. Of this amount, $66 million was associated with caseload increases in the General Relief and CalWORKS public assistance programs. Additional net increases of $16 million were associated with a variety of federal and State funded programs.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $1.110 billion, or 7.5%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, "other sources and transfers," and charges for services.

Actual Revenues/Financing Sources Compared with Final Budget Amounts-Continued

- Actual intergovernmental revenues were $726 million lower than the amount budgeted. Social service programs, including children and family services, accounted for approximately $249 million of this variance, which was mostly attributable to cost containment efforts that led to reduced reimbursable social service related expenditures. Approximately $99 million (consisting of State assistance) was associated with mental health services, due to lower than expected revenues. There was $85 million of unrealized intergovernmental assistance for Sheriff-related programs, most of which was associated with lower than anticipated State public safety augmentation funding. An additional $187 million pertained to anticipated reimbursement of capital improvement, disaster recovery and homeland security projects and programs that were not completed prior to year-end. The remaining variance of $106 million was related to a variety of other programs that received intergovernmental revenues.

- The actual amount of "other sources and transfers" was $233 million lower than the amount budgeted. Of this amount, "transfers in" totaling $106 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. Mental health programs funded by the Mental Health Services Act Fund (Proposition 63) did not fully materialize at the budgeted level and "transfers in" were $61 million lower than budgeted. Programs operated by the Registrar-Recorder and the Sheriff did not realize budgeted "transfers in" of $33 million and $21 million, respectively, as reimbursable costs were lower than anticipated. There were various other sources and transfers that comprised the remaining variance of $12 million.

- The amount budgeted for charges for services revenues exceeded actual revenues by $103 million. Actual revenues for health administration and managed care programs were $84 million lower than estimated revenues. Anticipated service levels for these programs did not materialize as assumed by the budget. The remaining variance of $19 million was generated by a variety of service-related revenue sources.

Budgetary Summary - Expenditures/Other Financing Uses

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund expenditures, transfers out, reserves, and designations (in thousands):

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ 23,545	$ 1,618,898	$ 870,481	$ 748,417
Public protection	66,543	4,769,645	4,566,886	202,759
Health and sanitation	8,712	2,822,445	2,562,912	259,533
Public assistance	96,517	5,223,491	4,876,824	346,667
All other expenditures	(141,884)	1,478,499	358,384	1,120,115
Transfers out	(181,475)	693,253	669,236	24,017
Reserves/designations-net	161,785	(50,198)	(172,280)	122,082
Total	$ 33,743	$ 16,556,033	$ 13,732,443	$2,823,590

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately $34 million. As discussed below, the most significant increases and reductions occurred in the following areas:

- Appropriations for "transfers out" were reduced by $181 million. Of this amount, General Fund operating subsidies to the Hospital Funds were reduced by $170 million (from $788 million originally budgeted to $618 million). As previously mentioned, the original budget anticipated the recognition of certain Managed Care revenues in the General Fund. There was a related $170 million amount originally appropriated to "transfer out" such revenues to the Hospital Enterprise Funds. The budget was subsequently amended to reduce the "transfer out" appropriations, consistent with the change in the budgeted revenues. The remaining $11 million reduction was related to various transfers to Special Revenue Funds.

- Provisions for net reserves and designations were increased during the year by $162 million. At the end of the fiscal year, the designation for health services, which is predominately funded by tobacco settlement revenues, was increased by $157 million. This amount was comprised of tobacco settlement revenues recognized in the current year ($116 million) plus prior year funds that were appropriated, but unexpended ($41 million). Miscellaneous increases of $5 million were made to reserves and other designations.

- Appropriations for "all other expenditures" were reduced by $142 million. In January 2009, the Board reduced capital outlay appropriations by $133 million. This action curtailed or postponed various capital improvement projects and was in response to worsening overall economic conditions and increased State budget uncertainties. Various other appropriation reductions of $9 million comprised the remainder of this category.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.824 billion lower (approximately 17%) than the final total budget of $16.556 billion. There were budgetary savings in all categories. Due to economic uncertainties, the County developed targeted savings goals for each department that were designed to avoid service curtailments and avoid impacts to high-priority programs. Savings were achieved through a variety of measures including departmental hiring freezes, reduction in purchases of services and supplies and capital assets, and development of efficiency initiatives. Following are the functional areas that recognized the largest variations from the final budget:

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount-Continued

- The category referred to as "all other expenditures" reflected actual spending of $1.120 billion less than the budgeted amount. Nearly all ($1.106 billion) of this variance was related to the capital outlay category. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.

- The general government function reported actual expenditures that were $748 million less than the amount budgeted. Of this amount, $582 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations, central non-departmental appropriations, and extraordinary maintenance and repairs. The remaining $166 million was spread across virtually every department comprising general government and was mostly related to savings in the areas of salaries and services and supplies.

- Actual public assistance expenditures were $347 million lower than the final budget. Of this amount, $304 million was concentrated in social service, children, and family programs. Administrative costs were lower than anticipated due to overall cost containment efforts, vacant positions, and delays in hiring. The remaining variance amount of $43 million was related to other public assistance programs.

- Overall expenditures for the health and sanitation category were $260 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $137 million, primarily due to less than anticipated costs for services and supplies and to a lesser extent, salary savings. The remaining variance was associated with a variety of health care programs administered by the Departments of Health Services ($62 million) and Public Health Services ($61 million).

Capital Assets

The County's capital assets for its governmental and business type activities as of June 30, 2009 were $17.735 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. Specific disclosures related to Capital Assets and changes during the current year are discussed and referenced in Note 6 (Capital Assets) to the basic financial statements.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $210 million, as shown in the following table.

Changes in Capital Assets, Net of Depreciation
Primary Government - All Activities
(in thousands)

	Current Year	Prior Year	Increase (Decrease)
Land and easements	$ 7,394,023	$ 7,262,068	$ 131,955
Buildings and improvements	4,065,790	3,059,365	1,006,425
Infrastructure	5,159,541	5,197,564	(38,023)
Equipment	481,895	437,770	44,125
Construction-in-progress	633,734	1,568,583	(934,849)
Total	$ 17,734,983	$ 17,525,350	$ 209,633

The County's most significant capital asset activity during the current year was the opening of the new LAC+USC Medical Center in November 2008. There was a reclassification of $912 million of construction-in-progress capital assets to buildings and improvements to reflect the completion of the new Hospital and its placement into service. There were also various building and improvement projects completed during the current year, of which $41 million pertained to Sheriff's stations.

Debt Administration

The following table indicates the changes in the County's long-term debt during the year:

Changes in Long-Term Debt
Primary Government - All activities
(in thousands)

	Current Year	Prior Year	Decrease
Bonds and Notes Payable	$ 1,856,042	$ 1,942,453	$ 86,411
Pension Bonds Payable	653,634	900,824	247,190
Total	$ 2,509,676	$ 2,843,277	$ 333,601

During the current year, the County's liabilities for long-term debt decreased by $334 million, or 11.7%. Specific changes related to governmental and business-type activities are presented in Note 10 (Long-Term Obligations) to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- New debt of $25 million was issued to finance the acquisition of equipment. Equipment debt totaling $16 million was redeemed during the year in accordance with maturity schedules.

- Pension bonds totaling $247 million were redeemed during the year.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $500 million in tax and revenue anticipation notes which reached maturity on June 30, 2009, and by periodic borrowing from available trust funds.

Bond Ratings

The County's debt is rated by Moody's, Standard and Poor's, and Fitch. The following is a schedule of ratings:

	Moody's	Standard and Poor's	Fitch
General Obligation Bonds	Aa3	AA-	
Pension Bonds	A1	A+	
Facilities	A2	A+	A
Equipment/Non-Essential Leases	A2	A+	A
Short-Term	MIG1	SP-1+	F-1+
Commercial Paper	P-1	A-1+	
Flood Control District General Obligation Bonds	Aa1	AA	AA
Flood Control District Revenue Bonds	Aa1	AA-	AA
Regional Park and Open Space District Bonds	Aa2	AA	AA+

During the current year, the County's bond ratings remained at the same level as the previous year.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2009-2010 Budget on June 17, 2009. The Budget was adopted based on estimated fund balances that would be available at the end of 2008-2009. The Board updated the Budget on September 22, 2009 to reflect final 2008-2009 fund balances and other pertinent financial information. For the County's General Fund, the 2009-2010 Budget, as updated in September 2009, utilized $1.713 billion of available fund balance, which exceeded the previously estimated fund balance of $1.535 billion. Of the additional fund balance of $178 million, $151 million was used to carryover lapsed appropriations. Of the remaining $27 million, $15 million was set aside for budgetary uncertainties and $12 million was provisionally appropriated for specific budgetary issues associated with the Sheriff's Department.

The County's 2009-2010 Budget is shaped largely by the impact of the current recession that the nation is enduring. The County continues to see erosion in a number of key revenue sources, including investment income, deed recording fees, documentary transfer taxes, and State assistance payments to the County which are funded by the State's share of sales taxes. In addition, for the first time since the mid-1990s, the County's assessed property values are projected to experience a year-to-year decline. The County Assessor has released the Net Local Property Tax Roll for 2009-2010 and it is 0.5% lower than the previous year. The resulting decrease to County General Fund property tax revenues is estimated at $19 million. Property tax revenues are the County's single most important source of funding and are vital to programs which rely on discretionary funding sources. County management is closely monitoring changes in assessed property values and adjusting revenue estimates as new information becomes available.

The County's financial outlook continues to be affected by ongoing and severe budget problems at the State level. The State Legislative Analyst's Office (LAO) has estimated that the State's budget deficit will be approximately $20.7 billion by the time the State Legislature enacts a 2010-2011 State budget plan. The budget problem consists of a $6.3 billion projected deficit for 2009-2010 and a $14.4 billion gap between projected revenues and spending in 2010-2011. Many County programs receive substantial State funding and the County is likely to be confronted with program curtailments and increased local funding requirements. The County is highly dependent upon cash receipts from the State and is closely monitoring the State's liquidity and ability to make timely cash remittances to the County.

Obtaining Additional Information

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
JUNE 30, 2009 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 3,368,654	$ 105,300	$ 3,473,954	$ 874,241
Other (Note 1)	858,182	116,285	974,467	
Total pooled cash and investments	4,226,836	221,585	4,448,421	874,241
Other investments (Note 5)	266,516	30,380	296,896	
Taxes receivable	423,422	950	424,372	
Accounts receivable - net		1,041,794	1,041,794	
Interest receivable	20,655	563	21,218	1,817
Other receivables	2,123,764	54,547	2,178,311	45,267
Internal balances (Note 14)	733,793	(733,793)		
Inventories	99,220	17,554	116,774	
Restricted assets (Note 5)	10,452	70,468	80,920	
Net pension obligation (Note 7)	76,813	26,688	103,501	
Capital assets: (Notes 6 and 9)				
Capital assets, not being depreciated	7,669,105	358,652	8,027,757	2,039
Capital assets, net of accumulated depreciation	7,583,496	2,123,730	9,707,226	11,834
Total capital assets	15,252,601	2,482,382	17,734,983	13,873
TOTAL ASSETS	23,234,072	3,213,118	26,447,190	935,198
LIABILITIES				
Accounts payable	318,188	66,092	384,280	37,944
Accrued payroll	583,772	120,075	703,847	
Other payables	148,527	14,637	163,164	
Accrued interest payable	14,680	610	15,290	
Unearned revenue	35,200	2,280	37,480	2,085
Advances payable	372,272	228	372,500	
Noncurrent liabilities: (Note 10)				
Due within one year	999,602	417,288	1,416,890	60
Due in more than one year	6,009,536	1,214,709	7,224,245	216
TOTAL LIABILITIES	8,481,777	1,835,919	10,317,696	40,305
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	14,081,048	2,217,449	16,298,497	13,873
Restricted for:				
Capital projects	118,539		118,539	
Debt service	10,356	162,881	173,237	
Permanent trust	3,019		3,019	
Special purpose	1,512,195	29,546	1,541,741	881,020
Unrestricted (deficit)	(972,862)	(1,032,677)	(2,005,539)	
TOTAL NET ASSETS	$ 14,752,295	$ 1,377,199	$ 16,129,494	$ 894,893

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

FUNCTIONS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	$ 1,103,361	$ 634,153	$ 50,579	$ 54,278
Public protection	6,125,158	1,323,593	1,033,372	71,271
Public ways and facilities	327,403	35,113	200,571	78,089
Health and sanitation	2,783,150	484,240	1,614,646	1,299
Public assistance	5,233,389	42,120	4,313,788	
Education	109,910	2,611	1,452	
Recreation and cultural services	331,726	172,899	862	1,200
Interest on long-term debt	165,782			
Total governmental activities	16,179,879	2,694,729	7,215,270	206,137
Business-type activities:				
Hospitals	3,443,266	2,022,633	47,532	
Aviation	5,073	3,128	145	671
Waterworks	76,904	58,406	140	166
Community Development Commission	268,201	11,777	231,378	
Total business-type activities	3,793,444	2,095,944	279,195	837
Total primary government	$ 19,973,323	$ 4,790,673	$ 7,494,465	$ 206,974
COMPONENT UNIT -				
First 5 LA	$ 171,191	$	$ 137,736	$

GENERAL REVENUES:
- Taxes:
  - Property taxes
  - Utility users taxes
  - Voter approved taxes
  - Documentary transfer taxes
  - Other taxes
- Sales and use taxes, levied by the State
- Grants and contributions not restricted to special programs
- Investment earnings
- Miscellaneous

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2008, as restated (Note 2)

NET ASSETS, JUNE 30, 2009

The notes to the basic financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA	FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (364,351)	$	$ (364,351)		General government
(3,696,922)		(3,696,922)		Public protection
(13,630)		(13,630)		Public ways and facilities
(682,965)		(682,965)		Health and sanitation
(877,481)		(877,481)		Public assistance
(105,847)		(105,847)		Education
(156,765)		(156,765)		Recreation and cultural services
(165,782)		(165,782)		Interest on long-term debt
(6,063,743)		(6,063,743)		Total governmental activities
				Business-type activities:
	(1,373,101)	(1,373,101)		Hospitals
	(1,129)	(1,129)		Aviation
	(18,192)	(18,192)		Waterworks
	(25,046)	(25,046)		Community Development Commission
	(1,417,468)	(1,417,468)		Total business-type activities
(6,063,743)	(1,417,468)	(7,481,211)		Total primary government
				COMPONENT UNIT -
			$ (33,455)	Total - First 5 LA
				GENERAL REVENUES:
				Taxes:
4,656,370	4,453	4,660,823		Property taxes
63,947		63,947		Utility users taxes
303,213		303,213		Voter approved taxes
36,522		36,522		Documentary transfer taxes
58,940		58,940		Other taxes
73,574		73,574		Sales and use taxes, levied by the State
				Grants and contributions not restricted
756,417	37	756,454		to special programs
197,705	9,844	207,549	28,103	Investment earnings
142,075	25,758	167,833	453	Miscellaneous
(1,011,862)	1,011,862			TRANSFERS - NET
5,276,901	1,051,954	6,328,855	28,556	Total general revenues and transfers
(786,842)	(365,514)	(1,152,356)	(4,899)	CHANGE IN NET ASSETS
15,539,137	1,742,713	17,281,850	899,792	NET ASSETS, JULY 1, 2008, as restated (Note 2)
$ 14,752,295	$ 1,377,199	$ 16,129,494	$ 894,893	NET ASSETS, JUNE 30, 2009

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 1,107,989	154,635	173,805	30,501
Other (Note 1)	733,590	43,689	8,717	3,970
Total pooled cash and investments	1,841,579	198,324	182,522	34,471
Other investments (Notes 4 and 5)	6,099	31		120
Taxes receivable	301,269	68,437	19,616	9,103
Interest receivable	12,555	600	671	148
Other receivables	1,895,101	40,451	9,582	1,547
Due from other funds (Note 14)	326,379	3,516	20,013	423
Advances to other funds (Note 14)	825,017		6,213	
Inventories	46,486	7,084		588
TOTAL ASSETS	$ 5,254,485	318,443	238,617	46,400
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 247,337	5,593	9,760	2,941
Accrued payroll	504,374	49,288		5,227
Other payables	121,665	2,069	370	366
Due to other funds (Note 14)	495,105	10,125	18,401	4,708
Deferred revenue	343,386	46,431	18,060	6,233
Advances payable	361,964			
Third party payor liability (Notes 10 and 13)	13,836			
TOTAL LIABILITIES	2,087,667	113,506	46,591	19,475
FUND BALANCES:				
Reserved for:				
Encumbrances	368,798	20,702	116,124	7,704
Inventories	46,486	7,084		588
Housing programs				
Debt service				
Endowments and annuities				
Assets unavailable for appropriation	124,567	25	3,011	16
Unreserved, designated for:				
Budget uncertainties		47,500		
Program expansion	464,395	25,423		6,797
Health services	228,229			
Capital projects	278,955	60,246	49,789	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	1,655,388			
Special revenue funds		43,957	23,102	11,820
Capital projects funds				
TOTAL FUND BALANCES	3,166,818	204,937	192,026	26,925
TOTAL LIABILITIES AND FUND BALANCES	$ 5,254,485	318,443	238,617	46,400

The notes to the basic financial statements are an integral part of this statement.

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS:
				Pooled cash and investments: (Notes 1 and 5)
$ 286,387	1,567,932		$ 3,321,249	Operating (Note 1)
2,753	56,188		848,907	Other (Note 1)
289,140	1,624,120		4,170,156	Total pooled cash and investments
	499,010	(246,875)	258,385	Other investments (Notes 4 and 5)
3,817	21,180		423,422	Taxes receivable
1,167	5,317		20,458	Interest receivable
4,440	111,882		2,063,003	Other receivables
	330,739		681,070	Due from other funds (Note 14)
	11,034		842,264	Advances to other funds (Note 14)
	35,293		89,451	Inventories
$ 298,564	2,638,575	(246,875)	$ 8,548,209	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
$ 1,653	45,449		$ 312,733	Accounts payable
	481		559,370	Accrued payroll
616	21,630		146,716	Other payables
2,919	265,265		796,523	Due to other funds (Note 14)
5,715	34,705		454,530	Deferred revenue
	10,051		372,015	Advances payable
	855		14,691	Third party payor liability (Notes 10 and 13)
10,903	378,436		2,656,578	TOTAL LIABILITIES
				FUND BALANCES:
				Reserved for:
78,136	169,062		760,526	Encumbrances
	35,293		89,451	Inventories
	1,618		1,618	Housing programs
	694,741	(246,875)	447,866	Debt service
	3,019		3,019	Endowments and annuities
	13,100		140,719	Assets unavailable for appropriation
				Unreserved, designated for:
	5,282		52,782	Budget uncertainties
43,463			540,078	Program expansion
			228,229	Health services
	60,897		449,887	Capital projects
	341,914		341,914	Special revenue funds - program expansion
				Unreserved, undesignated, reported in:
			1,655,388	General fund
166,062	746,221		991,162	Special revenue funds
	188,992		188,992	Capital projects funds
287,661	2,260,139	(246,875)	5,891,631	TOTAL FUND BALANCES
$ 298,564	2,638,575	(246,875)	$ 8,548,209	TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2009 (in thousands)

Fund balances - total governmental funds (page B-29)			$ 5,891,631
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not reported in governmental funds:			
Land and easements	$	7,147,049	
Construction-in-progress		522,056	
Buildings and improvements - net		2,772,919	
Equipment - net		278,116	
Infrastructure - net		4,438,662	15,158,802
Other long-term assets are not available to pay for current-period expenditures and are unearned, or not recognized, in governmental funds:			
Deferred revenue - taxes	$	290,514	
Long-term receivables		183,278	473,792
The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements.			71,663
Accrued interest payable is not recognized in governmental funds.			(14,525)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds and notes payable (including accreted interest)	$	(1,492,994)	
Pension bonds payable		(452,572)	
Capital lease obligations		(157,794)	
Accrued vacation/sick leave		(768,186)	
Workers' compensation		(1,774,460)	
Litigation/self-insurance		(111,317)	
Pollution remediation obligations		(30,065)	
OPEB obligation		(1,959,360)	(6,746,748)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net assets.			(82,320)
Net assets of governmental activities (page B-25)			$ 14,752,295

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 3,970,566	635,783	100,612	74,249
Licenses, permits and franchises	54,877	15,392	606	
Fines, forfeitures and penalties	264,375	6,576	1,913	895
Revenue from use of money and property:				
Investment income (Note 5)	124,626	2,712	4,750	1,170
Rents and concessions (Note 9)	58,759	84	7,604	11
Royalties	387		678	
Intergovernmental revenues:				
Federal	3,062,976	4,598	2,086	105
State	4,029,726	15,558	8,515	1,890
Other	118,448	38,055	6,134	1,167
Charges for services	1,654,173	187,701	126,963	2,333
Miscellaneous	198,837	397	2,061	1,053
TOTAL REVENUES	13,537,750	906,856	261,922	82,873
EXPENDITURES:				
Current:				
General government	946,008			
Public protection	4,420,786	844,287	211,631	
Public ways and facilities				
Health and sanitation	2,480,693			
Public assistance	4,796,019			
Education				115,164
Recreation and cultural services	242,999			
Debt service:				
Principal	76,123	3,751		832
Interest and other charges	158,524	7,055		1,505
Capital leases	12,601	3,604		190
Capital outlay	772			108
TOTAL EXPENDITURES	13,134,525	858,697	211,631	117,799
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	403,225	48,159	50,291	(34,926)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 14)	299,247		32	39,665
Transfers out (Note 14)	(911,752)	(13,351)	(20,477)	(7,014)
Capital leases (Note 9)	772			108
Sales of capital assets	886	92	281	1
TOTAL OTHER FINANCING SOURCES (USES)	(610,847)	(13,259)	(20,164)	32,760
NET CHANGE IN FUND BALANCES	(207,622)	34,900	30,127	(2,166)
FUND BALANCE, JULY 1, 2008	3,374,440	170,037	161,899	29,091
FUND BALANCE, JUNE 30, 2009	$ 3,166,818	204,937	192,026	26,925

The notes to the basic financial statements are an integral part of this statement.

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES:
$	300,729		$ 5,081,939	Taxes
	9,948		80,823	Licenses, permits and franchises
915	89,373		364,047	Fines, forfeitures and penalties
				Revenue from use of money and property:
6,818	69,321	(12,822)	196,575	Investment income (Note 5)
	24,423		90,881	Rents and concessions (Note 9)
	8		1,073	Royalties
				Intergovernmental revenues:
	203,091		3,272,856	Federal
	390,728		4,446,417	State
	19,983		183,787	Other
79,140	143,399		2,193,709	Charges for services
	125,414		327,762	Miscellaneous
86,873	1,376,417	(12,822)	16,239,869	TOTAL REVENUES
				EXPENDITURES:
				Current:
	17,267		963,275	General government
	84,872		5,561,576	Public protection
	309,264		309,264	Public ways and facilities
	164,337		2,645,030	Health and sanitation
	155,349		4,951,368	Public assistance
	151		115,315	Education
51,937	8,052		302,988	Recreation and cultural services
				Debt service:
	126,194	(23,120)	183,780	Principal
	66,205	(12,822)	220,467	Interest and other charges
			16,395	Capital leases
	74,614		75,494	Capital outlay
51,937	1,006,305	(35,942)	15,344,952	TOTAL EXPENDITURES
34,936	370,112	23,120	894,917	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	188,287		527,231	Transfers in (Note 14)
(33,280)	(554,759)		(1,540,633)	Transfers out (Note 14)
			880	Capital leases (Note 9)
	4,885		6,145	Sales of capital assets
(33,280)	(361,587)		(1,006,377)	TOTAL OTHER FINANCING SOURCES (USES)
1,656	8,525	23,120	(111,460)	NET CHANGE IN FUND BALANCES
286,005	2,251,614	(269,995)	6,003,091	FUND BALANCE, JULY 1, 2008
$ 287,661	2,260,139	(246,875)	$ 5,891,631	FUND BALANCE, JUNE 30, 2009

COUNTY OF LOS ANGELES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

Net change in fund balances - total governmental funds (page B-33)		$ (111,460)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for general capital assets, infrastructure and other related capital asset adjustments	$ 349,363	
Less - current year depreciation expense	(311,823)	37,540
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net assets differs from the change in fund balance.		(23,055)
Contribution of capital assets is not recognized in the governmental funds.		145,950
Revenue timing differences result in more revenue in government-wide statements.		(35,594)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Pension bonds	$ 80,706	
Certificates of participation	76,496	
Assessment bonds	23,120	
Other long term notes and loans	19,131	199,453
Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in workers' compensation	$ (29,214)	
Change in litigation/self-insurance	28,323	
Change in pollution remediation obligations	1,213	
Change in accrued vacation/sick leave	(58,331)	
Change in OPEB liability	(985,024)	
Change in accrued interest payable	754	
Change in accretion of tobacco settlement bonds	(20,666)	
Change in accretion of pension bonds	90,442	
Transfer of capital assets from governmental fund to enterprise fund	(131)	(972,634)
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(29,926)
The portion of internal service funds that is reported with governmental activities.		2,884
Change in net assets of governmental activities (page B-27)		$ (786,842)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 4,018,235	4,030,607	3,938,502	(92,105)
Licenses, permits and franchises	56,826	59,223	54,877	(4,346)
Fines, forfeitures and penalties	217,469	217,469	264,375	46,906
Revenue from use of money and property:				
Investment income	103,014	102,887	112,602	9,715
Rents and concessions	56,569	55,738	58,758	3,020
Royalties	156	156	387	231
Intergovernmental revenues:				
Federal	3,270,698	3,419,375	3,058,947	(360,428)
State	4,442,714	4,368,409	4,019,006	(349,403)
Other	126,963	134,937	118,289	(16,648)
Charges for services	1,794,086	1,607,359	1,504,841	(102,518)
Miscellaneous	135,498	254,356	242,384	(11,972)
TOTAL REVENUES	14,222,228	14,250,516	13,372,968	(877,548)
EXPENDITURES:				
Current:				
General government	1,595,353	1,618,898	870,481	(748,417)
Public protection	4,703,102	4,769,645	4,566,886	(202,759)
Health and sanitation	2,813,733	2,822,445	2,562,912	(259,533)
Public assistance	5,126,974	5,223,491	4,876,824	(346,667)
Recreation and cultural services	261,006	262,081	248,026	(14,055)
Debt Service-				
Interest	9,104	9,104	9,104	
Capital Outlay	1,350,273	1,207,314	101,254	(1,106,060)
TOTAL EXPENDITURES	15,859,545	15,912,978	13,235,487	(2,677,491)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,637,317)	(1,662,462)	137,481	1,799,943
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	715	715	886	171
Transfers in	490,543	495,998	263,213	(232,785)
Transfers out	(874,728)	(693,253)	(669,236)	24,017
Changes in reserves and designations	211,983	50,198	172,280	122,082
OTHER FINANCING SOURCES (USES) - NET	(171,487)	(146,342)	(232,857)	(86,515)
NET CHANGE IN FUND BALANCE	(1,808,804)	(1,808,804)	(95,376)	1,713,428
FUND BALANCE, JULY 1, 2008 (Note 15)	1,808,804	1,808,804	1,808,804	
FUND BALANCE, JUNE 30, 2009 (Note 15)	$		1,713,428	1,713,428

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 642,453	642,453	629,671	(12,782)
Licenses, permits and franchises	9,231	9,231	15,392	6,161
Fines, forfeitures and penalties	3,727	3,727	6,576	2,849
Revenue from use of money and property:				
Investment income	1,000	1,000	1,616	616
Rents and concessions	114	114	84	(30)
Intergovernmental revenues:				
Federal	15,084	19,108	4,598	(14,510)
State	15,829	16,300	15,558	(742)
Other	29,407	29,407	38,054	8,647
Charges for services	178,049	178,049	187,701	9,652
Miscellaneous	672	887	397	(490)
TOTAL REVENUES	895,566	900,276	899,647	(629)
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	767,203	767,739	747,146	(20,593)
Services and supplies	119,754	132,514	107,076	(25,438)
Other charges	1,069	1,160	535	(625)
Capital assets	26,860	21,939	11,706	(10,233)
TOTAL EXPENDITURES	914,886	923,352	866,463	(56,889)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,320)	(23,076)	33,184	56,260
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	103	103	92	(11)
Transfers out	(10,951)	(13,351)	(13,351)	
Changes in reserves and designations	(13,180)	(7,024)	(5,025)	1,999
OTHER FINANCING SOURCES (USES) - NET	(24,028)	(20,272)	(18,284)	1,988
NET CHANGE IN FUND BALANCE	(43,348)	(43,348)	14,900	58,248
FUND BALANCE, JULY 1, 2008 (Note 15)	43,348	43,348	43,348	
FUND BALANCE, JUNE 30, 2009 (Note 15)	$		58,248	58,248

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 93,744	98,625	99,459	834
Licenses, permits and franchises	1,300	1,300	606	(694)
Fines, forfeitures and penalties	1,000	1,000	1,913	913
Revenue from use of money and property:				
Investment income	6,849	6,849	3,792	(3,057)
Rents and concessions	6,934	6,934	7,603	669
Royalties	200	200	678	478
Intergovernmental revenues:				
Federal	4,119	4,119	2,086	(2,033)
State	9,227	9,227	8,515	(712)
Other	6,199	6,199	6,134	(65)
Charges for services	122,697	142,361	126,679	(15,682)
Miscellaneous	717	717	2,013	1,296
TOTAL REVENUES	252,986	277,531	259,478	(18,053)
EXPENDITURES:				
Current-Public protection:				
Services and supplies	264,934	250,326	220,435	(29,891)
Other charges	20,006	20,246	19,820	(426)
Capital assets	156	256	177	(79)
Capital Outlay	1,725	1,725	937	(788)
TOTAL EXPENDITURES	286,821	272,553	241,369	(31,184)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33,835)	4,978	18,109	13,131
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	900	900	281	(619)
Transfers in	12,964	32	32	
Transfers out	(1,954)	(1,954)	(1,425)	529
Long-term debt proceeds			49	49
Appropriation for contingencies	(3,005)	(7,886)		7,886
Changes in reserves and designations	(6,475)	(27,475)	(20,065)	7,410
OTHER FINANCING SOURCES (USES) - NET	2,430	(36,383)	(21,128)	15,255
NET CHANGE IN FUND BALANCE	(31,405)	(31,405)	(3,019)	28,386
FUND BALANCE, JULY 1, 2008 (Note 15)	31,405	31,405	31,405	
FUND BALANCE, JUNE 30, 2009 (Note 15)	$		28,386	28,386

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 75,881	75,881	73,541	(2,340)
Fines, forfeitures and penalties			895	895
Revenue from use of money and property:				
Investment income	700	700	943	243
Rents and concessions	16	16	11	(5)
Intergovernmental revenues:				
Federal	16	16	105	89
State	2,054	1,874	1,890	16
Other	1,255	1,255	1,167	(88)
Charges for services	2,300	2,300	2,333	33
Miscellaneous	1,192	1,192	1,053	(139)
TOTAL REVENUES	83,414	83,234	81,938	(1,296)
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	80,826	80,826	75,085	(5,741)
Services and supplies	57,622	57,335	40,902	(16,433)
Other charges	680	680	540	(140)
Capital assets	892	1,472	1,302	(170)
TOTAL EXPENDITURES	140,020	140,313	117,829	(22,484)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(56,606)	(57,079)	(35,891)	21,188
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			1	1
Transfers in	47,123	48,496	39,664	(8,832)
Transfers out	(3,079)	(6,625)	(6,625)	
Changes in reserves and designations	(4,064)	(1,418)	(468)	950
OTHER FINANCING SOURCES (USES) - NET	39,980	40,453	32,572	(7,881)
NET CHANGE IN FUND BALANCE	(16,626)	(16,626)	(3,319)	13,307
FUND BALANCE, JULY 1, 2008 (Note 15)	16,626	16,626	16,626	
FUND BALANCE, JUNE 30, 2009 (Note 15)	$		13,307	13,307

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	$ 826	826	915	89
Revenue from use of money and property-				
Investment income	8,123	8,123	5,344	(2,779)
Charges for services	78,387	78,387	79,245	858
TOTAL REVENUES	87,336	87,336	85,504	(1,832)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	4,965	4,965	4,029	(936)
Other charges	186,049	186,049	44,098	(141,951)
TOTAL EXPENDITURES	191,014	191,014	48,127	(142,887)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(103,678)	(103,678)	37,377	141,055
OTHER FINANCING SOURCES (USES):				
Transfers in	72,891	72,891	71,651	(1,240)
Transfers out	(109,036)	(109,036)	(104,931)	4,105
Appropriation for contingencies	(17,325)	(17,325)		17,325
Changes in reserves and designations	(3,981)	(3,981)	(1,470)	2,511
OTHER FINANCING SOURCES (USES) - NET	(57,451)	(57,451)	(34,750)	22,701
NET CHANGE IN FUND BALANCE	(161,129)	(161,129)	2,627	163,756
FUND BALANCE, JULY 1, 2008 (Note 15)	164,013	164,013	164,013	
FUND BALANCE, JUNE 30, 2009 (Note 15)	$ 2,884	2,884	166,640	163,756

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
ASSETS					
Current assets:					
Pooled cash and investments: (Notes 1 and 5)					
Operating (Note 1)	$ 650	708	10,990	285	240
Other (Note 1)	15,869	14,128	27,512	53,752	4,131
Total pooled cash and investments	16,519	14,836	38,502	54,037	4,371
Other investments (Note 5)					
Taxes receivable					
Accounts receivable - net (Note 13)	179,036	199,616	350,104	181,137	114,961
Interest receivable	2	55	134		
Other receivables	11,611	12,180	23,444	3,515	3,797
Due from other funds (Note 14)	40,438	65,610	179,931	4,714	27,645
Advances to other funds (Note 14)					
Inventories	2,762	3,582	7,857	1,931	1,411
Total current assets	250,368	295,879	599,972	245,334	152,185
Noncurrent assets:					
Restricted assets (Note 5)	9,166	26,800	22,473	1,083	7,274
Net pension obligation (Note 7)	4,218	3,659	11,075	4,700	3,036
Capital assets: (Notes 6 and 9)					
Land and easements	1,001	15,171	18,183	2,277	217
Buildings and improvements	77,672	152,939	1,075,313	194,951	187,179
Equipment	36,475	33,661	145,309	50,681	13,409
Infrastructure					
Construction in progress	49,013	13,959			12,080
Less accumulated depreciation	(71,904)	(105,181)	(215,835)	(143,581)	(102,919)
Total capital assets - net	92,257	110,549	1,022,970	104,328	109,966
Total noncurrent assets	105,641	141,008	1,056,518	110,111	120,276
TOTAL ASSETS	356,009	436,887	1,656,490	355,445	272,461
LIABILITIES					
Current liabilities:					
Accounts payable	12,716	6,646	29,147	7,702	3,529
Accrued payroll	29,563	21,263	52,466	7,054	9,729
Other payables	2,256	2,028	3,179	3,142	1,005
Accrued interest payable	83		79	191	203
Due to other funds (Note 14)	32,478	36,607	79,946	44,288	33,921
Advances from other funds (Note 14)	134,597	200,128	275,238	154,996	56,469
Advances payable			228		
Unearned revenue	71	61	1,013	79	51
Current portion of long-term liabilities (Note 10)	106,262	62,664	177,835	34,271	28,725
Total current liabilities	318,026	329,397	619,131	251,723	133,632
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 10)	32,869	22,516	53,142	9,397	10,461
Bonds and notes payable (Note 10)	7,737		12,383	34,317	30,910
Pension bonds payable (Notes 7 and 10)	13,104	11,366	34,407	14,603	9,431
Workers' compensation (Notes 10 and 17)	27,625	24,969	121,700	56,778	22,661
Litigation and self-insurance (Notes 10 and 17)	13,165	4,923	55,896	13,825	196
OPEB obligation (Notes 8 and 10)	83,415	71,705	174,490	25,225	33,714
Third party payor liability (Notes 10 and 13)	23,609	18,220	102,521	17,747	14,158
Total noncurrent liabilities	201,524	153,699	554,539	171,892	121,531
TOTAL LIABILITIES	519,550	483,096	1,173,670	423,615	255,163
NET ASSETS					
Invested in capital assets, net of related debt (Notes 6 and 10)	20,411	104,366	918,372	68,248	77,359
Restricted:					
Debt service	9,083	26,800	22,394	892	7,071
Special purpose					
Unrestricted (deficit)	(193,035)	(177,375)	(457,946)	(137,310)	(67,132)
TOTAL NET ASSETS (DEFICIT) (Note 3)	$ (163,541)	(46,209)	482,820	(68,170)	17,298

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 5)
$ 86,393	4,863	$ 104,129	$ 48,576	Operating (Note 1)
881	6	116,279	9,281	Other (Note 1)
87,274	4,869	220,408	57,857	Total pooled cash and investments
	30,380	30,380	8,131	Other investments (Note 5)
950		950		Taxes receivable
		1,024,854		Accounts receivable - net (Note 13)
349	13	553	207	Interest receivable
8,484	8,456	71,487	6,789	Other receivables
1,821	53	320,212	65,910	Due from other funds (Note 14)
1,164		1,164		Advances to other funds (Note 14)
	11	17,554	9,769	Inventories
100,042	43,782	1,687,562	148,663	Total current assets
				Noncurrent assets:
		66,796	14,124	Restricted assets (Note 5)
		26,688	5,150	Net pension obligation (Note 7)
				Capital assets: (Notes 6 and 9)
10,965	199,160	246,974		Land and easements
119,091	179,967	1,987,112	1,734	Buildings and improvements
535	3,175	283,245	217,720	Equipment
1,108,349	41,505	1,149,854		Infrastructure
35,368	1,258	111,678		Construction in progress
(480,038)	(188,274)	(1,307,732)	(114,404)	Less accumulated depreciation
794,270	236,791	2,471,131	105,050	Total capital assets - net
794,270	236,791	2,564,615	124,324	Total noncurrent assets
894,312	280,573	4,252,177	272,987	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
3,231	3,074	66,045	5,539	Accounts payable
		120,075	24,402	Accrued payroll
19	3,007	14,636	1,811	Other payables
		556	209	Accrued interest payable
6,263	249	233,752	36,917	Due to other funds (Note 14)
		821,428	22,000	Advances from other funds (Note 14)
		228		Advances payable
475	530	2,280	711	Unearned revenue
19	987	410,763	77,667	Current portion of long-term liabilities (Note 10)
10,007	7,847	1,669,763	169,256	Total current liabilities
				Noncurrent liabilities:
	211	128,596	37,657	Accrued vacation and sick leave (Note 10)
67	3,324	88,738	30,470	Bonds and notes payable (Note 10)
		82,911	15,998	Pension bonds payable (Notes 7 and 10)
		253,733	14,531	Workers' compensation (Notes 10 and 17)
		88,005	1,341	Litigation and self-insurance (Notes 10 and 17)
		388,549	84,482	OPEB obligation (Notes 8 and 10)
		176,255		Third party payor liability (Notes 10 and 13)
67	3,535	1,206,787	184,479	Total noncurrent liabilities
10,074	11,382	2,876,550	353,735	TOTAL LIABILITIES
				NET ASSETS
794,184	233,111	2,216,051	67,154	Invested in capital assets, net of related debt (Notes 6 and 10)
				Restricted:
90,054	2,969	159,263	13,915	Debt service
	29,546	29,546	3,042	Special purpose
	3,565	(1,029,233)	(164,859)	Unrestricted (deficit)
$ 884,238	269,191	1,375,627	$ (80,748)	TOTAL NET ASSETS (DEFICIT) (Note 3)
		1,572		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 1,377,199		NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-25)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:					
Net patient service revenues (Note 13)	$ 434,892	354,299	871,124	186,128	172,338
Rentals					
Charges for services					
Other	14,080	10,957	44,036	2,892	4,850
TOTAL OPERATING REVENUES	448,972	365,256	915,160	189,020	177,188
OPERATING EXPENSES:					
Salaries and employee benefits	431,305	318,068	800,632	110,688	147,932
Services and supplies	119,743	88,772	282,434	47,405	28,355
Other professional services	129,617	124,417	338,001	76,035	35,645
Depreciation and amortization (Note 6)	2,756	3,220	18,631	3,585	2,559
Medical malpractice	4,602	8,603	8,106	1,359	408
Rent	3,859	2,143	10,412	1,952	1,846
TOTAL OPERATING EXPENSES	691,882	545,223	1,458,216	241,024	216,745
OPERATING INCOME (LOSS)	(242,910)	(179,967)	(543,056)	(52,004)	(39,557)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	556	822	3,059	421	295
Interest expense	(5,900)	(4,368)	(13,055)	(8,178)	(3,526)
Intergovernmental transfers expense (Note 13)	(50,346)	(57,857)	(132,128)	(4,373)	(10,016)
Intergovernmental revenues:					
State					
Federal					
TOTAL NONOPERATING REVENUES (EXPENSES)	(55,690)	(61,403)	(142,124)	(12,130)	(13,247)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(298,600)	(241,370)	(685,180)	(64,134)	(52,804)
Capital contributions				46	85
Transfers in (Note 14)	221,748	186,267	524,871	60,646	70,430
Transfers out (Note 14)	(17,571)	(5,231)	(30,308)		(1,554)
CHANGE IN NET ASSETS	(94,423)	(60,334)	(190,617)	(3,442)	16,157
TOTAL NET ASSETS (DEFICIT), JULY 1, 2008	(69,118)	14,125	673,437	(64,728)	1,141
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2009	$ (163,541)	(46,209)	482,820	(68,170)	17,298

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				OPERATING REVENUES:
$		$ 2,018,781	$	Net patient service revenues (Note 13)
	14,582	14,582	25,731	Rentals
58,406	323	58,729	433,605	Charges for services
1	888	77,704		Other
58,407	15,793	2,169,796	459,336	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		1,808,625	348,699	Salaries and employee benefits
50,996	269,401	887,106	43,725	Services and supplies
3,594	840	708,149	32,672	Other professional services
22,305	2,810	55,866	30,262	Depreciation and amortization (Note 6)
		23,078		Medical malpractice
		20,212		Rent
76,895	273,051	3,503,036	455,358	TOTAL OPERATING EXPENSES
(18,488)	(257,258)	(1,333,240)	3,978	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
4,453		4,453		Taxes
2,915	1,777	9,845	1,216	Interest income
(9)	(223)	(35,259)	(4,869)	Interest expense
		(254,720)		Intergovernmental transfers expense (Note 13)
				Intergovernmental revenues:
97	25	122		State
79	230,610	230,689	785	Federal
7,535	232,189	(44,870)	(2,868)	TOTAL NONOPERATING REVENUES (EXPENSES)
(10,953)	(25,069)	(1,378,110)	1,110	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
166	671	968		Capital contributions
	2,980	1,066,942	4,362	Transfers in (Note 14)
(349)		(55,013)	(2,889)	Transfers out (Note 14)
(11,136)	(21,418)	(365,213)	2,583	CHANGE IN NET ASSETS
895,374	290,609		(83,331)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2008
$ 884,238	269,191		$ (80,748)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2009
		(301)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (365,514)		CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-27)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from patient services	$ 384,217	283,653	761,855	205,985	121,908
Rentals received					
Cash received from charges for services					
Other operating revenues	14,096	10,958	44,040	2,893	4,853
Cash received for services provided to other funds	16,536	16,473	31,667	7,112	288
Cash paid for salaries and employee benefits	(388,083)	(286,807)	(726,937)	(116,438)	(134,412)
Cash paid for services and supplies	(58,297)	(77,626)	(152,756)	(11,333)	(7,632)
Other operating expenses	(137,700)	(132,640)	(355,591)	(83,065)	(37,524)
Cash paid for services from other funds	(30,612)	(23,726)	(114,133)	(34,877)	(20,065)
Net cash provided by (required for) operating activities	(199,843)	(209,715)	(511,855)	(29,723)	(72,584)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	263,508	251,597	470,436	134,196	78,926
Cash advances paid/returned to other funds	(226,732)	(123,443)	(403,645)	(125,928)	(76,278)
Interest paid on pension bonds	(2,981)	(2,586)	(7,828)	(3,321)	(2,144)
Interest paid on advances	(1,231)	(1,426)	(2,380)	(2,754)	(572)
Intergovernmental transfers	(50,346)	(57,857)	(132,128)	(4,373)	(10,016)
Intergovernmental receipts					
Transfers in	220,799	144,872	529,694	84,848	91,092
Transfers out		(5,231)			(1,554)
Net cash provided by (required for) noncapital financing activities	203,017	205,926	454,149	82,668	79,454
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Capital contributions					
Proceeds from bonds and notes					
Interest paid on capital borrowing	(1,816)	(356)	(2,969)	(2,400)	(1,125)
Principal payments on bonds and notes	(1,710)		(1,621)	(3,947)	(4,193)
Principal payments on capital leases					(130)
Acquisition and construction of capital assets	(32,977)	(4,376)	(85,257)	(1,713)	(881)
Net cash required for capital and related financing activities	(36,503)	(4,732)	(89,847)	(8,060)	(6,329)
CASH FLOWS FROM INVESTING ACTIVITIES -					
Interest income received	236	489	2,617	65	65
Net increase (decrease) in cash and cash equivalents	(33,093)	(8,032)	(144,936)	44,950	606
Cash and cash equivalents, July 1, 2008	58,778	49,668	205,911	10,170	11,039
Cash and cash equivalents, June 30, 2009	$ 25,685	41,636	60,975	55,120	11,645

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES:
$		$ 1,757,618	$	Cash received from patient services
	11,761	11,761	25,781	Rentals received
59,462	2,747	62,209	427,472	Cash received from charges for services
1	888	77,729		Other operating revenues
		72,076		Cash received for services provided to other funds
	26	(1,652,651)	(334,601)	Cash paid for salaries and employee benefits
(49,024)	(270,071)	(626,739)	(65,527)	Cash paid for services and supplies
(3,669)	(840)	(751,029)	(32,672)	Other operating expenses
		(223,413)		Cash paid for services from other funds
6,770	(255,489)	(1,272,439)	20,453	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
		1,198,663		Cash advances received from other funds
		(956,026)		Cash advances paid/returned to other funds
		(18,860)	(3,639)	Interest paid on pension bonds
		(8,363)		Interest paid on advances
		(254,720)		Intergovernmental transfers
176	230,635	230,811	785	Intergovernmental receipts
	2,980	1,074,285	4,362	Transfers in
(349)		(7,134)	(2,889)	Transfers out
(173)	233,615	1,258,656	(1,381)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
4,418		4,418		Proceeds from taxes
	671	671		Capital contributions
	5	5	25,000	Proceeds from bonds and notes
(9)	(223)	(8,898)	(1,190)	Interest paid on capital borrowing
(18)	(830)	(12,319)	(15,815)	Principal payments on bonds and notes
		(130)	(60)	Principal payments on capital leases
(19,391)	(4,216)	(148,811)	(34,426)	Acquisition and construction of capital assets
(15,000)	(4,593)	(165,064)	(26,491)	Net cash required for capital and related financing activities
2,992	1,767	8,231	801	CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received
(5,411)	(24,700)	(170,616)	(6,618)	Net increase (decrease) in cash and cash equivalents
92,685	59,949	488,200	86,730	Cash and cash equivalents, July 1, 2008
$ 87,274	35,249	$ 317,584	$ 80,112	Cash and cash equivalents, June 30, 2009

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	$ (242,910)	(179,967)	(543,056)	(52,004)	(39,557)
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:					
Depreciation and amortization	2,756	3,220	18,631	3,585	2,559
Other charges - net	15,226	(180)	43,071	154	(205)
(Increase) decrease in:					
Accounts receivable - net	(49,444)	(73,395)	(94,165)	(352)	(49,606)
Interest receivable					
Other receivables	(833)	(1,891)	1,041	1,251	(170)
Due from other funds	7,914	19,880	13,037	14,934	(6,905)
Inventories	608	580	4,439	82	(4)
Net pension obligation	1,761	1,529	4,625	1,963	1,268
Increase (decrease) in:					
Accounts payable	1,129	(4,135)	(12,366)	2,751	(227)
Accrued payroll	2,066	1,000	2,490	(684)	449
Other payables	146	258	(64)	1,397	5
Accrued vacation and sick leave	4,192	3,243	5,049	(271)	606
Due to other funds	14,846	(8,185)	(18,442)	(1,983)	1,410
Unearned revenue			119		
Pension bonds payable	(10,073)	(8,741)	(26,449)	(11,226)	(7,254)
Workers' compensation liability	275	(3,251)	(3,311)	(5,482)	523
Litigation and self-insurance liability	378	2,221	928	(4,069)	375
OPEB obligation	44,855	37,570	91,981	9,095	17,980
Third party payor liability	7,265	529	587	11,136	6,169
TOTAL ADJUSTMENTS	43,067	(29,748)	31,201	22,281	(33,027)
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ (199,843)	(209,715)	(511,855)	(29,723)	(72,584)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-					
Capital contributions	$			46	85
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:					
Pooled cash and investments	$ 16,519	14,836	38,502	54,037	4,371
Other investments					
Restricted assets	9,166	26,800	22,473	1,083	7,274
TOTAL	$ 25,685	41,636	60,975	55,120	11,645

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ (18,488)	(257,258)	$ (1,333,240)	$ 3,978	Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
22,305	2,810	55,866	30,262	Depreciation and amortization
1	9	58,076	(13,118)	Other charges - net
				(Increase) decrease in:
		(266,962)		Accounts receivable - net
			90	Interest receivable
408	(1,756)	(1,950)	(1,030)	Other receivables
648	(5)	49,503	(6,552)	Due from other funds
	(11)	5,694	(2,093)	Inventories
		11,146	2,150	Net pension obligation
				Increase (decrease) in:
711	(921)	(13,058)	1,475	Accounts payable
		5,321	957	Accrued payroll
19	1,314	3,075	71	Other payables
	26	12,845	1,113	Accrued vacation and sick leave
1,241	87	(11,026)	(7,390)	Due to other funds
	216	335	524	Unearned revenue
		(63,743)	(12,299)	Pension bonds payable
		(11,246)	(22,415)	Workers' compensation liability
(75)		(242)		Litigation and self-insurance liability
		201,481	44,730	OPEB obligation
		25,686		Third party payor liability
25,258	1,769	60,801	16,475	TOTAL ADJUSTMENTS
$ 6,770	(255,489)	$ (1,272,439)	$ 20,453	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
$ 166		$ 297		Capital contributions
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
$ 87,274	4,869	$ 220,408	$ 57,857	Pooled cash and investments
	30,380	30,380	8,131	Other investments
		66,796	14,124	Restricted assets
$ 87,274	35,249	$ 317,584	$ 80,112	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 114,155	$ 13,329,209	$ 1,163,812
Other investments: (Note 5)		269,057	301
Stocks	14,886,158		
Bonds	8,776,703		
Short-term investments	786,691		
Commodities	389,940		
Real estate	3,057,774		
Mortgages	237,041		
Alternative assets	2,815,826		
Cash collateral on loaned securities	1,219,067		
Taxes receivable			448,507
Interest receivable	103,110	95,471	4,739
Other receivables	813,714		
TOTAL ASSETS	33,200,179	13,693,737	$ 1,617,359
LIABILITIES			
Accounts payable	1,433,312		
Other payables (Note 5)	1,267,886		
Due to other governments			1,617,359
TOTAL LIABILITIES	2,701,198		$ 1,617,359
NET ASSETS			
Held in trust for pension benefits and investment trust participants	$ 30,498,981	$ 13,693,737	

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	$ 831,671	$
Member	415,545	
Contributions to investment trust funds		41,476,476
Total contributions	1,247,216	41,476,476
Investment earnings:		
Investment income	1,073,730	373,706
Net decrease in the fair value of investments	(8,393,120)	
Securities lending income (Note 5)	38,753	
Total investment earnings (losses)	(7,280,637)	373,706
Less - Investment expenses:		
Expense from investing activities	104,603	
Expense from securities lending activities (Note 5)	22,550	
Total net investment expense	127,153	
Net investment earnings (losses)	(7,407,790)	373,706
Miscellaneous	1,221	
NET INCREASE (DECREASE) IN ADDITIONS	(6,159,353)	41,850,182
DEDUCTIONS:		
Salaries and employee benefits	35,843	
Services and supplies	13,887	
Benefit payments	1,996,008	
Distribution from investment trust funds		42,045,082
Miscellaneous	20,599	
TOTAL DEDUCTIONS	2,066,337	42,045,082
CHANGE IN NET ASSETS	(8,225,690)	(194,900)
NET ASSETS HELD IN TRUST, JULY 1, 2008	38,724,671	13,888,637
NET ASSETS HELD IN TRUST, JUNE 30, 2009	$ 30,498,981	$ 13,693,737

The notes to the basic financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (County) is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by the Governmental Accounting Standards Board (GASB), these basic financial statements include both those of the County and its component units. The component units discussed below are included primarily because the Board is financially accountable for them.

Blended Component Units

County management has determined that the following related entities should be included in the basic financial statements as blended component units:

- Fire Protection District
- Flood Control District
- Street Lighting Districts
- Improvement Districts
- Community Development Commission (including the Housing Authority of the County of Los Angeles) (CDC)
- Regional Park and Open Space District
- Garbage Disposal Districts
- Sewer Maintenance Districts
- Waterworks Districts
- Los Angeles County Capital Asset Leasing Corporation (a Non Profit Corporation) (NPC)
- Various Joint Powers Authorities (JPAs)
- Los Angeles County Employees Retirement Association (LACERA)
- Los Angeles County Securitization Corporation (LACSC)

Although they are separate legal entities, the various districts and the CDC are included primarily because the Board is also their governing Board. As such, the Board establishes policy, appoints management and exercises budgetary control. The NPC and JPAs have been included because their sole purpose is to finance and construct County capital assets and because they are dependent upon the County for funding. Blended component units are those that, because of the closeness of the relationship with the primary government, should be blended in the basic financial statements as though they are part of the primary government. LACERA is reported in the Pension Trust Fund of the basic financial statements and has been included because its operations are dependent upon County funding and because its operations, almost exclusively, benefit the County.

The LACSC is a California public benefit corporation created by the County Board of Supervisors in January 2006. Three directors, the County’s Auditor-Controller, Treasurer and Tax Collector, and an independent party designated by at least one of the County directors, govern the LACSC. The LACSC purpose is to acquire the County’s rights in relation to future tobacco settlement payments and to facilitate the issuance of long-term bonds secured by the County Tobacco Assets. The LACSC provides service solely to the County and is reported as a blended component unit of the County.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Unit

First 5 LA (First 5), was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. The County's Board established First 5 with nine voting members and four non-voting representatives. Of the nine voting members, one is a member of the Board of Supervisors, two are heads of County Departments (Public Health Services and Mental Health), one is an early childhood education expert, and five are public members appointed by the Board. The non-voting representatives are from other County commissions and planning groups.

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a component unit of the County because the County's Board appoints the voting Commissioners and the County has the ability to impose its will by removing those commissioners at will. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County.

Component Unit Financial Statements

Separate financial statements or additional financial information for each of the component units may be obtained from the Auditor-Controller at 500 West Temple Street, Room 525, Los Angeles, California 90012.

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government, the County, and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular program are also recognized as program revenues. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

Net assets are classified into the following three categories: 1) invested in capital assets, net of related debt; 2) restricted and 3) unrestricted. Net assets are reported as restricted when they have external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2009, the restricted net assets balances were $1.644 billion and $192.4 million for governmental activities and business-type activities, respectively. For governmental activities, $84 million was restricted by enabling legislation.

When both restricted and unrestricted net assets are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund

The General Fund is available for any authorized purpose and is used to account for all resources except for those accounted for in other funds.

Fire Protection District Fund

The Fire Protection District Fund was established to provide for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of district property and equipment. Revenues are derived principally from the Countywide tax levy, voter-approved taxes and charges for services.

Flood Control District Fund

The Flood Control District Fund was established to provide for the control and conservation of flood, storm and other waste waters, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways and property located within the District from damage from such flood and storm waters. Revenues are derived primarily from the Countywide tax levy and benefit assessments (charges for services).

Public Library Fund

The Public Library Fund was established to provide free library services to the unincorporated areas of the County and to cities that contract for these services. Revenues are derived principally from the Countywide tax levy and voter-approved taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Regional Park and Open Space District Fund

The Regional Park and Open Space District Fund was established to administer grant programs designed to preserve beaches, parks, and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding is derived from voter-approved assessments, charges for services and long-term debt proceeds.

The County's major enterprise funds consist of five Hospital Funds and a Waterworks Enterprise Fund. The Hospital Enterprise funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. The Waterworks Enterprise Fund provides water services to County residents. Revenues are derived primarily from the sale of water and water service standby charges. A description of each Enterprise Fund is provided below:

Harbor-UCLA Medical Center

The Harbor-UCLA Medical Center (H/UCLA) provides acute and intensive care unit medical/surgical inpatient and outpatient care services, trauma and emergency room services, acute psychiatric services, pediatric and obstetric services, and transplants.

Olive View-UCLA Medical Center

The Olive View-UCLA Medical Center (OV/UCLA) provides acute and intensive care, emergency services, medical/surgical inpatient and outpatient health care services, obstetric and gynecological services, and psychiatric services.

LAC+USC Medical Center

The LAC+USC Medical Center (LAC+USC) provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, a burn center, psychiatric services, renal dialysis, AIDS services, pediatric and obstetric services, and communicable disease services.

Martin Luther King, Jr. Ambulatory Care Center

The Martin Luther King, Jr. Multi-Service Ambulatory Care Center (MLK-MACC) was formerly known as Martin Luther King, Jr.-Harbor Hospital, until its loss of the hospital's licensing/accreditation on August 25, 2007. At that time, inpatient and emergency services were closed and the facility was re-organized as MLK-MACC. The MLK-MACC provides urgent care services, comprehensive outpatient services, including, primary, specialty and subspecialty services in surgery, medicine, pediatrics, obstetrics, HIV/AIDS, and dental services.

Rancho Los Amigos National Rehabilitation Center

The Rancho Los Amigos National Rehabilitation Center (Rancho) specializes in the rehabilitation for victims of spinal cord injuries and strokes, pathokinesiology and polio services, services for liver diseases, pediatrics, ortho diabetes, dentistry, and neuro-science.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Waterworks Funds

The Waterworks Enterprise funds provide for the administration, maintenance, operation and improvement of district water systems.

The following fund types have also been reported:

Internal Service Funds

The Internal Service Funds are used to account for the financing of services provided by a department or agency to other departments or agencies on a cost-reimbursement basis. The County's principal Internal Service Fund is used to account for the cost of services provided by the Department of Public Works to various other County funds and agencies.

Fiduciary Fund Types

Pension Trust Fund

The Pension Trust Fund is used to account for financial activities of LACERA.

Investment Trust Funds

The Pooled Investment Trust Fund is used to account for net assets of the County's external investment pool.

The Specific Investment Trust Fund is used to account for the net assets of individual investment accounts, in aggregate. The related investment activity occurs separately from the County's investment pool and is provided as a service to external investors.

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including Clearing and Revolving Funds, Deposit Funds, Other Agency Funds, State and City Revenue Funds, and Tax Collection Funds) account for assets held by the County in an agency capacity for individuals or other government units.

Basis of Accounting

The government-wide, proprietary, pension and investment trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and similar items are recognized in the fiscal year in which all eligibility requirements have been satisfied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, property and sales taxes, investment income, and charges for services and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. All other revenues are not considered susceptible to accrual and are recognized when received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's five Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the County's Nonmajor Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 13, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

Agency funds do not have a measurement focus because they report only assets and liabilities. They do however, use the accrual basis of accounting to recognize receivables and payables.

The County applies all applicable Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, in accounting and reporting for government-wide and proprietary fund financial statements. FASB statements issued after November 30, 1989, have not been applied unless specifically adopted in a GASB statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting which is different from generally accepted accounting principles (GAAP). Annual budgets were not adopted for the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled on the object level for all budget units within the County, except for capital asset expenditures, which are controlled on the sub-object level. The total budget exceeds $25 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2009. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

Transfers of appropriations between budget units must be approved by the Board. Supplemental appropriations financed by unanticipated revenue during the year must also be approved by the Board. Transfers of appropriations between objects of expenditure within the same budget unit must be approved by the Board or the Chief Executive Office, depending upon the amount transferred. The original and final budget amounts are reported in the accompanying basic financial statements. Any excess of budgetary expenditures and other financing uses over revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Note 15 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total 2008-2009 assessed valuation of the County of Los Angeles approximated $1.081 trillion.

The property tax levy to support general operations of the various jurisdictions is limited to one percent (1%) of full cash value and is distributed in accordance with statutory formulae. Amounts needed to finance the annual requirements of voter-approved debt are excluded from this limitation and are separately calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 11,372 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

Property taxes are levied on both real and personal property. Secured property taxes are levied during September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes which are delinquent and unpaid as of June 30 are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due, and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on August 1 and become delinquent, if unpaid, on August 31.

Deposits and Investments

In accordance with GASB Statements No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans” and No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying basic financial statements reflect the fair value of investments. Specific disclosures related to GASB 31 appear in Note 5.

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

As provided for by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily deposit balance during the allocation period. Each respective fund's share of the total pooled cash and investments is included among asset balances under the caption "Pooled Cash and Investments."

Pooled Cash and Investments are identified within the following categories for all County operating funds:

Operating Pooled Cash and Investments

This account represents amounts reflected in the County’s day-to-day financial records. Such amounts are utilized to determine the availability of cash for purposes of disbursing and borrowing funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2009 that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB Statement No. 34.

Other Investments

"Other Investments" represent Pension Trust Fund investments, investments of the CDC, various JPAs, NPCs and Public Buildings (bond financed capital assets), and amounts on deposit with the County Treasurer which are invested separately as provided by the Government Code or by specific instructions from the depositing entity.

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LAC-CAL bond indenture. All of the above noted assets are included in the various disclosures in Note 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are offset with a corresponding reservation of fund balance because these amounts are not available for appropriation and expenditure.

Of the amounts reported as inventories in the governmental activities, $35,293,000 represents land held for resale by the CDC. The CDC records land held for resale at the lower of cost or estimated net realizable value.

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Certain buildings and equipment are being leased under capital leases as defined in FASB Statement No. 13. The present value of the minimum lease obligation has been capitalized in the statement of net assets and is also reflected as a liability in that statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Project Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

The County's capitalization thresholds are $5,000 for equipment, $100,000 for buildings and improvements and $100,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 6.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Infrastructure	15 to 100 years

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, encumbered, conserved, and preserved by the County. It is the County's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Advances Payable

The County uses certain agency funds as clearing accounts for the distribution of financial resources to other County funds. Pursuant to GASB 34, for external financial reporting purposes, the portions of the clearing account balances that pertain to other County funds should be reported as cash of the appropriate funds. The corresponding liability is included in "Advances Payable."

Vacation and Sick Leave Benefits

Vacation pay benefits accrue to employees ranging from 10 to 20 days per year depending on years of service and the benefit plan. Sick leave benefits accrue at the rate of 10 to 12 days per year for union represented employees depending on years of service. Non-represented employees accrue at a rate of 8 days per year depending on the benefit plan. All benefits are payable upon termination, if unused, within limits and rates as specified in the County Salary Ordinance.

Liabilities for accrued vacation and sick leave benefits are accrued in the government-wide financial statements and in the proprietary funds. For the governmental funds, expenditures are recorded when amounts become due and payable (i.e., when employees terminate from service).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Long-term-Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs, are recognized in the period issued. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e. portion that has come due for payment) is reported as a liability in the fund financial statement of the related fund.

Cash Flows

For purposes of reporting cash flows, all amounts reported as "Pooled Cash and Investments," "Other Investments," and "Restricted Assets" are considered cash equivalents. Pooled cash and investment amounts represent funds held in the County Treasurer's cash management pool. Such amounts are similar in nature to demand deposits (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. ACCOUNTING CHANGES AND RESTATEMENT OF NET ASSETS

As discussed below, the County implemented the following GASB Statements in the 2008-2009 fiscal year:

Governmental Accounting Standards Board Statement No. 49

For the fiscal year ended June 30, 2009, the County implemented GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations.” This Statement provides specific accounting and reporting guidance for pollution remediation obligations, including disclosure requirements. These obligations address the current and potential detrimental effects of existing pollution by participating in pollution remediation activities. This matter is further discussed in Note 18.

2. ACCOUNTING CHANGES AND RESTATEMENT OF NET ASSETS-Continued

Governmental Accounting Standards Board Statement No. 52

GASB Statement No. 52, "Land, and Other Real Estate Held as Investments by Endowments," was implemented by the County for the fiscal year ended June 30, 2009. GASB 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. For the fiscal year ended June 30, 2009, no County endowment held land or real estate as investments. While GASB No. 52 is not applicable for the current period, the County will apply the Statement as appropriate in the future.

Restatement of Net Assets

In order to meet the guidelines in GASB Statement 49, the County restated its beginning government-wide/governmental activities' balances to reflect the inclusion of its pollution remediation obligations. The effects of the changes are as follows (in thousands):

	Net Assets July 1, 2008 as previously reported	Effect of Including Remediation Obligations	Net Assets July 1, 2008 as restated
Government-wide:			
Governmental activities	$ 15,570,415	$ (31,278)	$ 15,539,137

3. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2009 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor/UCLA Medical Center	$ 163,541
Olive View/UCLA Medical Center	46,209
M. L. King, Jr. Ambulatory Care Center	68,170
Internal Service Fund-	
Public Works	90,462

The Enterprise and Internal Service Funds' deficits result primarily from the recognition of certain liabilities including accrued vacation and sick leave, OPEB obligation, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice and third party payor liabilities, as required by GAAP. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded.

4. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Joint Powers Authorities" (JPAs). Under the terms of the agreement, the RPOSD sold $510,185,000 of bonds in 1997 that were acquired as an investment by the JPAs. The JPAs financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The 1997 bonds were partially refunded in 2004-2005 and the remaining 1997 bonds were fully refunded in 2007-2008. The transactions between the two component units have been accounted for as follows:

Fund Financial Statements

At June 30, 2009, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $246,875,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($246,875,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the governmental fund financial statements. The purpose of the column is to remove the duplication of assets, fund balances, revenues and expenditures that resulted from the consolidation of the two component units into the County's overall financial reporting structure.

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable ($246,875,000) and investment earnings and interest expense ($12,822,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

The bonds payable of $246,875,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 10 and are captioned "Assessment Bonds."

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension Trust Fund investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2009 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 4,170,156	$ 258,385	$	$	$ 4,428,541
Proprietary Funds	278,265	38,511	32,891	48,029	397,696
Fiduciary Funds (excluding Pension Trust Fund)	14,493,021	269,358			14,762,379
Pension Trust Fund	114,155	32,169,200			32,283,355
Component Unit	874,241				874,241
Total	$ 19,929,838	$32,735,454	$ 32,891	$48,029	$ 52,746,212

Deposits-Custodial Credit Risk

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized.

At June 30, 2009, the carrying amount of the County's deposits was $106,709,000 and the balance per various financial institutions was $106,091,000. The County's deposits are not exposed to custodial credit risk since all of its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2009, the carrying amount of Pension Trust Fund deposits was $32,076,000. Pension Trust Fund deposits are held in the Fund's custodial bank and, therefore, are not exposed to custodial credit risk since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

Investments

State statutes authorize the County to invest pooled funds in certain types of investments including obligations of the United States Treasury, federal, State and local agencies, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, medium-term corporate and deposit notes, negotiable certificates of deposit, floating rate notes, money market funds, guaranteed investment contracts, repurchase and reverse repurchase agreements, bankers' acceptances, State and local area investment funds, and mortgage pass-through securities.

The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. The fair value of pooled investments is determined annually and is based on current market prices. The method used to determine the value of participants' equity withdrawn is based on the book value, which is amortized cost, of the participants' percentage participation at the date of such withdrawals.

The Pension Trust Fund is managed by LACERA. Pension Trust Fund investments are authorized by State Statutes which are referred to as the “County Employees' Retirement Law of 1937.” Statutes authorize a "Prudent Expert" guideline as to form and types of investments which may be purchased. Examples of the Fund's investments are obligations of the various agencies of the federal government, corporate and private placement bonds, global bonds, domestic and global stocks, domestic and global convertible debentures and real estate. LACERA’s investment policy also allows the limited use of derivatives by certain investment managers. The classes of derivatives that are permitted are futures contracts, currency forward contracts, options, and swaps.

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension Trust Fund investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G of LACERA’s Report on Audited Financial Statements for the year ended June 30, 2009.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty percent (80%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the External Pooled Investment Trust Fund. Certain specific investments have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

County pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2009 (in thousands) are as follows:

	Fair Value
U.S. Government securities	$ 8,922,471
Negotiable certificates of deposit	3,080,420
Commercial paper	7,218,659
Corporate and deposit notes	814,954

5. CASH AND INVESTMENTS-Continued

Investments-Continued

	Fair Value
Municipal bonds	5,315
Los Angeles County securities	40,000
Guaranteed investment contracts	135,300
Money market mutual funds	142,603
State and Local Agency Investment Funds	109,797
Mortgage trust deeds	784
Total	$ 20,470,303

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2009 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	$ 16,073,149
Fixed income	9,800,435
Real estate	3,057,774
Private equity	2,815,826
Commodities	389,940
Total	$ 32,137,124

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2009 totaling $114,155,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of the total investment portfolio.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2009 to support the value of shares in the Treasurer's investment pool.

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. County management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

A summary of deposits and investments held by the Treasurer’s Pool is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
U. S. Government securities	$ 8,720,913	$ 8,644,805	1.85% - 7.20%	9/15/09 – 5/19/14	2.92
Negotiable certificates of deposit	3,080,420	3,080,126	0.20% - 2.55%	7/1/09 – 3/9/10	0.08
Commercial paper	7,218,659	7,218,783	0.18% - 0.82%	7/1/09 - 8/28/09	0.05
Corporate and deposit notes	812,481	801,257	0.62% - 7.38%	7/6/09 – 3/3/12	1.01
Los Angeles County securities	40,000	40,000	0.51% - 0.88%	6/30/10 – 6/30/11	1.63
Deposits	90,256	90,256			
	$ 19,962,729	$19,875,227			1.36

5. CASH AND INVESTMENTS-Continued

Investments-Continued

A summary of other (non-pooled) deposits and investments, excluding the Pension Trust Fund, is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Local Agency Investment Fund	$ 109,797	$ 109,706		07/01/09-06/15/12	0.64
Corporate and deposit notes	2,473	2,540	1.48% - 5.33%	08/03/09-02/01/11	1.46
Mortgage trust deeds	784	784	4.50% - 5.50%	08/01/12-04/01/17	5.28
Municipal bonds	5,315	5,315	5.00%	09/02/21	12.18
Guaranteed investment contracts	135,300	135,300	4.87%	03/15/10	0.71
U.S. agency securities	180,853	179,360	3.38% - 5.59%	09/18/09-06/25/14	2.90
U.S. treasury bonds	107	86	7.25%	05/15/16	6.88
U.S. treasury notes	20,296	20,027	3.38% - 4.88%	10/15/09-07/31/11	0.30
U.S. treasury bills	302	302	0.35%	12/10/09	0.45
Money market mutual funds	142,603	142,603	0.01% - 0.26%	07/01/09-07/31/10	0.20
Deposits	16,453	16,453			
	$ 614,283	$ 612,476			1.09

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The government code limits most investment maturities to five years, with the exception of commercial paper and bankers' acceptances which are limited to 270 days and 180 days, respectively. The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to a target of less than 1.5 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2009, 53.97% have a maturity of six months or less, 2.23% have a maturity of between six and twelve months and 43.80% have a maturity of more than one year.

As of June 30, 2009, variable-rate notes comprised 3.56% of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Agency Investment Fund, and mortgage trust deeds which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2009, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

The County's investment policy establishes minimum acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSROs). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased in the fiscal year met the credit rating criteria in the Investment Policy, at the issuer level. While the NRSROs rated the issuer of the investments purchased, it did not in all instances rate the investment itself (e.g. commercial paper, corporate and deposit notes, and negotiable certificates of deposit). For purposes of reporting credit quality distribution of investments in the following table, some investments are reported as not rated. At June 30, 2009, a portion of the County's other investments was invested in the State of California's Local Agency Investment Fund which is unrated as to credit quality.

The County's Investment Policy, approved annually by the Board of Supervisors, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the investment pool. Exceptions to this are obligations of the United States government and United States government agencies or government-sponsored enterprises, which do not have limits. Further, the County restricts investments in any one issuer based on the issuer's Nationally Recognized Statistical Rating Organization (NRSRO) ratings. For bankers acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was $500 million, approximately 2.54% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $750 million, or 3.82% of the investment pool's daily investment balance.

The Pool and SPI had the following U.S. Agency securities in a single issuer that represent 5 percent or more of total investments at June 30, 2009 (in thousands):

Issuer	Pool	SPI
Federal Farm Credit Bank	$ 2,121,656	$ 36,186
Federal Home Loan Bank	2,951,637	66,978
Federal Home Loan Mortgage Corp	3,601,532	25,699

Non-Pooled Investments had a total of $135,300,000 invested in guaranteed investment contracts (GIC) with FSA Capital Management Services.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2009:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	36.32%
Corporate and deposit notes	A	A2	0.25%
	A	A3	0.25%
	A+	Aa2	0.04%
	A+	Aa3	0.88%
	AA	Aa1	1.14%
	AA-	A1	0.10%
	AA+	Aa2	1.04%
	Not Rated	Aa2	0.13%
	Not Rated	Aa3	0.25%
	Not Rated	Not Rated	0.01%
Los Angeles County securities	AA-	Aa2	0.20%
Negotiable certificates of deposit	Not Rated	Not Rated	15.15%
	Not Rated	Aa1	0.35%
U.S. Government securities	AAA	Aaa	43.65%
	Not Rated	Not Rated	0.24%
			100.00%
Other Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	18.37%
Corporate and deposit notes	AA	Aa1	0.04%
	AA+	Aa2	0.38%
Mortgage trust deeds	AA-	Aa3	0.13%
Municipal bonds	AA	Aa3	0.89%
Guaranteed investment contracts	Not Rated	Not Rated	22.63%
U.S. agency securities	AAA	Aaa	7.35%
	AAA/Stable	Not Rated	8.37%
	Not Rated	Not Rated	14.53%
U.S. treasury notes	AAA	Aaa	3.39%
U.S. treasury bonds	AAA	Aaa	0.02%
U.S. treasury bills	AAA	Aaa	0.05%
Money market mutual funds	Not Rated	Not Rated	23.85%
			100.00%

The earned yield, which includes net gains on investments sold, on all investments held by the Treasurer's Pool for the fiscal year ended June 30, 2009 was 2.57%.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

A separate financial report is issued for the Treasurer's Pool. The most current report, as of June 30, 2008, is available on the Treasurer's website, and the report as of June 30, 2009, is in progress. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2009 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 19,962,729
Equity of internal pool participants	$ 6,556,452
Equity of external pool participants	13,406,277
Total equity	$ 19,962,729
Statement of Changes in Net Assets	
Net assets at July 1, 2008	$ 20,341,707
Net change in investments by pool participants	(378,978)
Net assets at June 30, 2009	$ 19,962,729

The unrealized gain on investments held in the Treasurer's Pool was $91,302,000 as of June 30, 2009. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

Reverse Repurchase Agreements

The California Government Code permits the County Treasurer to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the broker-dealer a margin against a decline in the fair value of the securities. If the broker-dealer defaults on the obligation to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

The County's investment guidelines limit the maximum par value of reverse repurchase agreements to $500,000,000 and proceeds from reverse repurchase agreements may only be reinvested in instruments with maturities at or before the maturity of the reverse repurchase agreement. During the fiscal year, the County did not enter into any reverse repurchase agreements.

Derivatives

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2009, there were approximately $700,000,000 in floating rate notes.

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2009, forward currency contracts receivable and payable totaled $96,571,000 and $97,991,000, respectively.

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions

LACERA, as the administering agency for the Pension Trust Fund, is authorized to participate in a securities lending program under policies adopted by the LACERA Board of Investments. This program is an investment management activity that mirrors the fundamentals of a loan transaction in which a security is used as collateral. Securities are lent to brokers and dealers (borrowers) and LACERA receives cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower.

LACERA's program is managed by one principal borrower and two agent lenders. Under exclusive borrowing and lending arrangements, securities on loan must be collateralized with a fair value of 102% for U.S. securities, and 105% for international securities, of the borrowed securities. Collateral is marked to market daily. Cash collateral is invested by the agent lenders in short-term, liquid instruments.

Under the terms of the lending agreements, the two agent lenders have agreed to hold LACERA harmless for borrower default from the loss of securities or income, or from any litigation arising from these loans. The principal borrower's agreement entitles LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." Either LACERA or the borrower can terminate all loans on securities on demand.

At year end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2009, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2009. Securities on loan at year-end, which include stocks and government and corporate bonds, are maintained in LACERA's financial records. A corresponding liability is recorded for the fair value of the invested cash collateral received.

As of June 30, 2009, the fair value of securities on loan was $1.17 billion. The value of the cash collateral received for those securities was $1.22 billion and there was no non-cash collateral. Securities lending assets (Other Investments) and liabilities (Other Payables) of $1.27 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $16.2 million for the year ended June 30, 2009.

For the year ended June 30, 2009, the Los Angeles County Treasury Pool did not enter into any securities lending transactions.

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 2009 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 106,709	$ 32,076	$ 138,785
Investments	20,470,303	32,137,124	52,607,427
	$ 20,577,012	$ 32,169,200	$ 52,746,212

6. CAPITAL ASSETS

Capital assets activity of the primary government for the year ended June 30, 2009 is as follows (in thousands):

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Governmental Activities				
Capital assets, not depreciated:				
Land	$ 2,350,698	17,258	(199)	$ 2,367,757
Easements	4,664,562	114,732	(2)	4,779,292
Construction in progress-buildings and improvements	255,267	84,461	(178,383)	161,345
Construction in progress-infrastructure	323,841	130,330	(93,460)	360,711
Subtotal	7,594,368	346,781	(272,044)	7,669,105
Capital assets, depreciated:				
Buildings and improvements	4,045,330	189,462	(2,677)	4,232,115
Equipment	1,092,873	123,011	(40,341)	1,175,543
Infrastructure	7,052,454	119,989	(75)	7,172,368
Subtotal	12,190,657	432,462	(43,093)	12,580,026
Less accumulated depreciation for:				
Buildings and improvements	(1,384,461)	(74,791)	1,091	(1,458,161)
Equipment	(744,121)	(108,894)	48,352	(804,663)
Infrastructure	(2,581,878)	(151,854)	26	(2,733,706)
Subtotal	(4,710,460)	(335,539)	49,469	(4,996,530)
Total capital assets, being depreciated, net	7,480,197	96,923	6,376	7,583,496
Governmental activities capital assets, net	$15,074,565	443,704	(265,668)	$ 15,252,601
Business-type Activities				
Capital assets, not depreciated:				
Land	$ 216,273			$ 216,273
Easements	30,535	166		30,701
Construction in progress-buildings and improvements	958,635	83,692	(966,783)	75,544
Construction in progress-infrastructure	30,840	20,868	(15,574)	36,134
Subtotal	1,236,283	104,726	(982,357)	358,652
Capital assets, being depreciated:				
Buildings and improvements	1,070,651	916,461		1,987,112
Equipment	273,934	47,981	(11,210)	310,705
Infrastructure	1,134,743	15,111		1,149,854
Subtotal	2,479,328	979,553	(11,210)	3,447,671
Less accumulated depreciation for:				
Buildings and improvements	(672,155)	(23,121)		(695,276)
Equipment	(184,916)	(18,071)	3,297	(199,690)
Infrastructure	(407,755)	(21,220)		(428,975)
Subtotal	(1,264,826)	(62,412)	3,297	(1,323,941)
Total capital assets, being depreciated, net	1,214,502	917,141	(7,913)	2,123,730
Business-type activities capital assets, net	$ 2,450,785	1,021,867	(990,270)	$ 2,482,382
Total Capital Assets, net	$17,525,350	$1,465,571	$ (1,255,938)	$ 17,734,983

6. CAPITAL ASSETS-Continued

Depreciation Expense

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:	
General government	$ 16,229
Public protection	160,570
Public ways and facilities	86,227
Health and sanitation	17,106
Public assistance	9,990
Education	1,782
Recreation and cultural services	19,919
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	23,716
Total depreciation expense, governmental activities	$ 335,539
Business-type activities:	
Hospitals	$ 30,751
Aviation	1,651
Waterworks	22,305
Community Development Commission	1,159
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	6,546
Total depreciation expense, business-type activities	$ 62,412

Discretely Presented Component Unit

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2009 was as follows (in thousands):

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets, not depreciated-				
Land	$ 2,039	$	$	$ 2,039
Capital assets, depreciated:				
Buildings and improvements	17,290		(5,368)	11,922
Equipment	1,669	602	(144)	2,127
Subtotal	18,959	602	(5,512)	14,049
Less accumulated depreciation for:				
Buildings and improvements	(6,115)	(240)	5,368	(987)
Equipment	(1,035)	(337)	144	(1,228)
Subtotal	(7,150)	(577)	5,512	(2,215)
Total capital assets being depreciated, net	11,809	25		11,834
Component unit capital assets, net	$ 13,848	$ 25	$	$ 13,873

7. PENSION PLAN

Plan Description

The County pension plan is administered by the Los Angeles County Employees Retirement Association (LACERA) which was established under the County Employees' Retirement Law of 1937. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

Little Lake Cemetery District
Local Agency Formation Commission
Los Angeles County Office of Education
South Coast Air Quality Management District

New employees of the latter two agencies are not eligible for LACERA benefits.

LACERA is technically a cost sharing, multi-employer defined benefit plan. However, because the non-County entities are immaterial to its operations the disclosures herein are made as if LACERA was a single employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Benefits are authorized in accordance with the California Constitution, the County Employees' Retirement Law, the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments and Board of Supervisors' resolutions.

LACERA issues a stand-alone financial report which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

LACERA has seven benefit tiers known as A, B, C, D and E, and Safety A and B. All tiers except E are employee contributory. Tier E is employee non-contributory. New general employees are eligible for tiers D or E at their discretion. New safety members are eligible for only Safety B. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board of Supervisors.

The following employer rates were in effect for 2008-2009:

	A	B	C	D	E
General Members	17.64%	10.79%	10.22%	10.79%	10.67%
Safety Members	28.16%	20.54%			

The rates were determined by the actuarial valuation performed as of June 30, 2007 and are the same as those used to calculate the annual required contribution (ARC).

Employee rates vary by the option and employee entry age from 5% to 15% of their annual covered salary.

During 2008-2009, the County contributed the full amount of the ARC.

7. PENSION PLAN-Countinued

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for 2008-2009, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 847,055
Non County entities	116
Total ARC	847,171
Interest on net pension obligation (asset)	(5,686)
Adjustment to ARC	48,908
Annual pension cost	890,393
Contributions made:	
County	847,055
Non County entities	116
Total contributions	847,171
Cost in excess of contributions	43,222
Net pension obligation (asset), July 1, 2008	(146,723)
Net pension obligation (asset), June 30, 2009	$ (103,501)

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2007	$ 842,896	89.2%	$ (176,440)
June 30, 2008	858,347	96.5%	(146,723)
June 30, 2009	890,393	95.1%	(103,501)

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the funded ratio was determined to be 94.5%. The actuarial value of assets was $39.7 billion, and the actuarial accrued liability (AAL) was $42.0 billion, resulting in an unfunded AAL of $2.3 billion. The covered payroll was $6.1 billion and the ratio of the unfunded AAL to the covered payroll was 37.8%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The most recent actuarial valuation also assumed an annual investment rate of return of 7.75%, and projected salary increases ranging from 4.26% to 10.24%, with both assumptions including a 3.5% inflation factor. Additionally, the valuation assumed post-retirement benefit increases of between 2% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.

7. PENSION PLAN-Continued

Actuarial Methods and Assumptions-Continued

The County contribution rate (effective for the 2008-2009 fiscal year, as determined by the June 30, 2007, actuarial valuation) was equal to 1.99% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) plus the normal cost rate of 10.09%, for a total rate of 12.08% of payroll.

LACERA uses the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

Because it is negative, the net pension obligation represents an asset. Accordingly, a pension asset, "Net Pension Obligation," has been recognized in the government-wide financial statements and in the proprietary funds financial statements.

Pension Obligation Bonds and Certificates

During 1994-95 the County sold approximately $1,965,230,000 in par value pension bonds and utilized the proceeds to fund LACERA. A portion of the bonds ($1,365,230,000) were fixed rate. The remaining $600,000,000 were variable rate bonds, which were restructured into fixed rate bonds during 1995-96. In conjunction with the 1994-95 issuance of the pension bonds, the County entered into debt service advance agreements. Under the agreements, the County received $79,022,000 in exchange for future interest that the County would have earned on deposits with the trustee between the time the County is required to pay debt service payments to the trustee and the time the trustee pays the bondholders. These proceeds have been recorded as unearned revenue on the government-wide statements and deferred revenue on the fund-based statements, and are being amortized over the life of the bonds on the basis of annual debt service requirements. As of June 30, 2009, the unamortized balance was $1,748,000.

For the year ended June 30, 2009, the combined principal and interest payments for the bonds were $320,338,000. For governmental activities, the total debt service was $237,735,000. For business-type activities, the total debt service was $82,603,000. At June 30, 2009, the total outstanding principal on bonds was $653,634,000, including accretions of $417,943,000 on deep discount bonds. The bonds have interest rates varying from 7.40 % to 9.19%.

The following is a summary of future funding requirements for all outstanding pension bonds and certificates (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2010	$ 87,116	$ 178,557	$ 30,089	$ 62,403
2011	87,801	187,956	30,685	65,688
Total	174,917	$ 366,513	60,774	$ 128,091
Accretions	310,175		107,768	
Total Pension Bonds Payable	$ 485,092		$ 168,542	

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost sharing, multi-employer defined benefit Other Postemployment Benefit (OPEB) plan on behalf of the County. As indicated in Note 7-Pension Plan, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan.

In April 1982, the County of Los Angeles adopted an ordinance pursuant to Government Code Section 31691 which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreements to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

In 1996-1997, the County entered into an agreement with LACERA to establish an Internal Revenue Code Section 401(h) Account to use in connection with the County's payment of retiree health care costs. Section 401(h) permits the establishment of a separate account (a "401(h) Account") to fund retiree healthcare benefits, and limits contributions to the 401(h) Account to 25% of aggregate contributions to LACERA. This agreement also permits the use of LACERA excess earnings reserves to reduce the County's funding requirements for these benefits.

Health care benefits earned by County employees are dependent on the number of completed years of retirement service credited to the retiree by LACERA upon retirement; it does not include reciprocal service in another retirement system. The benefits earned by County employees range from 40% of the benchmark plan cost with ten completed years of service to 100% of the benchmark plan cost with 25 or more completed years of service. In general, each completed year of service after ten years reduces the member's cost by 4%. Service includes all service on which the member's retirement allowance was based.

Health care benefits include medical, dental, vision, Medicare Part B reimbursement and death benefits. In addition to these retiree health care benefits, the County provides long-term disability benefits to employees, and these benefits have been determined to fall within the definition of OPEB, per GASB 45. These long-term disability benefits provide for income replacement if an employee is unable to work because of illness or injury. Specific coverage depends on the employee's employment classification, chosen plan and, in some instances years of service.

A trust fund has not been established for the retiree health benefits or the long-term disability benefits. The County's contribution is on a pay-as-you-go basis. During the 2008-2009 fiscal year, the County made payments to LACERA totaling $365 million for retiree health care benefits. Included in this amount was, $31.6 million for Medicare Part B reimbursements and $7 million in death benefits. Additionally, $35.6 million was paid by member participants. The County also made payments of $32 million for long-term disability benefits.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Annual OPEB Cost and Net OPEB Obligation (including Long-Term Disability)

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2006, and the OPEB long-term disability actuarial valuation as of July 1, 2007. The following table shows the ARC, the amount actually contributed and the net OPEB Obligation (in thousands):

Annual OPEB required contribution (ARC)	$ 1,615,272
Interest on Net OPEB obligation	61,707
Adjustment to ARC	(48,485)
Annual OPEB cost (expense)	1,628,494
Less: Contributions made (pay-as-you-go)	397,259
Increase in Net OPEB Obligation	1,231,235
Net OPEB obligation, July 1, 2008	1,234,148
Net OPEB obligation, June 30, 2009	$ 2,465,383

Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$ 1,615,272	23.6%	$ 1,234,148
June 30, 2009	1,628,494	24.4%	2,465,383

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was $20.9 billion, resulting in an unfunded AAL of $20.9 billion. The covered payroll was $6.1 billion and the ratio of the unfunded AAL to the covered payroll was 341.31%.

As of July 1, 2009, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was $951.8 million, resulting in an unfunded AAL of $951.8 million. The covered payroll was $6.1 billion and the ratio of the unfunded AAL to the covered payroll was 15.54%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules present multi-year trend information. However, there is no data available prior to the two years presented.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

While the actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms, they both used the same methods and assumptions, with one exception noted below. The projected unit credit cost method was used. Both valuations assumed an annual investment rate of return of 5%, an inflation rate of 3.5% per annum and projected general wage increase~~s~~ of 4%. The increases in salary due to promotions and longevity do not affect the amount of the OPEB program benefits. An actuarial asset valuation was not performed. Finally, the OPEB valuation report used the level percentage of projected payroll over a rolling (open) 30-year amortization period. The OPEB Long Term Disability valuation report used the level dollar of projected payroll over a rolling (open) 30-year amortization period. The most recent actuarial valuations for OPEB health care benefits (July 1, 2008) and OPEB long-term disability benefits (July 1, 2009) were each adjusted to reflect projected salary increases of 4%, from the former actuarial assumption of 3.75%.

The healthcare cost trend initial and ultimate rates, based on the June 30, 2006 actuarial valuation, are as follows:

	Initial Year	Ultimate
LACERA Medical Under 65	6.50%	5.00%
LACERA Medical Over 65	15.00%	5.25%
Firefighters Local 1014 (all)	11.50%	5.00%
Part B Premiums	11.50%	5.00%
Dental (all)	7.20%	3.00%

9. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2009 (in thousands):

Year Ending June 30	Governmental Activities
2010	$ 74,095
2011	58,913
2012	45,404
2013	36,994
2014	23,674
2015-2019	44,607
2020-2024	4,786
Total	$ 288,473

Rent expenditures related to operating leases were $92,131,000 for the year ended June 30, 2009.

Capital Leases

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2009 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2010	$ 28,567	$ 147
2011	22,438	
2012	19,035	
2013	18,757	
2014	17,745	
2015-2019	72,654	
2020-2024	71,515	
2025-2029	71,765	
2030-2034	56,162	
2035-2039	26,060	
Total	$ 404,698	$ 147
Less: Amount representing interest	246,904	4
Present value of future minimum lease payments	$ 157,794	$ 143

9. LEASES-Continued

Capital Leases-Continued

The following is a schedule of property under capital leases by major classes at June 30, 2009 (in thousands):

	Governmental Activities	Business-type Activities
Land	$ 17,279	$
Buildings and improvements	152,893	1,200
Equipment	61,795	393
Accumulated depreciation	(66,460)	(988)
Total	$ 165,507	$ 605

Future rent revenues to be received from noncancelable subleases are $1,298,000 as of June 30, 2009.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, various County golf courses and regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain golf courses and regional parks are leased under agreements which provide for activities such as golf course management and clubhouse operations, food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 88 years and are accounted for in the General Fund. The lease terms for the golf courses and regional parks cover remaining periods ranging from 1 to 26 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 58 years and are accounted for in the General Fund.

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is $504,770,000. The carrying value of the capital assets associated with the golf course and regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2009 (in thousands):

Year Ending June 30	Governmental Activities
2010	$ 40,938
2011	41,036
2012	40,511
2013	37,926
2014	36,162
Thereafter	1,318,516
Total	$ 1,515,089

9. LEASES-Continued

Leases of County-Owned Property- Continued

The following is a schedule of rental income for these operating leases for the year ended June 30, 2009 (in thousands):

	Governmental Activities
Minimum rentals	$ 40,010
Contingent rentals	22,156
Total	$ 62,166

The minimum rental income is a fixed amount based on the lease agreements. The contingent rental income is a percentage of revenue above a certain base for the Asset Development leases or a calculated percentage of the gross revenue less the minimum rent payment for the other leases.

10. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 7), OPEB (see Note 8), capital lease obligations (see Note 9) and other liabilities which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

A summary of bonds, notes and loans payable recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2009
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	$ 143,195	$ 67,295
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	17,410
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	264,399
Community Development Commission (CDC) Notes Payable, 2.31% to 7.91%	69,295	43,733
NPC Bond Anticipation Notes, 0.510% to 0.879%	29,600	29,600
NPC Bonds 3.0% to 4.0%	39,986	11,518
Marina del Rey Loans Payable, 4.5% to 4.7%	23,500	20,092
Public Buildings Certificates of Participation, 2.8% to 7.75%	944,106	695,923
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds 5.25% to 6.65%	319,827	384,142
Total	$ 1,865,584	$ 1,534,112

10. LONG-TERM OBLIGATIONS-Continued

A summary of bonds and notes payable recorded within business-type activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2009
NPC Bond Anticipation Notes, 0.510% to 0.879%	$ 10,400	$ 10,400
NPC Bonds 3.0% to 4.0%	14,049	4,047
Public Buildings Certificates of Participation, 2.8% to 7.0%	140,064	98,217
Commercial Paper, 0.20% to 0.75%	205,500	205,500
Waterworks District Bonds, 3.3% to 8.0%	280	86
Community Development Commission Mortgage Notes, 0.00% to 7.3%	11,401	3,680
Total	$ 381,694	$ 321,930

General Obligation Bonds

Waterworks Districts issued general obligation bonds to finance water system projects. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Principal and interest requirements on general obligation long-term debt for Waterworks District bonds are as follows (in thousands):

Year Ending June 30	Business-type Activities Principal	Interest
2010	$ 19	$ 7
2011	21	6
2012	22	3
2013	24	1
Total	$ 86	$ 17

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997, some of which were advance refunded in 2004-2005 and the remainder in 2007-2008, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the pledged proceeds of annual assessments levied on parcels within the District's boundaries.

10. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds-Continued

The bonds mature in fiscal year 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is $306,589,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $35,942,000 and $79,140,000, respectively.

Principal and interest requirements on assessment bonds are as follows (in thousands):

Year Ending June 30	Governmental Activities Principal	Interest
2010	$ 24,215	$ 11,692
2011	25,375	10,515
2012	26,560	9,270
2013	27,855	7,925
2014	29,255	6,497
2015-2019	99,995	13,463
2020-2024	13,620	352
Subtotal	246,875	$ 59,714
Add: Unamortized Bond Premiums	17,524	
Total Assessment Bonds	$ 264,399	

Certificates of Participation

The County has issued certificates of participation (COPs) through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed.

The County has pledged net revenues from the Calabasas Landfill for the payment of the Calabasas Landfill Project Revenue bonds, included here in the Public Buildings COPS, issued in 2005 and maturing in 2022. To the extent that the net revenues are insufficient to cover the debt payments in any fiscal year, the County has covenanted to make the debt payments from any source of legally available funds. The County paid $1,808,000 of the current fiscal year debt payment of $3,037,000, due to the shortfall of net landfill revenues. Total principal and interest remaining on the bonds is $45,432,000.

10. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation-Continued

Principal and interest requirements on COPs (Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings COPs for Governmental Activities and NPC bonds and Public Buildings COPs for Business-type activities) are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2010	$ 84,509	$ 36,045	$ 14,636	$ 6,503
2011	72,846	33,626	14,008	5,858
2012	71,026	31,096	13,164	5,236
2013	64,440	28,889	12,610	4,488
2014	51,489	26,680	13,201	3,898
2015-2019	142,570	125,768	28,096	8,179
2020-2024	127,716	67,267		
2025-2029	66,675	19,418		
2030-2034	44,965	4,630		
Subtotal	726,236	$ 373,419	95,715	$ 34,162
Accretions	74,161			
Unamortized Bond Premiums	26,597		6,549	
Unamortized Loss	(34,848)			
Total Certificates of Participation	$ 792,146		$ 102,264	

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of $319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the sales agreement. Residuals through 2011 were expected to be approximately $140,632,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $1,438,000,000. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

10. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds, which do not begin until 2011, are as follows:

Year Ending June 30	Governmental Activities Principal	Interest
2011	$	$ 21,198
2012		21,197
2013		21,197
2014		21,197
2015-2019		105,987
2020-2024	60,280	93,803
2025-2029	46,370	82,407
2030-2034		69,311
2035-2039	62,196	55,680
2040-2044	53,157	34,810
2045-2049	97,824	10,782
Subtotal	319,827	$ 537,569
Accretions	64,315	
Total Tobacco Settlement Asset-Backed Bonds	$ 384,142	

Notes, Loans, and Commercial Paper

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Assets Leasing Corporation (LACCAL Equipment Acquisition Internal Service Fund) to provide interim financing for equipment purchases. BANS are purchased by the County Treasury Pool and are payable within five years. In addition, the BANS are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital leases with a three-year term secured by County real property. During the 2008-2009 fiscal year, LACCAL issued additional BANS in the amount of $25,000,000.

CDC notes are secured by annual contributions from the United States Department of Housing and Urban Development (HUD) and housing units constructed with the note proceeds. Commission mortgage notes are secured by revenues from the operation of housing projects and from housing assistance payments from HUD.

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues.

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs for the various hospital construction projects. Repayment of the TECP is secured by a letter of credit and a sublease of twenty-one County-owned properties. The letter of credit has a termination date of December 15, 2015, with an optional termination date of May 1, 2010. Pursuant to the underlying leases, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The term of individual commercial paper notes may not exceed 270 days.

10. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper-Continued

Principal and interest requirements on CDC Notes payable, NPC BANS, and Marina del Rey Loans payable for Governmental Activities and NPC BANS, Commercial paper, and CDC Mortgage notes for Business-type Activities are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2010	$ 14,178	$ 3,296	$ 209,757	$ 44
2011	21,732	3,144	6,849	13
2012	3,895	2,965		
2013	4,009	2,759		
2014	3,691	2,556		
2015-2019	20,109	9,614	977	
2020-2024	16,378	4,354		
2025-2029	9,433	1,041		
Indeterminate maturity			1,997	
Total	$ 93,425	$ 29,729	$ 219,580	$ 57

Summary-All Future Principal, Interest and Accretions

The following summarizes total future principal and interest requirements for the various debt issues referenced above (in thousands):

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
General Obligation Bonds	$	$	$ 86	$ 17
Assessment Bonds	246,875	59,714		
Certificates of Participation	726,236	373,419	95,715	34,162
Tobacco Settlement Asset-Backed Bonds	319,827	537,569		
Notes, Loans, and Commercial Paper	93,425	29,729	219,580	57
Subtotal	1,386,363	$1,000,431	315,381	$ 34,236
Add: Accretions	138,476			
Unamortized Bond Premiums	44,121		6,549	
Less: Unamortized Loss on Advance Refunding of Debt	(34,848)			
Total Bonds and Notes Payable	$1,534,112		$ 321,930	

Long-term liabilities recorded in the Government-wide Statement of Net Assets include accreted interest on zero coupon bonds, unamortized bond premiums, and unamortized losses on advance debt refundings.

10. LONG-TERM OBLIGATIONS-Continued

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2009, the amount of outstanding bonds and certificates of participation considered defeased was $220,865,000. All of this amount was related to governmental activities.

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2009 (in thousands):

	Balance July 1, 2008	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2009	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,604,677	$ 45,288	$ 115,853	$ 1,534,112	$ 130,567
Pension bonds payable (Note 7)	668,539		183,447	485,092	246,457
Capital lease obligations (Note 9)	173,369	880	16,455	157,794	13,218
Accrued vacation and sick leave	749,208	113,326	53,882	808,652	54,977
Workers' compensation liability (Note 17)	1,809,463	284,321	277,522	1,816,262	310,160
Litigation and self-insurance liability (Note 17)	141,059	16,084	44,407	112,736	93,370
Pollution remediation obligation, as restated (Note 18)	31,278		1,213	30,065	2,521
OPEB obligation (Note 8)	1,019,980	1,029,754		2,049,734	133,641
Third party payor liability	13,278	16,267	14,854	14,691	14,691
Total governmental activities	$ 6,210,851	$1,505,920	$ 707,633	$ 7,009,138	$ 999,602
Business-type activities:					
Bonds and notes payable	$ 337,776	$ 4,856	$ 20,702	$ 321,930	$ 225,270
Pension bonds payable (Note 7)	232,285		63,743	168,542	85,631
Capital lease obligations (Note 9)	273		130	143	143
Accrued vacation and sick leave	124,808	21,910	9,066	137,652	9,056
Workers' compensation liability (Note 17)	310,965	28,769	40,015	299,719	45,986
Litigation and self-insurance liability (Note 17)	106,330	23,239	23,481	106,088	18,083
OPEB obligation (Note 8)	214,168	201,481		415,649	27,100
Third party payor liability (Note 13)	156,588	48,806	23,120	182,274	6,019
Total business-type activities	$ 1,483,193	$ 329,061	$ 180,257	$ 1,631,997	$ 417,288

10. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the Public Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued vacation and sick leave and litigation and self-insurance liabilities.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes Payable and Pension Bonds Payable. For Bonds and Notes Payable, accretions increased during 2008-2009, thereby increasing liabilities for Bonds and Notes Payable by $22,001,000 for governmental activities. Amounts accreted for Pension Bonds in previous years were paid during 2008-2009 thereby decreasing liabilities for Pension Bonds Payable for governmental and business-type activities by $96,941,000 and $33,685,000, respectively, for interest accretions. Note 17 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance liabilities.

11. SHORT-TERM DEBT

On July 1, 2008, the County issued $500,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 1.58%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2008. The notes matured and were redeemed on June 30, 2009.

12. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2009, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $78,136,000 and limited obligation improvement bonds totaling $10,910,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund. Revenues have been recorded (proceeds from property owners) to reflect the bond proceeds issued for capital improvements.

12. CONDUIT DEBT OBLIGATIONS-Continued

Residential Mortgage Revenue Bonds

Residential Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences in the County. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds have been issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. The amount of Mortgage Revenue Bonds outstanding as of June 30, 2009, was $739,951,000.

The bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

Industrial Development and Other Conduit Bonds

Industrial development bonds, and other conduit bonds, have been issued to provide financial assistance to private sector entities and nonprofit corporations for the acquisition of industrial and health care facilities which provide a public benefit. The bonds are secured by the facilities acquired and/or bank letter of credit and are payable solely from project revenue or other pledged funds. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2009, the amount of industrial development and other conduit bonds outstanding was $1,610,000.

13. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Medi-Cal Hospital / Uninsured Care Demonstration Project

The Medicaid Demonstration Project, a sub-state waiver, included the Supplemental Project Pool (SPP) program and the Federally Reimbursable Ambulatory Care Service Costs. This sub-state waiver was terminated on June 30, 2005. A new Statewide Project, the California's Medi-Cal Hospital Uninsured Care Demonstration Project, was implemented on July 1, 2005. This Demonstration Project and the associated changes to various State Plan Amendments either modified and/or replaced the Medi-Cal Fee For Services, SB 855 and SB 1255 payment funding systems.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Hospital / Uninsured Care Demonstration Project-Continued

The Demonstration Project was negotiated between the State of California's Department of Health Care Services (DHCS) and the federal Centers for Medicare and Medicaid Services (CMS), and covers the period from July 1, 2005 to June 30, 2010. The implementing State legislation (SB 1100) was enacted by the Legislature in September 2005. The five-year Demonstration Project applies to payments Statewide (which currently includes 21 public hospitals, including all University of California owned hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients).

The Medicaid Demonstration Project restructures inpatient hospital fee-for-service (FFS) payments and Disproportionate Share Hospital (DSH) payments, as well as the financing method by which the State draws down federal matching funds. Under the old system, public hospitals negotiated and received inpatient FFS contract per diem payments and supplemental contract payments (SB 1255) under the Medi-Cal Selective Provider Contract Program, and received DSH funds pursuant to a statutory formula (SB 855). The non-federal share of the inpatient FFS per diems was funded with State general funds, while the non-federal share of the supplemental contract payments and DSH payments was provided in the form of intergovernmental transfers (IGTs) of funds made by the public entities that operated public hospitals.

Under the Demonstration Project, payments for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services; 2) DSH payments and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at $586 million for FY 2008-09. The non-federal share of these three types of payments is provided by the public hospitals rather than the State, primarily through certified public expenditures (CPE) whereby the hospital would expend its local funding for services to draw down the federal financial participation (FFP). The FFP for the FFS cost based reimbursement is provided at 50% match for July through September 30, 2008 and at 61.59% beginning October 1, 2008. The FFP for DSH remains at 50%. For the inpatient hospital cost-based reimbursement, each hospital provides its own CPE and receives all of the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals are used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

The Demonstration Project restricts the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (non-federal plus federal match) may not exceed 75% of the hospital's uncompensated care costs to ensure compliance with the OBRA 1993 hospital-specific DSH limit. The gross IGT funded DSH payment must be "retained" by the hospital.

The County of Los Angeles provides funding for the State's share of the Demonstration Project by transferring funds to the State. These transferred funds, referred to as IGTs, are used by the State to draw down federal matching funds. The combined IGTs sent to the State by each hospital Enterprise Fund plus the matching federal funds are utilized by the State to provide supplemental funding for health care expenditures.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Hospital / Uninsured Care Demonstration Project-Continued

The County recognizes the supplemental funding received for each hospital as net patient services revenue as reflected in the Statement of Revenues, Expenses, and Changes in Net Assets. The IGTs are reflected as non-operating expenses by each Hospital in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. The IGTs paid during FY 2008-09 include payments for FYs 2007-08 and 2008-09. The estimated revenues include amounts collected and accrued for FY 2008-09 and over/under-realization of revenues for FY 2005-06 through FY 2007-08. The amounts below are in thousands:

Program	Intergovernmental Transfers Expense	Revenues
Medicaid Demonstration Project	$221,038	$811,230

Baseline Payments

The Demonstration Project prioritizes payments so that, to the extent possible, total payments to hospitals are at a minimum “baseline” level. For public hospitals, the baseline level is determined and satisfied on a hospital-specific basis. The baseline for the 2008-09 program year is established at each hospital’s total net Medi-Cal inpatient payments for 2007-08. DHCS estimates the aggregate baseline funding for the Statewide designated public hospitals to be $2.366 billion.

The estimated FY 2008-09 baseline for Los Angeles County hospitals is as follows (in thousands):

Hospital Name	Baseline Amount
LAC+USC Medical Center	$ 381,082
Harbor-UCLA Medical Center	177,628
Rancho Los Amigos National Rehabilitation Center	90,330
Olive View -UCLA Medical Center	113,004
Total	$ 762,044

The three funding components utilized to meet each hospital’s baseline level are as follows:

1) Medi-Cal inpatient FFS cost-based reimbursement: The FFP which is paid to the hospital represents approximately half of the facility-specific costs or CPE. The hospital’s amounts will fluctuate based on the number of facility-specific Medi-Cal patients served and the facility-specific cost-computations that are adjusted on an interim and final basis.

2) DSH funds: These payments are made to hospitals to take into account the uncompensated costs of care delivered to the uninsured, undocumented immigrants and shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments. The non-federal share of these funds will be a combination of CPEs for these services and IGTs that are subject to interim and final cost settlement. There is an annual fixed allotment of federal DSH funds. The waiver allocates almost all of these funds to public hospitals. (DHCS estimates the aggregate value of federal DSH funds for the Statewide designated public hospitals to be $1.091 billion as of June 30, 2009, which includes a 2.5% DSH allotment increase that the State received as part of the American Recovery and Reinvestment Act of 2009.)

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Baseline Payments-Continued

3) SNCP Distributions: These federal payments are made to public hospitals and clinics for uncompensated care delivered to uninsured patients and for certain designated non-hospital costs, such as drugs and supplies for the uninsured. The non-federal share of these funds are based on CPEs for these services.

Stabilization Payments

Payments to private and non-designated public DSH hospitals that exceed the aggregate baseline are considered stabilization funds and are included in the allocation among all waiver hospitals based on State law. Stabilization is distributed to the Designated Public Hospitals from the SNCP. The non-federal share of these funds are based on CPEs for related services.

SB 1100 requires DHCS to finalize the calculation of stabilization funding for each hospital and pay that amount by April 1 following the project year. This determination is based on cost estimates and specified adjustments. Under State law, the stabilization payments determined through this process shall not be modified for any reason other than mathematical errors or mathematical omissions on the part of the State of California.

Reported CPEs Subject to Audit

All CPEs reported by each hospital will be subject to State and federal audit and final reconciliation. If at the end of the final reconciliation process, it is determined that a hospital's claimed CPEs resulted in an overpayment of federal funds to the State, the hospital may be required to return the overpayment whether or not they received the federal matching funds.

Medi-Cal Physician State Plan Amendment (Physician SPA)

Prior to July 1, 2005, Medi-Cal inpatient physician professional services (including non-physician practitioners) were reimbursed as part of an all-inclusive fixed contract rate per-diem. Effective July 1, 2005, public hospitals were no longer paid a fixed rate but were reimbursed under the Demonstration Project. The Demonstration Project is under State Plan Amendment 05-21, and excluded professional services. However, in December 2007, CMS approved California State Plan Amendment 05-23 which allowed professional services to be paid similarly to the inpatient hospital services under the Demonstration Project. Hospitals were allowed to claim unreimbursed Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services) and were paid the Federal Medical Assistance Percentage (FMAP) share, currently at 61.59%.

Physician payments of $8.85 million and $20.51 million were received for 2006-07 and 2007-08, respectively, in FY 2008-09, based on filed cost report information. Amounts claimed for 2005-06 and 2008-09 have not yet been paid.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

State Senate Bill 474 (SB 474)

South Los Angeles Medical Services Preservation Fund

On October 12, 2007, SB 474 established an annual fund to stabilize health services for low-income, underserved populations of South Los Angeles. The "South Los Angeles Medical Services Preservation Fund" is intended to address the regional impact of the closure of the MLK-Harbor Hospital (currently MLK-MACC) and will help defray the County's costs for treating uninsured patients in the South Los Angeles area. In FY 2008-09, MLK-MACC received $87.7 million for FY 2007-08 and an estimated amount of $100.0 million was recorded for FY 2008-09.

Intergovernmental Transfers for Private Hospital Supplemental Fund

SB 474 also requires the County to make intergovernmental transfers (IGT) to the State to fund the non-federal share of increased Medi-Cal payments to those private hospitals that serve the South Los Angeles population formerly served by MLK-Harbor Hospital. An IGT expense of $5.0 million was recorded as health care expenditures in the County's General Fund.

Other Medi-Cal Programs

Cost Based Reimbursement Clinics (CBRC)

A State Plan Amendment to extend CBRC funding has been approved by the federal government. The Amendment is effective July 1, 2005 through June 30, 2010. CBRC reimburses at 100 percent of reasonable costs for Medi-Cal outpatient services provided to Medi-Cal beneficiaries at hospital-based clinics, Multi-Ambulatory Care Centers (MACC) and health centers (excluding clinics that provide predominately public health services). The Department-wide CBRC revenues collected and accrued in FY 2008-09 were $284.6 million.

Medi-Cal Cost Report Settlements

All field audits for FY 2005-06 have been completed. Due to their workload deadlines, the Medi-Cal auditors issued separate audit reports for hospital inpatient costs and CBRC costs. All audit reports for hospital inpatient costs were issued by May 30, 2009. Of the CBRC audit reports, Rancho Los Amigos National Rehabilitation Center's audit report has been issued and an audit settlement of $9.3 million will be paid to the County. The remaining FY 2005-06 CBRC audit reports have yet to be issued. FY 2006-07 Medi-Cal field audits are in progress.

The FY 2004-05 informal level appeal hearing was held during June 2009. The resolution of these appeal issues are contingent upon the Report of Findings to be issued by the Administrative Appeals Hearing Officer.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplement

The State received permission from CMS to supplement the Medi-Cal Managed Care rates paid to L.A. Care for the period October 1, 2006 through September 1, 2008. The supplement is funded by an intergovernmental transfer (IGT) by the County, and CMS understood that the supplemental payment was to be passed through to DHS. The County does not receive managed care payment directly from the State; rather, the State contracts with L.A. Care, which then subcontracts for services with various provider networks, including DHS' Community Health Plan. DHS received gross payments in FY 2008-09 for this entire period in the amount of $149.3 million, based on a $74.7 million IGT.

The State made a proposal to CMS to extend this program to period October 1, 2008 through September 30, 2009, and to include supplemental payments to L.A. Care, as well as Health Net. CMS is still considering this proposal. Assuming the program as it relates to L.A. Care will be approved, an estimated $62.3 million was accrued for FY 2008-09 and an IGT expenditure in the amount of $23.8 million was recorded.

The total estimated IGTs and the related estimated revenues recorded in FY 2008-09, less prior year accruals, are as follows (in thousands):

Program	Intergovernmental Transfers Expense	Revenues
Medi-Cal Managed Care Rate Supplement	$33,682	$82,141

Coverage Initiative

On April 10, 2007, DHCS awarded LA County DHS an allocation of federal funding to implement its Healthy Way LA Program under the Health Care Coverage Initiative (CI). In addition to patient care services, LA County DHS is to claim administrative and case management costs associated with the CI program. In FY 2008-09, an estimated $53.9 million of CI revenues and $7.6 million of CI administrative costs were recorded.

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, SNCP, CBRC, AB 915, SB 1732, etc.) represent approximately 75% of the hospitals' patient care revenue for the year ended June 30, 2009.

Medicare Program

Services to inpatient Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Certain other services to Medicare beneficiaries are reimbursed based on a fee schedule or other rates.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicare Program-Continued

Medicare audits have been completed at all hospitals and notices of program reimbursement have been received for all hospitals through FY 2000-01. For FYs 2001-02 and 2002-03, Medicare audits have been completed for all hospitals except for LAC+USC Medical Center (LAC+USC). For FY 2003-04, the audits for MLK, Rancho, and Olive View-UCLA Medical Center (OV/UCLA) have been completed. The audits for LAC+USC and Harbor/UCLA Medical Center (H/UCLA) have not been scheduled for FY 2003-04.

For FYs 2004-05 through 2005-06, the audits for MLK and OV/UCLA have been completed, and Rancho audits are in progress. The audits for LAC+USC and H/UCLA have not been scheduled.

For FY 2006-07, the audits for MLK, Rancho, and OV/UCLA have been completed and the notice of program reimbursement has been issued. The audits for LAC+USC and H/UCLA have not been scheduled.

For FY 2007-08, the Medicare audits for LAC+USC, Harbor/UCLA, Rancho, and OV/UCLA have not been scheduled. As of mid August 2007, MLK ceased hospital operation and will not undergo a hospital Medicare audit due to low Medicare utilization.

Revenues from the Medicare program represent approximately 7% of patient care revenue for the year ended June 30, 2009.

Revenues related to the aforementioned programs are included in the accompanying basic financial statements as hospital operating revenues. Uncollected amounts are reported as Accounts Receivable. Claims for these programs are subject to audit by State and/or federal agencies.

Accounts Receivable-net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2009 (in thousands):

	H/UCLA	OV/UCLA	LAC+USC	MLK-MACC	Rancho	Total
Accounts receivable	$ 824,606	560,616	1,275,400	225,966	310,548	$ 3,197,136
Less: Allowance for uncollectible amounts	645,570	361,000	925,296	44,829	195,587	2,172,282
Accounts Receivable - net	$ 179,036	199,616	350,104	181,137	114,961	$ 1,024,854

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through one of the Department's Reduced Cost Health Care plans, through other eligibility plans utilized by the Department, by the Treasurer-Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter.

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2009, based on established rates, is as follows (in thousands):

Charges forgone	$1,470,327
Less: Federal and State subventions	0
Net charges forgone	$1,470,327

Litigation Regarding Reduction in Health Services

In March 2003, two lawsuits were filed in Federal District Court against the County challenging health care reductions approved by the Board. The lawsuits challenged the closure of Rancho Los Amigos National Rehabilitation Center as well as the reduction of the 100 beds at LAC+USC Medical Center.

Negotiated settlements in both cases were approved by the Board of Supervisors in August 2005 and became final in December 2005 and March 2006, respectively. Pursuant to the settlement agreements, the County agreed to keep Rancho open through March 9, 2009 at a specified level of service. The settlement agreement expired on March 10, 2009, but the County has continued its efforts to identify and negotiate with an organization to assume the future operation of Rancho as was originally required by the settlement agreement. In the meantime, the facility is open and operating. With respect to LAC+USC, the settlement allows for the graduated reduction of beds contingent upon the County providing additional outpatient care on the facility's campus and the facility reaching certain targets showing the efficiency of, and decreased demand on, the hospital.

14. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2009.

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2009 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 7,306
	Flood Control District	4,571
	Public Library	4,691
	Regional Park and Open Space District	2,858
	Internal Service Funds	6,271
	Waterworks Enterprise Funds	90
	Harbor-UCLA Medical Center	27,299
	Olive View-UCLA Medical Center	33,082
	LAC+USC Medical Center	46,647
	M.L. King Ambulatory Care Center	42,503
	Rancho Los Amigos Nat'l Rehab Center	32,931
	Nonmajor Enterprise Funds	17
	Nonmajor Governmental Funds	118,113
		326,379
Fire Protection District	General Fund	3,065
	Internal Service Funds	1
	Nonmajor Governmental Funds	450
		3,516
Flood Control District	General Fund	4,513
	Internal Service Funds	15,096
	Waterworks Enterprise Funds	22
	Nonmajor Enterprise Funds	2
	Nonmajor Governmental Funds	380
		20,013
Public Library	General Fund	273
	Nonmajor Governmental Funds	150
		423

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Internal Service Funds	General Fund	$ 17,450
	Fire Protection District	46
	Flood Control District	13,394
	Public Library	3
	Waterworks Enterprise Funds	5,100
	Harbor-UCLA Medical Center	70
	Olive View-UCLA Medical Center	539
	LAC+USC Medical Center	1,217
	M.L. King Ambulatory Care Center	9
	Rancho Los Amigos Nat'l Rehab Center	26
	Nonmajor Enterprise Funds	230
	Nonmajor Governmental Funds	27,826
		65,910
Waterworks Enterprise Funds	General Fund	2
	Internal Service Funds	1,819
		1,821
Harbor-UCLA Medical Center	General Fund	9,181
	Fire Protection District	30
	Olive View-UCLA Medical Center	82
	LAC+USC Medical Center	1,040
	M.L. King Ambulatory Care Center	492
	Rancho Los Amigos Nat'l Rehab Center	29
	Nonmajor Governmental Funds	29,584
		40,438
Olive View-UCLA Medical Center	General Fund	14,233
	Fire Protection District	122
	Harbor-UCLA Medical Center	12
	LAC+USC Medical Center	29,387
	M.L. King Ambulatory Care Center	17
	Rancho Los Amigos Nat'l Rehab Center	8
	Nonmajor Governmental Funds	21,831
		65,610
LAC+USC Medical Center	General Fund	115,430
	Fire Protection District	65
	Harbor-UCLA Medical Center	4,988
	Olive View-UCLA Medical Center	2,883
	M.L. King Ambulatory Care Center	1,267
	Rancho Los Amigos Nat'l Rehab Center	927
	Nonmajor Governmental Funds	54,371
		179,931

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
M.L. King Ambulatory Care Center	General Fund	$ 3,149
	LAC+USC Medical Center	1,559
	Nonmajor Governmental Funds	6
		4,714
Rancho Los Amigos Nat'l Rehab Center	General Fund	27,424
	Fire Protection District	16
	Harbor-UCLA Medical Center	109
	LAC+USC Medical Center	96
		27,645
Nonmajor Enterprise Funds	Internal Service Funds	53
Nonmajor Governmental Funds	General Fund	300,385
	Fire Protection District	2,540
	Flood Control District	436
	Public Library	14
	Regional Park and Open Space District	61
	Internal Service Funds	13,677
	Waterworks Enterprise Funds	1,051
	Olive View-UCLA Medical Center	21
	Nonmajor Governmental Funds	12,554
		330,739
Total Interfund Receivables/Payables		$ 1,067,192

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the five hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to reimburse eligible costs incurred.

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2009 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Public Library	$ 39,665
	Internal Service Funds	69
	Harbor-UCLA Medical Center	161,540
	Olive View-UCLA Medical Center	102,420
	LAC+USC Medical Center	413,838
	M.L. King Ambulatory Care Center	60,328
	Rancho Los Amigos Nat'l Rehab Center	64,719
	Nonmajor Governmental Funds	69,173
		911,752
Fire Protection District	Nonmajor Governmental Funds	13,351
Flood Control District	Internal Service Funds	1,425
	Nonmajor Governmental Funds	19,052
		20,477
Public Library	General Fund	3,479
	Nonmajor Governmental Funds	3,535
		7,014
Regional Park and Open Space District	Nonmajor Governmental Funds	33,280
Internal Service Funds	General Fund	2,624
	Nonmajor Governmental Funds	265
		2,889
Waterworks Enterprise Funds	General Fund	5
	Internal Service Funds	344
		349
Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	12,036
	M.L. King Ambulatory Care Center	5
	Rancho Los Amigos Nat'l Rehab Center	5,530
		17,571
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	5,231
LAC+USC Medical Center	Harbor-UCLA Medical Center	948
	Olive View-UCLA Medical Center	29,360
		30,308
Rancho Los Amigos Nat'l Rehab Center	LAC+USC Medical Center	1,554

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Nonmajor Governmental Funds	General Fund	$ 293,139
	Flood Control District	32
	Internal Service Funds	2,524
	Harbor-UCLA Medical Center	59,260
	Olive View-UCLA Medical Center	42,451
	LAC+USC Medical Center	109,479
	M.L. King Ambulatory Care Center	313
	Rancho Los Amigos Nat'l Rehab Center	181
	Nonmajor Enterprise Funds	2,980
	Nonmajor Governmental Funds	44,400
		554,759
Total Interfund Transfers		$1,598,535

Short-term Advances

The General Fund makes short-term advances to assist the Hospital Funds in meeting their cash flow requirements. The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations.

Advances from/to other funds at June 30, 2009 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Funds	$ 3,589
	Harbor-UCLA Medical Center	134,597
	Olive View-UCLA Medical Center	200,128
	LAC+USC Medical Center	275,238
	M.L. King Ambulatory Care Center	154,996
	Rancho Los Amigos Nat'l Rehab Center	56,469
		825,017
Flood Control District	Internal Service Funds	6,213
Waterworks Enterprise Funds	Internal Service Funds	1,164
Nonmajor Governmental Funds	Internal Service Funds	11,034
Total Short-term Advances		$ 843,428

15. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

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

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

- For the General Fund, obligations for accrued vacation and sick leave and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after 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 pension obligation bonds in 1994-95, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-95 revenues. Under the modified accrual basis, the proceeds were recorded as deferred revenue (unearned) and are being amortized over the life of the bonds. This matter is also discussed in Note 7.

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in 2005-06, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the 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 also discussed in Note 10, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.

15. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (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 modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2009.

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	$ 1,713,428	$ 58,248	$ 28,386	$ 13,307	$ 166,640
Reserves and designations	1,511,430	161,794	168,925	15,105	121,599
Subtotal	3,224,858	220,042	197,311	28,412	288,239
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	154,664	(708)		(1)	
Accrual of vacation and sick leave benefits	46,797				
Deferral of unearned investment income	(1,143)	(56)		(13)	
Deferral of sale of tobacco settlement revenue	(266,794)				
Change in revenue accruals	8,436	(14,341)	(5,285)	(1,473)	(578)
Subtotal	(58,040)	(15,105)	(5,285)	(1,487)	(578)
Fund balance - GAAP basis	$ 3,166,818	$ 204,937	$ 192,026	$ 26,925	$ 287,661

16. OTHER COMMITMENTS

Construction Commitments

At June 30, 2009, the LAC+USC Medical Center Hospital Enterprise Fund no longer had contractual commitments to provide for the construction of the LAC+USC Medical Center replacement facility, which was completed during FY 2008-2009. However, there were contractual commitments of approximately $1,492,000 for various hospital construction projects that were financed by commercial paper.

LACERA Capital Commitments

At June 30, 2009, LACERA had outstanding capital commitments to various investment managers, approximating $2,580,000,000. Subsequent to June 30, 2009, LACERA funded $129,000,000 of these capital commitments.

16. OTHER COMMITMENTS-Continued

Investment Purchase Commitments

At June 30, 2009, the County had open trade commitments with various brokers to purchase investments approximating $251,533,000 with settlement dates subsequent to year end. These investment transactions had not been recorded as of June 30, 2009, since the County neither takes delivery of the securities nor earns interest on the investments until the settlement date. By July 1, 2009, the County had purchased such investments.

17. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in 2007-2008 or 2008-2009.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation, medical malpractice, law enforcement, theft and damage to property including natural disasters, errors and omissions, and torts. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and subrogation of approximately 10% of the total liabilities. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County's workers' compensation liabilities as of June 30, 2009 were approximately $2.116 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2009. Approximately $158,556,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2009, the County's best estimate of these liabilities is $ 2.335 billion. Changes in the reported liability since July 1, 2007 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
2007-2008				
Workers' Compensation	$ 2,203,253	$ 231,480	$(314,305)	$ 2,120,428
Other	189,414	114,355	(56,380)	247,389
Total 2007-2008	$ 2,392,667	$ 345,835	$(370,685)	$ 2,367,817
2008-2009				
Workers' Compensation	$ 2,120,428	$ 313,090	$(317,537)	$ 2,115,981
Other	247,389	39,323	(67,888)	218,824
Total 2008-2009	$ 2,367,817	$ 352,413	$(385,425)	$ 2,334,805

17. RISK MANAGEMENT-Continued

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $ 235.1 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

18. POLLUTION REMEDIATION

As discussed in Note 2, the County implemented GASB Statement No. 49 for the fiscal year ended June 30, 2009. GASB 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or clean up activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water clean up, and removal of storage tanks, asbestos tiles and other hazardous materials.

As of June 30, 2009, the County's estimated pollution remediation obligations totaled $30.065 million. These obligations were all associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liabilities were determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligations.

19. PROPOSITION 62 - UNINCORPORATED LOS ANGELES COUNTY UTILITY USE TAX

In September 1995, the California Supreme Court upheld the constitutionality of Proposition 62, which requires voter approval of all new local taxes. Taxes imposed without voter approval after the 1986 effective date of Proposition 62 may be invalidated. The Court did not provide clarification about whether the decision would apply only prospectively to all new taxes or retrospectively to all taxes since the effective date of the Proposition.

On November 4, 2008, the voters approved the Unincorporated Los Angeles County Utility Users' Tax Continuation Measure (Measure U) to validate and reduce the Los Angeles County's existing utility users' tax from 5 percent to 4.5 percent. The adoption of this measure prospectively addresses the validity of future taxes.

19. PROPOSITION 62 - UNINCORPORATED LOS ANGELES COUNTY UTILITY USE TAX-Continued

Prior to Measure U, a class action lawsuit was filed against the County in 2005, contending the County's utility taxes did not meet the requirements of Proposition 62 and were, therefore, invalid. After discussions and tentative agreement with the plaintiffs, the Board authorized a settlement in July 2008, which was finally approved by the Court in March 2009. The monetary provisions of the settlement are estimated at $65 million and liabilities of this amount have been recognized in the government-wide financial statements (governmental activities). Implementation of the settlement agreement is in progress and provides for refunds to class members who filed claims. County management believes there is no additional material exposure for this matter.

20. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2009, the County issued $1,300,000,000 in 2009-10 TRANS which will mature on June 30, 2010. The TRANS are collateralized by taxes and other revenues attributable to the 2009-10 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 0.80%.

Capital Asset Leasing Corporation Lease Revenue Bonds

On November 24, 2009, the Corporation issued Lease Revenue Bonds in the aggregate principal amount of $24,025,000, with an interest rate between 2% and 5%. The proceeds of the Bonds will be used to redeem certain bond anticipation notes, whose proceeds were originally used to finance the acquisition of equipment. The Bonds mature serially December 1st and June 1st each year, and interest is payable on December 1st and June 1st.

Martin Luther King, Jr. Medical Facility

As mentioned in Note 1, Martin Luther King, Jr.-Harbor Hospital was converted to an ambulatory care center in August 2007. A high priority of the Board is to restore inpatient hospital services at this facility's site. The County has entered negotiations with the University of California (UC) to establish a partnership that would result in a new hospital. On November 19, 2009, the UC Regents approved, in concept, a partnership with the County to reopen the Martin Luther King Jr. medical facility. On December 1, 2009, the Board ratified the conceptual partnership agreement. It is anticipated that inpatient services would commence in 2013.

The proposed partnership would require the County to provide the hospital building facilities, start-up funding, and certain annual operating funding. A new non-profit entity would be created to operate the hospital and its governance structure would consist of a seven-member board of directors. The County and UC would each appoint two directors and work together to jointly appoint the remaining three members.

A formal agreement is required to implement the intent of the County and UC. The legal process by which the new non-profit entity is established remains pending. Additional agreements between each party and the nonprofit entity are also contemplated. The County intends to evaluate the new entity as a future component unit for financial reporting purposes when all legal agreements have been executed.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of Funding Progress-Pension Plan
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/06	$32,819,725	$ 36,258,929	$ 3,439,204	90.5%	$5,205,804	66.1%
06/30/07	37,041,832	39,502,456	2,460,624	93.8%	5,615,736	43.8%
06/30/08	39,662,361	41,975,631	2,313,270	94.5%	6,123,888	37.8%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
Schedule of Funding Progress-Other Post Employment Benefits
(Dollar amounts in thousands)

Retiree Health Care(1)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	$ 0	$ 20,301,800	$ 20,301,800	0%	$ 5,205,804	389.98%
July 1, 2008	0	20,901,600	20,901,600	0%	6,123,888	341.31%

Long-Term Disability(1)

July 1, 2007	$ 0	$ 929,265	$ 929,265	0%	$ 5,615,736	16.55%
July 1, 2009	0	951,797	951,797	0%	6,123,888	15.54%

(1) There was no data available prior to the first valuation.

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Site Lease, the Sublease and the Indenture are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2010 Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

Definitions

"Act" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 et seq. of the California Government Code.

"Additional Bonds" means Bonds other than Series 2010 Bonds issued under the Indenture in accordance with the provisions thereof.

"Additional Rental Payments" means all amounts payable by the County as Additional Rental Payments pursuant to the Sublease.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year); provided, however, that, in connection with the calculation of the Reserve Requirement, including any calculation of Average Annual Debt Service and/or Maximum Annual Debt Service in connection therewith, the interest due on the Outstanding Bonds in each Bond Year shall be net of any subsidy expected to be received from the United States with respect to such Bonds or the interest thereon (whether or not such subsidy is to be paid to the Trustee).

"Authority" means the Los Angeles County Public Works Financing Authority, a joint powers authority organized and existing under the laws of the State of California.

"Authority Event of Default" means an event described as such in the Sublease.

"Authorized Authority Representative" means any member of the Board of Directors of the Authority or the Treasurer of the Authority, and any other Person authorized by the Board of Directors of the Authority or the Treasurer of the Authority to act on behalf of the Authority under or with respect to the Indenture.

"Authorized County Representative" means the Treasurer and Tax Collector of the County or any authorized deputy or designee thereof, and any other Person authorized by the Board of Supervisors of the County or the Treasurer and Tax Collector of the County to act on behalf of the County under or with respect to the Indenture.

"Authorized Denominations" means, with respect to the Bonds, $5,000 and any integral multiple thereof.

"Average Annual Debt Service" means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

"Base Rental Deposit Date" means the fifth Business Day next preceding each Interest Payment Date.

"Base Rental Payments" means all amounts payable to the Authority by the County as Base Rental Payments pursuant to the Sublease.

"Beneficial Owners" means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Bonds.

"Bond Year" means each twelve-month period beginning on July 1 in each year and extending to the next succeeding June 30, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on June 30, 2011.

"Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds issued under the Indenture, and includes the Series 2010 Bonds and any Additional Bonds.

"Book-Entry Bonds" means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

"Business Day" means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the Office of the Trustee is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

"Cede & Co." means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to Book-Entry Bonds.

"Closing Date" means the date upon which the Series 2010 Bonds are delivered to the Original Purchaser, being November 23, 2010.

"Code" means the Internal Revenue Code of 1986.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated the Closing Date, of the County, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Costs of Issuance" means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Sublease, the Site Lease, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, financial advisory fees, legal fees and expenses of counsel with respect to the financing of the Project, initial fees and expenses of the administrator of the financing of the Project, the initial fees and expenses of the Trustee and its counsel, any premium for a municipal bond insurance policy insuring payments of debt service on Additional Bonds, and other fees and expenses incurred in connection with the issuance and delivery of the Bonds or the implementation of the financing of the Project, to the extent such fees and expenses are approved by the County.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"County" means the County of Los Angeles, a county and political subdivision of the State of California.

"Defeasance Securities" means (a) non-callable direct obligations of the United States of America ("United States Treasury Obligations"), (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (d) securities eligible for "AAA" defeasance under then existing criteria of S&P or Moody's, or any combination thereof.

"Depository" means the securities depository acting as Depository pursuant to the Indenture.

"DTC" means The Depository Trust Company, New York, New York and its successors.

"Event of Default" means an event described as such in the Sublease or the Indenture, as applicable.

"Fitch" means Fitch, Inc., its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Indenture" means the Master Indenture, dated as of November 1, 2010, by and among the Authority, the County and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

"Independent Insurance Consultant" means a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance for which the County is to be self-insured, as may from time to time be designated by the County.

"Interest Account" means the account by that name within the Payment Fund established pursuant to the Indenture.

"Interest Payment Date" means each February 1 and August 1, commencing August 1, 2011, so long as any Bonds remain Outstanding.

"Laws and Regulations" means, with respect to the Property, any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

"Lease Revenues" means all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon a Sublease Default Event.

"Letter of Representations" means the letter of the Authority delivered to and accepted by the Depository on or prior to the delivery of the Bonds as Book-Entry Bonds setting forth the basis on which the Depository serves as depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Net Proceeds" means any insurance proceeds or condemnation award paid with respect to any of the Property, which proceeds or award, after payment therefrom of all reasonable expenses incurred in the collection thereof, are in an amount greater than $50,000.

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

"OES Lien" means the existing lien encumbering the Property evidenced by the Statement Concerning Lien Encumbering Property, made as of December 27, 1999, by the County in favor of the Office of Emergency Services of the State of California, recorded as Document No. 99 2371514 of the Official Records of the County of Los Angeles.

"Office of the Trustee" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the County in writing.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

"Original Purchaser" means Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself and on behalf of Barclays Capital Inc., Wells Fargo Bank, N.A., Blaylock Robert Van, LLC, Stone & Youngberg LLC and Wedbush Securities, the original purchasers of the Series 2010 Bonds from the Authority.

"Outstanding" means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Bonds paid or deemed to have been paid within the meaning of the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid," and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as securities depository.

"Payment Fund" means the fund by that name established in accordance with the Indenture.

"Permitted Encumbrances" means, with respect to the Property (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of the Sublease described under the heading "SUBLEASE – Representations And Warranties; Covenants And Agreements – Taxes," permit to remain unpaid, (b) the Sublease, (c) the Site Lease, (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law, (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date, (f) the OES Lien, and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Closing Date which the County certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and to which the Authority consents in writing.

"Permitted Investments" means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by counties:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively "United States Obligations"). These include, but are not necessarily limited to:

- U.S. Treasury obligations
  - All direct or fully guaranteed obligations
- Farmers Home Administration
  - Certificates of beneficial ownership
- General Services Administration
  - Participation certificates
- U.S. Maritime Administration
  - Guaranteed Title XI financing
- Small Business Administration
  - Guaranteed participation certificates
- Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
  - GNMA-guaranteed mortgage-backed securities
  - GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
  - Local authority bonds

(2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board ("FHLB"); (b) the Federal Home Loan Mortgage

Corporation ("FHLMC"); (c) the Federal National Mortgage Association (FNMA); (d) Federal Farm Credit Bank ("FFCB"); (e) Government National Mortgage Association ("GNMA"); (f) Student Loan Marketing Association ("SLMA"); and (g) guaranteed portions of Small Business Administration ("SBA") notes.

(3) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of $500 million and having "A" or better rating for the issuer's long-term debt as provided by Moody's, S&P, or Fitch and "P-1", "A-1", "F1" or better rating for the issuer's short-term debt as provided by Moody's, S&P, or Fitch, respectively.

(4) The Los Angeles County Treasury Pool.

(5) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as "bankers' acceptances," having original maturities of not more than 180 days. The institution must have a minimum short-term debt rating of "A-1", "P-1", or "F1" by S&P, Moody's, or Fitch, respectively, and a long-term debt rating of no less than "A" by S&P, Moody's, or Fitch.

(6) Shares of beneficial interest issued by diversified management companies, known as money market funds, registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and whose fund has received the highest possible rating from S&P and at least one other Rating Agency.

(7) Certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's, or Fitch.

(8) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(9) Repurchase agreements which have a maximum maturity of 30 days and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number (ii) above.

(10) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least "AA-" or "Aa3" by S&P or Moody's, respectively.

"Person" means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name within the Payment Fund established pursuant to the Indenture.

"Principal Payment Date" means a date on which the principal of the Bonds becomes due and payable, either as a result of the maturity thereof or by mandatory sinking fund redemption.

"Project" means the capital improvement projects described in the exhibit attached to the Indenture entitled "Description of the Project" and the acquisition, construction, improvement, rehabilitation or replacement of other facilities the County deems a priority.

"Project Costs" means all costs of acquiring, constructing and installing the Project, including but not limited to:

(a) all costs which the County shall be required to pay to a seller or any other Person under the terms of any contract or contracts for the purchase of any portion of the Project;

(b) all costs which the County shall be required to pay a contractor or any other Person for the acquisition, construction and installation of any portion of the Project;

(c) obligations of the County incurred for services (including obligations payable to the County for actual out-of-pocket expenses of the County) in connection with the acquisition, construction and installation of the Project, including reimbursement to the County for all advances and payments made in connection with the Project prior to or after issuance of the Bonds;

(d) the actual out-of-pocket costs of the County for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project, including administrative expenses under the Sublease and under the Indenture relating to the acquisition, construction and installation of the Project;

(e) Costs of Issuance, to the extent amounts for the payment thereof are not available in the Costs of Issuance Fund; and

(f) any sums required to reimburse the Authority or the County for advances made by the Authority or the County for any of the above items or for any other costs incurred and for work done by the Authority or the County which are properly chargeable to the Project.

"Project Fund" means the fund by that name established pursuant to the Indenture.

"Property" means the real property described in the Sublease, and any improvements thereto.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Rebate Requirement" has the meaning ascribed thereto in the Tax Certificate.

"Record Date" means the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

"Rental Payments" means, collectively, the Base Rental Payments and the Additional Rental Payments.

"Rental Period" means the period from the Closing Date through June 30, 2011 and, thereafter, the twelve-month period commencing on July 1 of each year during the term of the Sublease.

"Reserve Fund" means the fund by that name established pursuant to the Indenture.

"Reserve Requirement" means, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service.

"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, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Scheduled Termination Date" means August 1, 2040.

"Series" means the each initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to the Indenture as the Series 2010A Bonds and the Series 2010B Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

"Series 2010 Bonds" means the Series 2010A Bonds and the Series 2010B Bonds.

"Series 2010A Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series A (Tax-Exempt), issued under the Indenture.

"Series 2010B Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series B (Build America Bonds/Recovery Zone Economic Development Bonds), issued under the Indenture.

"Site Lease" means the Master Site Lease, dated as of November 1, 2010, by and between the County and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Sublease.

"Sublease" means the Master Sublease Agreement, dated as of November 1, 2010, by and between the County and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Sublease Default Event" means an event of default pursuant to and as described in the Sublease.

"Supplemental Indenture" means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Certificate" means, as applicable, the Tax Certificate and Agreement executed by the Authority and the County at the time of issuance of the Series 2010A Bonds and the Tax Certificate executed by the Authority and the County at the time of issuance of the Series 2010B Bonds, relating to the requirements of Section 148 of the Code, each as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including interest on the Series 2010A Bonds, that such interest is excluded from the gross income of the holders thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Indenture substituted in its place as provided therein.

"Verification Report" means, with respect to the deemed payment of Bonds pursuant to clause (ii)(B) of paragraph (a) of the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid," a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii)(B) of paragraph (a) of the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid."

"Written Certificate of the Authority" means a written certificate signed in the name of the Authority by an Authorized Representative of the Authority. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Certificate of the County" means a written certificate signed in the name of the County by an Authorized Representative of the County. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Request of the Authority" means a written request signed in the name of the Authority by an Authorized Representative of the Authority. Any such request may, but need not, be

combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Request of the County" means a written request signed in the name of the County by an Authorized Representative of the County. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

SITE LEASE

Lease of the Property; Rental

Lease of Property. The County leases to the Authority, and the Authority leases from the County, for the benefit of the Owners of the Bonds, the Property, subject only to Permitted Encumbrances, to have and to hold for the term of the Site Lease.

Rental. The Authority shall pay to the County as and for rental of the Property under the Site Lease, an amount set forth in the Site Lease (the "Site Lease Payment"). The Site Lease Payment shall be paid from the proceeds of the Series 2010 Bonds; provided, however, that in the event the available proceeds of the Series 2010 Bonds are not sufficient to enable the Authority to pay such amount in full, the remaining amount of the Site Lease Payment shall be reduced to an amount equal to the amount of such available proceeds.

The County shall deposit the Site Lease Payment in one or more separate funds or accounts to be held and administered for the purpose of financing the Project. The Authority and the County find and determine that the amount of the Site Lease Payment does not exceed the fair market value of the leasehold interest in the Property which is conveyed under the Site Lease by the County to the Authority. No other amounts of rental shall be due and payable by the Authority for the use and occupancy of the Property under the Site Lease.

Quiet Enjoyment

The parties intend that the Property will be leased back to the County pursuant to the Sublease for the term thereof. Subject to any rights the County may have under the Sublease to possession and enjoyment of the Property, the County covenants and agrees that it will not take any action to prevent the Authority from having quiet and peaceable possession and enjoyment of the Property during the term of the Site Lease and will, at the request of the Authority and at the County's cost, to the extent that it may lawfully do so, join in any legal action in which the Authority asserts its right to such possession and enjoyment.

Special Covenants and Provisions

Waste. The Authority agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Further Assurances and Corrective Instruments. The County and the Authority agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Site Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased or intended so to be or for carrying out the expressed intention of the Site Lease, the Indenture and the Sublease.

Waiver of Personal Liability. All liabilities under the Site Lease on the part of the Authority shall be solely liabilities of the Authority as a joint powers authority, and the County releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under the Site Lease to the County or to any other party whomsoever for anything done or omitted to be done by the Authority under the Site Lease.

All liabilities under the Site Lease on the part of the County shall be solely liabilities of the County as a governmental entity, and the Authority releases each and every member, officer and employee of the County of and from any personal or individual liability under the Site Lease. No member, officer or employee of the County shall at any time or under any circumstances be individually or personally liable under the Site Lease to the Authority or to any other party whomsoever for anything done or omitted to be done by the County under the Site Lease.

Taxes. The County covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Representations of the County. The County represents and warrants to the Authority and the Trustee as follows:

(a) the County has the full power and authority to enter into, to execute and to deliver the Site Lease, and to perform all of its duties and obligations thereunder, and has duly authorized the execution of the Site Lease;

(b) except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the Property for governmental purposes as contemplated by the County;

(c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes, have been paid in full; and

(d) the Property is necessary to the County in order for the County to perform its governmental functions.

Representations of the Authority. The Authority represents and warrants to the County and the Trustee that the Authority has the full power and authority to enter into, to execute and to deliver the Site Lease, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Site Lease.

Assignment, Selling and Subleasing

Assignment, Selling and Subleasing. The Site Lease may be assigned or sold, and the Property may be subleased, as a whole or in part, by the Authority, without the necessity of obtaining the consent of the County, if an event of default occurs under the Sublease. The Authority shall, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the County a true and correct copy of such assignment, sublease or sale, as the case may be.

The Authority shall assign all of its rights under the Site Lease to the Trustee appointed pursuant to the Indenture.

Restrictions on County. The County agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Site Lease.

Improvements

Title to all improvements made on the Property during the term of the Site Lease shall vest in the County.

Term; Termination

Term. The term of the Site Lease shall commence as of the date of commencement of the term of the Sublease and shall remain in full force and effect from such date to and including August 1, 2040, unless such term is extended or sooner terminated as provided in the Site Lease.

Extension; Early Termination. If, on August 1, 2040, the Bonds shall not be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture shall not be discharged by its terms, or if the Rental Payments payable under the Sublease shall have been abated at any time, then the term of the Site Lease shall be automatically extended until the date upon which all Bonds shall be fully paid, or provision therefor made in accordance with the Indenture, and the Indenture shall be discharged by its terms, except that the term of the Site Lease shall in no event be extended more than ten years. If, prior to August 1, 2040, all Bonds shall be fully paid, or provisions therefor made in accordance with the Indenture, and the Indenture shall be discharged by its terms, the term of the Site Lease shall end simultaneously therewith.

Action on Default. In each and every case upon the occurrence and during the continuance of a default by the Authority under the Site Lease, the County shall have all the rights and remedies permitted by law, except the County, to the extent permitted by law, waives any and all rights to terminate the Site Lease.

Miscellaneous

Binding Effect. The Site Lease shall inure to the benefit of and shall be binding upon the County, the Authority and their respective successors and assigns.

Severability. In the event any provision of the Site Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Site Lease.

Amendments; Substitution and Release. The Site Lease may be amended, changed, modified, altered or terminated only in accordance with the provisions of the Sublease. The County shall have the right to substitute alternate real property for the Property or to release portions of the Property as provided in the Sublease.

Assignment. The Authority and County acknowledge that the Authority has assigned its right, title and interest in and to the Site Lease to the Trustee pursuant to the Indenture. The County consents to such assignment. The County consents to the Indenture and acknowledges and agrees to the rights of the Trustee as set forth therein.

SUBLEASE

Lease of Property; Term

Lease of Property. The Authority leases to the County and the County leases from the Authority the Property, on the terms and conditions set forth in the Lease Agreement, subject to all Permitted Encumbrances.

The leasing of the Property by the County to the Authority pursuant to the Site Lease shall not effect or result in a merger of the County's leasehold estate in the Property as lessee under the Sublease and its fee estate in the Property as lessor under the Site Lease, and the Authority shall continue to have a leasehold estate in the Property pursuant to the Site Lease throughout the term thereof and of the Sublease. The Sublease shall constitute a sublease with respect to the Property. The leasehold interest in the Property granted by the County to the Authority pursuant to the Site Lease is and shall be independent of the Sublease and the Sublease shall not be an assignment or surrender of the leasehold interest in the Property granted to the Authority under the Site Lease.

Term; Occupancy. The term of the Sublease shall commence on the Closing Date and shall end on the Scheduled Termination Date, unless such term is extended or sooner terminated as provided in the Sublease. If, on the Scheduled Termination Date, all of the Bonds shall not be fully paid or deemed to have been paid in accordance with the provisions the Indenture, or any Rental Payments shall remain due and payable or shall have been abated at any time, then the term of the Sublease shall be extended until the date upon which all of the Bonds shall be fully paid or deemed to have been paid in accordance with the provisions of the Indenture, and all Rental Payments due and payable shall have been paid in full; provided, however, that the term of the Sublease shall in no event be extended more than ten years beyond the Scheduled Termination Date. If, prior to the Scheduled Termination Date, all of the Bonds shall be fully paid or deemed to have been paid in accordance with the provisions of the Indenture, and all Rental Payments due and payable shall have been paid in full, the term of the Sublease shall end simultaneously therewith.

The County shall take possession of the Property on the Closing Date.

Rental Payments

Base Rental Payments. *General.* The Rental Payments, including Base Rental Payments, for each Rental Period shall be paid by the County to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during such Rental Period.

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State of California or of any political subdivision thereof in contravention 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 the State of California has levied or pledged any form of taxation.

Base Rental Payments. Subject to the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement," the County shall, on each Base Rental Deposit Date, pay to the Authority a Base Rental Payment in an amount equal to the principal of, and interest on, the Bonds due and payable on the next succeeding Principal Payment Date or Interest Payment Date, as applicable, including any such principal due and payable by reason of mandatory sinking fund redemption of the Bonds; provided, however, that the amount of such Base Rental Payment shall be reduced by the

amount, if any, available in the Payment Fund, the Principal Account or the Interest Account on such Base Rental Deposit Date to pay such principal of, or interest on, the Bonds.

Payments other than Regularly Scheduled Payments. If the term of the Sublease shall have been extended pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Lease Of The Property; Term – Term; Occupancy," the obligation of the County to pay Rental Payments shall continue to and including the Base Rental Deposit Date preceding the date of termination of the Sublease (as so extended pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Lease Of Property; Term – Term; Occupancy"). Upon such extension, the Base Rental Payments payable during such extended term shall be established so that such Base Rental Payments will in the aggregate be sufficient to pay the unpaid principal of, and interest accrued and to accrue on, the Bonds; provided, however, that the Rental Payments payable in any Rental Period shall not exceed the annual fair rental value of the Property.

Additional Rental Payments. The County shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates of the Authority or the County therein;

(b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Sublease or to defend the Authority and its members, officers, agents and employees;

(c) insurance premiums for all insurance required pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Insurance;"

(d) any amounts with respect to the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Code; and

(e) all other payments required to be paid by the County under the provisions of the Sublease or the Indenture.

Amounts constituting Additional Rental Payments payable under the Sublease shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the County stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Fair Rental Value. The parties to the Sublease have agreed and determined that the Rental Payments are not in excess of the fair rental value of the Property.

Payment Provisions. Each installment of Base Rental Payments payable under the Sublease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the Principal Office of the Trustee, or such other place or entity as the Authority shall designate. Notwithstanding any dispute between the Authority and the County, the County shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the County was not liable

for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due under the Sublease or refunded at the time of such determination.

Appropriations Covenant. The County covenants to take such action as may be necessary to include all Rental Payments due under the Sublease in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The covenants on the part of the County contained in this paragraph shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County 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 County to carry out and perform such covenants.

Rental Abatement. Except as otherwise specifically provided in this paragraph, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments shall be abated proportionately, and the County waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Sublease by virtue of any such interference, and the Sublease shall continue in full force and effect. The amount of such abatement shall be agreed upon by the County and the Authority. The County and the Authority shall provide the Trustee with a certificate setting forth the amount of such abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the provisions of the Sublease described under the heading "SUBLEASE – Lease Of Property; Term – Term; Occupancy;" provided, however, that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

Representations and Warranties; Covenants and Agreements

Power and Authority of the County. The County represents and warrants to the Authority that (a) the County has the full power and authority to enter into, to execute and to deliver the Sublease, the Site Lease and the Indenture, and to perform all of its duties and obligations under the Sublease and thereunder, and has duly authorized the execution and delivery of the Sublease, the Site Lease and the Indenture, and (b) the Property is zoned for use for governmental related facilities.

Power and Authority of the Authority. The Authority represents and warrants to the County that the Authority has the full power and authority to enter into, to execute and to deliver the Sublease, the Site Lease and the Indenture, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Sublease, the Site Lease and the Indenture.

Net-Net-Net Lease. The Sublease shall be, and shall be deemed and construed to be, a "net-net-net lease" and the Rental Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the County and the Authority.

Disclaimer of Warranties. THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN,

CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE PROPERTY AS IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY.

Quiet Enjoyment. So long as no Event of Default shall have occurred and be continuing, the County shall at all times during the term of the Sublease peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Authority.

Right of Entry. The Authority shall have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Sublease, and for all other lawful purposes.

Use of the Property; Covenant with respect to OES Lien. The County shall not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Sublease. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Authority, adversely affect the estate of the Authority in and to any of the Property or its interest or rights under the Sublease.

Unless the County shall have substituted alternate real property for the Property, as constituted on the effective date of the Sublease, pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Assignment And Subletting; Substitution Or Release; Title – Substitution or Release of the Property," so long as the OES Lien is effective, the County shall not take any action, or fail to take any action, if such action or failure to take such action would cause a "change in function" or a "change in status" of the Property, within the meaning of the provisions of the OES Lien, to occur.

Maintenance and Utilities. As part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County, and the County shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the County. In exchange for the Rental Payments, the Authority agrees to provide only the Property.

Additions to Property. Subject to the provisions of the Sublease described under the heading "SUBLEASE – Representations And Warranties; Covenants And Agreements – Liens," the County and any sublessee shall, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the County or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. Such additions, modifications and improvements shall not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law, and the Property, upon completion of any addition, modification or improvement made

pursuant to this paragraph, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such addition, modification or improvement.

Installation of County's Equipment. The County and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the County or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. The County or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items, and the Property, upon completion of any installation, modification or removal made pursuant to this paragraph, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such installation, modification or removal. Nothing in the Sublease shall prevent the County or any sublessee from purchasing items to be installed pursuant to this paragraph under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Taxes. The County shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as and when the same become due.

Upon notice to the Authority and the Trustee, the County or any sublessee may, at the County's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the County or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the County or such sublessee shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Liens. In the event the County shall at any time during the term of the Sublease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the County shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the County desires to contest any such lien, it may do so as long as such contest is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the County shall forthwith pay and discharge said judgment.

Compliance with Law, Regulations, Etc. The County represents and warrants that, after due inquiry, it has no knowledge and has not given or received any written notice indicating that the Property or the use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any Laws and Regulations.

No Condemnation. The County shall not exercise the power of condemnation with respect to the Property. If for any reason the foregoing covenant shall be held by a court of competent jurisdiction to be unenforceable and the County condemns the Property or if the County breaches such covenant, the County agrees that the value of the County's leasehold estate under the Sublease in the Property shall be not less than the greater of (a) the amount sufficient to redeem the Bonds pursuant to the Indenture if the Bonds are then subject to redemption, or (b) the amount sufficient to defease the Bonds to the first available redemption date in accordance with the Indenture if the Bonds are not then subject to redemption.

Authority's Purpose. So long as any Bonds are Outstanding, the Authority shall not engage in any activities inconsistent with the purposes for which the Authority is organized, as set forth in the agreement pursuant to which the Authority was created.

Insurance

Public Liability and Property Damage Insurance; Workers' Compensation Insurance. (a) The County shall maintain or cause to be maintained, throughout the term of the Sublease, a standard comprehensive general liability insurance policy or policies in protection of the County, the Authority and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury to or death of each person and $3,000,000 for personal injury to or deaths of two or more persons in a single accident or event, and in a minimum amount of $500,000 for damage to property (subject to a deductible clause of not to exceed $100,000) resulting from a single accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the County, and may be maintained in whole or in part in the form of self-insurance by the County, provided that such self-insurance complies with the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Self Insurance." The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

(b) The County shall maintain or cause to be maintained, throughout the term of the Sublease, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or, in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the Property and to cover full liability for compensation under any such act. The insurance required under this paragraph may be maintained in whole or in part in the form of self-insurance, provided that such self-insurance complies with the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Self Insurance."

(c) The County shall maintain or cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake) to the full insurable value of the Property, subject to a $100,000 loss deductible provision. Full insurable value shall be evaluated at least every five years by an Independent Insurance Consultant or the County's Risk Manager and shall not be less than the aggregate principal amount of the Outstanding Bonds. The insurance required under this paragraph (c) may be maintained in whole or in

part in the form of self-insurance, provided that such self-insurance complies with the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Self Insurance."

(d) The County shall maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to paragraph (c) above in an amount not less than an amount equal to two times Maximum Annual Debt Service. The insurance required under this paragraph (d) may not be maintained in whole or in part in the form of self-insurance.

(e) The insurance required by the provisions under the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" shall be provided by insurers rated "A" or better by Fitch, A.M. Best Company or S&P.

Additional Insurance Provision; Form of Policies. The County shall pay or cause to be paid when due the premiums for all insurance policies required by the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance." All such policies shall provide that the Trustee shall be given 30 days notice of the expiration thereof, any intended cancellation thereof or any reduction in the coverage provided thereby. The Trustee 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.

The County shall, following receipt of a written request of the Trustee, cause to be delivered to the Trustee on or before August 15 of each year, commencing August 15, 2011, a schedule of the insurance policies being maintained in accordance with the Sublease and a Written Certificate of the County stating that such policies are in full force and effect and that the County is in full compliance with the requirements of the provisions of the Sublease described under the heading "SUBLEASE – Insurance." The Trustee shall be entitled to rely upon said Written Certificate of the County as to the County's compliance with the provisions of the Sublease described under the heading "SUBLEASE – Insurance." The Trustee shall not be responsible for the sufficiency of the coverage or the amounts of such policies.

Self-Insurance. Insurance provided through a California joint powers authority of which the County is a member or with which the County contracts for insurance shall be deemed to be self-insurance for purposes of the Sublease. Any self-insurance maintained by the County pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Insurance" must be approved in writing by an Independent Insurance Consultant or the County's Risk Manager.

Title Insurance. The County shall provide, at its own expense, one or more CLTA title insurance policies for the Property, in the aggregate amount of not less than the aggregate principal amount of the Bonds. Said policy or policies shall insure (a) the fee interest of the County in the Property, (b) the Authority's ground leasehold estate in the Property under the Site Lease, and (c) the County's leasehold estate under the Sublease in the Property, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in the provisions of the Indenture described under the heading "SUBLEASE – net proceeds and title insurance; covenants – Title Insurance." So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant thereto or required thereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners.

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the County) shall be taken under the power of eminent domain, the term of the Sublease shall cease as of the day that possession shall be so taken. If less than all of the Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the County at the time of such taking, then the Sublease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the Rental Payments in accordance with the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement." So long as any Bonds shall be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, shall be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture. Any such award made after all of the Bonds, and all other amounts due under the Indenture and under the Sublease, have been fully paid, shall be paid to the County.

Right to Redeem Bonds

(a) The County shall have the right to cause the Bonds to be redeemed pursuant to, and in accordance with the provisions of, the Indenture by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the County from any source) and giving notice of the County's exercise of such right as provided in paragraph (b) below.

(b) In order to exercise its right to cause Bonds to be redeemed pursuant to paragraph (a) above, the County shall give written notice to the Trustee of its intention to exercise such right, specifying the date on which such redemption shall be made, which date shall be not less than 45 days from the date such notice is given (unless otherwise agreed by the Trustee), and specifying the Series, maturities and amounts of Bonds to be redeemed.

(c) The County shall have the right to cause Bonds to be deemed to have been paid pursuant to, and in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the County from any source) and providing and delivering, or causing to be provided and delivered the other items required pursuant to the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" to be provided or delivered in connection with such deemed payment.

Assignment and Subletting; Substitution or Release; Title

Assignment and Subleasing. Neither the Sublease nor any interest of the County under the Sublease shall be sold, mortgaged, pledged, assigned, or transferred by the County by voluntary act or by operation of law or otherwise; provided, however, that the Property may be subleased in whole or in part by the County, but only subject to the following conditions, which are made conditions precedent to any such sublease:

(a) the Sublease and the obligation of the County to make all Rental Payments under the Sublease shall remain the primary obligation of the County;

(b) the County shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) no such sublease by the County shall cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California;

(d) any sublease of the Property by the County shall explicitly provide that such sublease is subject to all rights of the Authority under the Sublease; and

(e) the County shall have filed or caused to be filed with the Authority and the Trustee an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

Substitution or Release of the Property. Subject to the provisions of the Sublease described under this heading entitled "Substitution or Release of the Property," the County shall have the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Sublease. All costs and expenses incurred in connection with any such substitution or release shall be borne by the County. Notwithstanding any substitution or release pursuant to the provisions of the Sublease described under this heading entitled "Substitution or Release of the Property," there shall be no reduction in or abatement of the Base Rental Payments due from the County under the Sublease as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following conditions, which are made conditions precedent to such substitution or release:

(a) a qualified employee of the County or an independent certified real estate appraiser selected by the County shall have found (and shall have delivered a certificate to the Trustee setting forth its findings) that (i) the sum of Base Rental Payments plus Additional Rental Payments due under the Sublease in any Rental Period is not in excess of the annual fair rental value of the Property, as constituted after such substitution or release, and (ii) the Property, as constituted after such substitution or release, has a useful life equal to or greater than the maximum remaining term of the Sublease (including extensions thereof under the provisions of the Sublease described under the heading "SUBLEASE – Lease Of Property; Term – Term; Occupancy").

(b) the County shall have obtained or caused to be obtained a CLTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property (which fair market value shall have been determined by a qualified employee of the County or an independent certified real estate appraiser), of the type and with the endorsements described in the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Title Insurance;"

(c) the County shall have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes;

(d) the County shall have given, or shall have made arrangements for the giving of, any notice of the occurrence of such substitution or release required to be given pursuant to paragraph (x) of subsection (a) of Section 5 of the Continuing Disclosure Certificate;

(e) the County, the Authority and the Trustee shall have executed, and the County shall have caused to be recorded with the county recorder of the county in which the Property is located, any document necessary to reconvey to the County the portion of the Property being substituted or released and to include any substituted real property in the description of the Property contained in the Sublease and in the Site Lease; and

(f) the County shall have certified to the Trustee that the substituted real property is essential for performing the County's governmental functions.

Title to Property. Upon the termination or expiration of the Sublease, and the first date upon which no Bonds are any longer Outstanding, all right, title and interest in and to the Property shall vest in the County. Upon any such termination or expiration, the Authority shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Events of Default and Remedies

Events of Default. The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under the Sublease:

(a) the failure of the County to pay any Rental Payment payable under the Sublease when the same becomes due and payable, time being expressly declared to be of the essence in the Sublease;

(b) the failure by the County to observe and perform any of the other covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, provided, further, however, that the period of time for such cure shall not exceed 90 days without the prior written consent of the Authority;

(c) except as otherwise expressly permitted by the Sublease, the assignment or transfer, either voluntarily or by operation of law or otherwise, of the County's interest in the Sublease or any part thereof without the written consent of the Authority;

(d) the abandonment of the Property by the County; or

(e) the commencement by the County of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Action on Default. (a) In each and every case during the continuance of an Event of Default under the Sublease, the Authority shall have the right, without terminating the Sublease or the County's right to possession of the Property, to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and to pay the full amount of the Rental Payments to the end of the term of the Sublease; and further agrees to pay said Rental Payments punctually at the same time and in the same manner as provided above for the payment of Rental Payments under the Sublease, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease.

(b) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THE SUBLEASE, THE AUTHORITY EXPRESSLY WAIVES ANY RIGHT TO TERMINATE THE SUBLEASE OR THE COUNTY'S RIGHT TO POSSESSION OF THE PROPERTY UNDER THE

SUBLEASE REGARDLESS OF WHETHER OR NOT THE COUNTY HAS ABANDONED THE PROPERTY, AND THE AUTHORITY EXPRESSLY WAIVES ANY RIGHT OF ENTRY OR RE-ENTRY TO TAKE POSSESSION OF AND/OR RE-LET THE PROPERTY. Without limiting the generality of the foregoing, the Authority expressly waives the right to receive any amount from the County pursuant to California Civil Code Section 1951.2(a)(3).

Other Remedies. In addition to the other remedies provided for in the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default" of the Sublease and subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," during the continuance of an Event of Default under the Sublease, the Authority shall be entitled to proceed to protect and enforce the rights vested in the Authority by the Sublease or by law. The provisions of the Sublease and the duties of the County and of its board, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing and subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," the Authority shall have the right to bring the following actions:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County or any board member, officer or employee thereof, and to compel the County or any such board member, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Sublease;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the County and its board, officers and employees to account as if it or they were the trustee or trustees of an express trust.

No Acceleration. Notwithstanding anything to the contrary contained in the Sublease, the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease.

Remedies Not Exclusive. Subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," no remedy therein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Sublease existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. If any statute or rule of law validly shall limit the remedies given to the Authority under the Sublease, the Authority nevertheless shall, subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," be entitled to whatever remedies are allowable under any statute or rule of law.

Waiver. No delay or omission of the Authority to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Sublease to the Authority may be exercised from time to time and as often as may be deemed expedient. A waiver of a particular default or Event of Default shall not be deemed to be a waiver of any other default or Event of Default or of the same default or Event of Default subsequently

occurring. The acceptance of Rental Payments under the Sublease shall not be, or be construed to be, a waiver of any term, covenant or condition of the Sublease.

Attorney's Fees. In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Sublease, the County agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Sublease.

Authority Event of Default; Action on Authority Event of Default. The failure by the Authority to observe and perform any covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority and the Trustee, by the County, shall constitute an Authority Event of Default under the Sublease; provided, however, that if, in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Authority Event of Default if corrective action is instituted by the Authority within such 60 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time. In each and every case upon the occurrence and during the continuance of an Authority Event of Default by the Authority under the Sublease, the County shall have all the rights and remedies permitted by law.

Amendments

The Sublease and the Site Lease, and the rights and obligations of the County and the Authority thereunder, may be amended at any time by an amendment thereto, which shall become binding upon execution by the County and the Authority, but only with the prior written consent of the Owners of a majority of the aggregate principal amount of Bonds then Outstanding, exclusive of Bonds disqualified as provided in the provisions of the Indenture described under the heading "INDENTURE – Miscellaneous – Disqualified Bonds." No such amendment shall (i) extend the payment date of any Base Rental Payment or reduce the amount of any Base Rental Payment without the prior written consent of the Owner of each Bond so affected, (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required for any amendment of the Sublease or the Site Lease to become binding without the prior written consent of the Owners of all the Bonds then Outstanding, or (iii) amend the provisions of the Sublease described under the heading "INDENTURE – Amendments – Amendments" without the prior written consent of the Owners of all the Bonds then Outstanding.

The Sublease and the Site Lease, and the rights and obligations of the County and the Authority thereunder, may also be amended at any time by an amendment thereto, which shall become binding upon execution by the County and the Authority, without the written consents of any Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County or the Authority therein contained other covenants and agreements thereafter to be observed, or to surrender any right or power therein reserved to or conferred upon the County or the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in therein or in regard to questions arising thereunder which the County or the Authority may deem desirable or necessary and not inconsistent with the Sublease;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Sublease described under the heading "SUBLEASE – Assignment And Subletting; Substitution Or Release; Title – Substitution or Release of the Property;"

(v) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or maintain any federal interest subsidies expected to be received with respect to any Bonds; or

(vi) to make such other changes in the Sublease or therein as the County or the Authority may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners.

Miscellaneous

Authority Not Liable. The Authority and its directors, officers, agents and employees, shall not be liable to the County or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the County shall, at its expense, indemnify and hold the Authority and its directors, officers, agents and employees harmless against and from any and all claims by or on behalf of any Person arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. In no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Sublease or the County's use of the Property.

Assignment to Trustee; Effect. The parties to the Sublease understand and agree that, upon the execution and delivery of the Indenture (which is occurring simultaneously with the execution and delivery of the Sublease), all right, title and interest of the Authority in and to the Sublease will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Bonds. The County consents to such sale, assignment and transfer. Upon the execution and delivery of the Indenture, references in the operative provisions of the Sublease to the Authority shall be deemed to be references to the Trustee, as assignee of the Authority.

Validity and Severability. If for any reason any one or more of the agreements, covenants or terms of the Sublease shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the County or by the Authority, all of the remaining agreements, covenants and terms of the Sublease shall nonetheless continue in full force and effect. If for any reason it is held by such a court that any agreement, covenant or term of the Sublease required to be observed or performed by the County, including the covenant to pay Rental Payments, is unenforceable for the full term of the Sublease, then and in such event the Sublease is and shall be deemed to be a lease from year to year under which the Rental Payments are to be paid by the County annually in consideration of the right of the County to possess, occupy and use the Property, and all of the other agreements, covenants and terms of

the Sublease, except to the extent that such agreements, covenants and terms are contrary to or inconsistent with such holding, shall remain in full force and effect.

INDENTURE

The Bonds

Authorization of Bonds. The Authority authorizes the issuance of the Bonds under and subject to the terms of the Indenture, the Act and other applicable laws of the State of California. The Bonds may consist of one or more Series of varying denominations, dates, maturities, interest rates and other provisions, subject to the provisions and conditions contained in the Indenture. The Bonds shall be designated generally as the "Los Angeles County Public Works Financing Authority Lease Revenue Bonds," each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds.

The Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

Notwithstanding anything to the contrary contained in the Indenture, if, as a result of the limitations contained in the provisions of the Sublease described under the heading "SUBLEASE – Base Rental Payments – Rental Abatement," Base Rental Payments cannot be paid by the County in an amount sufficient to pay the principal of, or interest on, the Bonds otherwise payable on any date, such principal or interest shall be deemed not to be payable on such date, the nonpayment thereof on such date shall not constitute a default or an Event of Default under the Indenture and such principal or interest shall become payable on the date on which such Base Rental Payments becomes payable under and pursuant to the Sublease.

Terms of Series 2010 Bonds. The Series 2010A Bonds shall be dated as of the Closing Date, shall be in the aggregate principal amount set forth in the Indenture and shall mature on August 1 of each year and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates per annum set forth in the Indenture.

The Series 2010B Bonds shall be dated as of the Closing Date, shall be in the aggregate principal amount set forth in the Indenture and shall mature on August 1 of each year and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates per annum set forth in the Indenture.

Interest on the Series 2010 Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2010 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Series 2010 Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any Series 2010 Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has previously been paid or duly provided for. Interest shall be paid in lawful money of the United States on each Interest Payment Date. Except as otherwise provided in the Letter of Representations, interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Series 2010 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; provided, however, that, in the case of an Owner of $1,000,000 or more in aggregate

principal amount of Series 2010 Bonds, upon the written request of such Owner to the Trustee, received at least ten days prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest shall be made by wire transfer of immediately available funds on the following Interest Payment Date. Any such request shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee.

The principal of and premium, if any, on the Series 2010 Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.

The Series 2010A Bonds shall be in substantially the form set forth in the exhibit attached to the Indenture, with appropriate or necessary insertions, omissions and variations as permitted or required thereby. The Series 2010B Bonds shall be in substantially the form set forth in the exhibit attached to the Indenture, with appropriate or necessary insertions, omissions and variations as permitted or required thereby.

Issuance of Series 2010 Bonds; Application of Proceeds. The Authority may, at any time, execute the Series 2010 Bonds and deliver the same to the Trustee. The Trustee shall authenticate the Series 2010 Bonds and deliver the Series 2010 Bonds to the Original Purchaser upon receipt of a Written Request of the Authority and upon receipt of the purchase price therefor.

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2010 Bonds) payable from Lease Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of such Additional Bonds:

(a) neither the Authority nor the County shall be in default under the Indenture, the Sublease or the Site Lease;

(b) the issuance of such Additional Bonds shall have been authorized under and pursuant to the Act and under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purposes for which such Additional Bonds are to be issued; provided, that the proceeds of the sale of such Additional Bonds shall be applied only for one or more of the following purposes: (A) providing funds to pay costs of County facilities (including capitalized interest), (B) providing funds to refund any Bonds issued under the Indenture or other obligations of the County, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, and (D) providing funds to make any deposit to the Reserve Fund required pursuant to paragraph (c) below;

(ii) the principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds, which shall be Authorized Denominations;

(iii) that such Additional Bonds shall be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either February 1 or August 1;

(iv) the date, the maturity date or dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, that (A) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on August 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds shall have annual mandatory sinking fund redemptions on August 1, (B) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (C) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(v) the redemption premiums and terms, if any, for such Additional Bonds;

(vi) the form of such Additional Bonds; and

(vii) such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(c) upon the issuance of such Additional Bonds, the amount on deposit in the Reserve Fund shall be at least equal to the Reserve Requirement; and

(d) upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period shall not be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds (evidence of the satisfaction of such condition shall be made by a Written Certificate of the County).

Procedure for the Issuance of Additional Bonds. Whenever the Authority and the County shall determine to authorize the issuance of any Additional Bonds, the Authority, the County and the Trustee shall enter into a Supplemental Indenture satisfying the conditions of the provisions in the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds." Before such Additional Bonds shall be issued, the Authority and the County shall file or cause to be filed with the Trustee the following:

(a) an Opinion of Counsel setting forth (i) that counsel rendering such opinion has examined the Supplemental Indenture, the amendment to the Sublease, if any, and the amendment to the Site Lease, if any, (ii) that the issuance of the Additional Bonds has been duly authorized by the Authority, (iii) that the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease have been duly authorized, executed and delivered by the Authority and the County, (iv) that upon execution and delivery of such Supplemental Indenture and any such amendments to the Sublease and the Site Lease, the Indenture, as amended and supplemented by such Supplemental Indenture, and, if so amended, the Sublease and the Site Lease, as amended by such amendments, will be valid and binding obligations of the Authority and the County, and (v) that the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease, in and of themselves, do not adversely affect the exclusion from gross income for federal income tax purposes of interest on Outstanding Tax-Exempt Bonds;

(b) a Written Certificate of the Authority that the requirements of the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" have been met;

(c) a Written Certificate of the County that the requirements of the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" have been met, which shall include a certification as to the fair rental value of the Property, after giving effect to any amendments to the Sublease and the Site Lease entered into in connection with the issuance of the Additional Bonds and taking into account the use of proceeds of such Additional Bonds;

(d) certified copies of the resolutions of the Board of Directors of the Authority and the Board of Supervisors of the County authorizing the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease;

(e) executed counterparts or duly authenticated copies of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease, with satisfactory evidence that any such amendments to the Sublease and the Site Lease have been duly recorded in the appropriate records of the county in which the Property is located;

(f) certified copies of the policies of insurance required by the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" or certificates thereof, which shall evidence that the amounts of the insurance required under paragraphs (c) and (d) of the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" have been increased, if applicable, to cover the amount of such Additional Bonds; and

(g) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Title Insurance."

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's being satisfied from an examination of said instruments that all of the documents required by the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Procedure for the Issuance of Additional Bonds" have been delivered, the Trustee shall authenticate such Additional Bonds, and shall deliver such Additional Bonds to, or upon the request of, the Authority.

Registration Books. The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be available for inspection and copying by the Authority and the County upon reasonable notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount 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 delivered to, or upon the order of, the Authority. 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 and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have

matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the provisions of the Indenture as summarized under this paragraph and of the expenses which may be incurred by the Authority and the Trustee. Any Bond of a Series issued under the provisions of the Indenture as summarized under this paragraph in lieu of any Bond of such Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds of such Series secured by the Indenture.

Pledge and Assignment; Funds and Accounts

Pledge and Assignment. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Lease Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) are thereby pledged to the payment of the principal of and interest on the Bonds as provided therein, and the Lease Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. Said pledge shall constitute a first lien on such assets.

In order to secure the pledge of the Lease Revenues, the Authority sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Site Lease and the Sublease, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Sublease in the event of a default by the County thereunder; provided, however, that the Authority shall retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Sublease. The Trustee accepts said assignment for the benefit of the Owners, subject to the provisions of the Indenture.

The Trustee shall be entitled to and shall receive all of the Base Rental Payments, and any Base Rental Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Project Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Project Fund." Within the Project Fund, the Trustee shall establish and maintain various accounts and subaccounts for the various components of the Project. On the Closing Date, the Trustee shall deposit in each subaccount or account of the Project Fund the amount required to be deposited therein pursuant to the Indenture.

(b) The moneys in each account and subaccount within the Project Fund shall be used and withdrawn by the Trustee from time to time to pay Project Costs upon submission to the Trustee of a Written Request of the County substantially in the form attached to the Indenture. Upon receipt of each such Written Request of the County, the Trustee shall pay the amount set forth in such Written Request of the County as directed by the terms thereof.

(c) Upon completion of the Project, the County shall file with the Trustee a Written Certificate of the County notifying the Trustee of such completion. Upon the filing of such Written Certificate of the County, all amounts remaining on deposit in the Project Fund shall be transferred to the Interest Account and used to pay interest on the Bonds in accordance with the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Payment Fund," and upon such transfer the Project Fund shall be closed.

(d) If the Project Fund has been closed in accordance with the provisions of the Indenture, the Project Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued. There shall be deposited in the Project Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Costs of Issuance Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Costs of Issuance Fund." On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Indenture.

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay Costs of Issuance upon submission to the Trustee of a Written Request of the County substantially in the form attached to the Indenture. Upon receipt of each such Written Request of the County, the Trustee shall pay the amount set forth in such Written Request as directed by the terms thereof.

(c) On the date that is six months after the Closing Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to one or more accounts or subaccounts within the Project Fund as directed in a Written Request of the County, and upon such transfer the Costs of Issuance Fund shall be closed.

(d) If the Costs of Issuance Fund has been closed in accordance with the provisions of the Indenture, the Costs of Issuance Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued. There shall be deposited in the Costs of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Payment Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Payment Fund." Within the Payment Fund, the Trustee shall establish and maintain a separate account designated the "Interest Account" and a separate account designated the "Principal Account."

(b) All Lease Revenues received by the Trustee shall be deposited by the Trustee in the Payment Fund; provided, however, that Net Proceeds, other than those constituting proceeds of rental interruption insurance received with respect to the Property, shall not be deposited in the Payment Fund but, rather, shall be applied as provided in the Indenture. There shall additionally be deposited in the Payment Fund amounts transferred from the Reserve Fund pursuant to paragraph (c) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Reserve Fund."

(c) The Trustee, on each Interest Payment Date, shall transfer from the Payment Fund to the Interest Account an amount equal to the interest on the Bonds coming due on such Interest Payment Date. Moneys in the Interest Account shall be withdrawn and used by the Trustee for the purpose of paying interest on the Bonds as and when due and payable.

(d) The Trustee, on each Principal Payment Date, shall transfer from the Payment Fund to the Principal Account an amount equal to the principal of the Bonds, including principal due and payable by reason of mandatory sinking fund redemption, coming due on such date. Moneys in the Principal Account shall be withdrawn and used by the Trustee for the purpose of paying principal of the Bonds,

including principal due and payable by reason of mandatory sinking fund redemption, as and when due and payable.

Redemption Fund. The Trustee shall establish and maintain a special fund designated the "Redemption Fund." The Trustee shall deposit in the Redemption Fund any amounts received from the County in connection with the County's exercise of its right pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Eminent Domain; Right To Redeem – Right to Redeem Bonds" to cause Bonds to be optionally redeemed. Additionally, the Trustee shall deposit in the Redemption Fund any amounts required to be deposited therein pursuant to the Indenture. Amounts in the Redemption Fund shall be disbursed therefrom by the Trustee for the payment of the redemption price of, and accrued interest on, Bonds redeemed pursuant to the Indenture.

Reserve Fund. (a) The Trustee shall establish and maintain a special fund designated the "Reserve Fund." On the Closing Date, the Trustee shall deposit in the Reserve Fund the amount required to be deposited therein pursuant to the Indenture. There shall additionally be deposited in the Reserve Fund, in connection with the issuance of Additional Bonds, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) In the event that, on the second Business Day prior to a date on which the Trustee is to transfer money from the Payment Fund to the Interest Account pursuant to paragraph (c) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Payment Fund" or to the Principal Account pursuant to paragraph (d) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Payment Fund", amounts in the Payment Fund are insufficient for such purpose, the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Payment Fund.

(c) In the event of any transfer from the Reserve Fund, the Trustee shall, within two Business Days thereafter, provide written notice to the Authority and the County of the amount and the date of such transfer or claim; provided, however, that such notice need not be provided if such transfer is made pursuant to paragraphs (e) or (f) below.

(d) If the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, the first of Base Rental Payments thereafter received from the County under the Sublease and not needed to pay the principal of and interest on the Bonds on the next Interest Payment Date or Principal Payment Date shall be used to increase the amount on deposit in the Reserve Fund so that the amount on deposit in the Reserve Fund shall equal the Reserve Requirement.

(e) If, as a result of the payment of principal of or interest on the Bonds, the Reserve Requirement is reduced, amounts on deposit in the Reserve Fund in excess of such reduced Reserve Requirement shall be transferred to the Payment Fund.

(f) On any date on which Bonds are defeased in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid," the Trustee shall, if so directed in a Written Request of the County, transfer any moneys in the Reserve Fund in excess of the Reserve Requirement resulting from such defeasance to the entity or fund so specified in such Written Request of the County, to be applied to such defeasance.

(g) Moneys, if any, on deposit in the Reserve Fund shall be withdrawn and applied by the Trustee for the final payments of principal of and interest on the Bonds.

Rebate Fund. (a) The Trustee shall establish and maintain a special fund designated the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Authority or a Written Request of the County. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the provisions of the Indenture described under the heading "INDENTURE – Defeasance" or anything to the contrary contained therein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Rebate Fund" and by the Tax Certificate (which is incorporated into the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority or the County, and shall have no liability or responsibility to enforce compliance by the Authority or the County with the terms of the Tax Certificate. The Trustee may conclusively rely upon the determinations, calculations and certifications of the Authority or the County required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the calculations of the Authority or the County.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Rebate Fund", shall, upon receipt by the Trustee of a Written Request of the County, be withdrawn by the Trustee and remitted to the County.

Investments. (a) Except as otherwise provided in the Indenture, any moneys held by the Trustee in the funds and accounts established thereunder shall be invested by the Trustee upon the Written Request of the County, received at least two Business Days prior to the investment date, only in Permitted Investments, and in the absence of such direction shall be invested by the Trustee in Permitted Investments described in clause (6) of the definition thereof. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Investments." The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Permitted Investments that are registerable securities shall be registered in the name of the Trustee.

(b) Investments purchased with funds on deposit in the Payment Fund shall mature not later than the payment date immediately succeeding the investment. Investments purchased with funds on deposit in the Redemption Fund shall be invested in Permitted Investments described in clause (1)(a) of the definition thereof that mature on or prior to the redemption date on which such funds are to be applied to the redemption of Bonds. Investments purchased with funds on deposit in the Project Fund shall mature not later than the dates upon which such funds shall be needed to be expended for the payment of Project Costs. Notwithstanding anything to the contrary contained in the Indenture, investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity of not greater than five years.

(c) Investments (except investment agreements) in any fund or account established under the Indenture shall be valued, exclusive of accrued interest (i) not less often than annually nor more often than monthly, and (ii) upon any draw upon the Reserve Fund. All investments of amounts deposited in any fund or account established under the Indenture shall be valued at the market value thereof.

(d) Any interest or profits received with respect to investments held in any of the funds or accounts established under the Indenture (other than the Reserve Fund) shall be retained therein. Any interest or profits received with respect to investments held in the Reserve Fund shall be, until the date the Written Certificate of the County required by paragraph (c) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Project Fund" is filed with the Trustee, transferred to the Project Fund and, thereafter, shall be transferred to the Interest Account. Notwithstanding the foregoing, any such transfer or disbursement shall be made from the Reserve Fund only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund is at least equal to the Reserve Requirement.

(e) The Authority and the County acknowledges that to the extent that regulations of the Comptroller of the Currency grant the Authority or the County the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, to the extent permitted by law, the Authority and the County specifically waives receipt of such confirmations. The Trustee shall furnish the Authority and the County periodic transaction statements that include detail for all investment transactions made by the Trustee under the Indenture.

Net Proceeds and Title Insurance; Covenants

Application of Net Proceeds. If the Property or any portion thereof shall be damaged or destroyed, subject to the further requirements of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance; Covenants – Application of Net Proceeds," the County shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the County elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Indenture.

The Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the County, together with invoices therefor. Pending such application, such proceeds may, pursuant to a Written Request of the County, be invested by the Trustee in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the County shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the County intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the County does intend to replace or repair the Property or portions thereof, the County shall deposit with the Trustee the full amount of any insurance deductible to be credited to the special account referred to above.

If such damage, destruction or loss was such that there resulted a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments results from such damage or destruction pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement," then the County shall be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the redemption (i) of all of the Outstanding Bonds, or (ii) of such portion of the Outstanding Bonds as shall result in the remaining, non-abated Base Rental

Payments being sufficient to pay, as and when due, the principal of and interest on the Bonds that will remain Outstanding after such redemption. If the County is required to apply funds from the insurance proceeds and other legally available funds to the redemption of Bonds in accordance with clause (b) above, the County shall direct the Trustee, in a Written Request of the County, to transfer the funds to be applied to such redemption to the Redemption Fund and the Trustee shall transfer such funds to the Redemption Fund. Any proceeds of any insurance, including the proceeds of any self-insurance remaining after the portion of the Property which was damaged or destroyed is restored to and made available to the County in substantially the same condition and annual fair rental value as that which existed prior to the damage or destruction as required by clause (a) above, or the redemption of Bonds as required by clause (b) above, in each case as evidenced by a Written Certificate of the County to such effect, shall be deposited in the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. If the County is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above, or to use such amounts to redeem Bonds as set forth in clause (b) above, then such proceeds shall be deposited in the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Any amounts not required to be so deposited into the Reserve Fund shall, if there is first delivered to the Trustee a Written Certificate of the County to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Sublease in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the sum of the then unpaid principal components of Base Rental Payments, be paid to the County to be used for any lawful purpose.

The proceeds of any award in eminent domain shall be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds pursuant to the provisions of the Indenture.

Title Insurance. Net Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the County determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the County under the Sublease, such proceeds shall, upon Written Request of the County, be remitted to the County and used for any lawful purpose thereof; or

(b) if the County determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement in whole or in part of Rental Payments payable by the County under the Sublease, then the County shall, in a Written Request of the County, direct the Trustee to, and the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in the provisions of the Indenture.

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Base Rental Payments and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Compliance with Indenture. The Authority and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Site Lease and Sublease. The Authority and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Site Lease and the Sublease required to be complied with, kept, observed and performed by them and, together with the Trustee, shall enforce the Site Lease and the Sublease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Authority, the County and the Trustee shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege owned or acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens (other than the OES Lien) of whatever nature or character, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the County thirty days' written notice to comply therewith and failure of the County to so comply within such thirty-day period) may defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its obligation under the Indenture to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the County shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Indenture, other than the pledge and lien thereof.

The Authority and the Trustee shall not encumber the Property other than in accordance with the Site Lease, the Sublease and the Indenture.

Prosecution and Defense of Suits. The County shall promptly, upon request of the Trustee or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether existing or developing, shall prosecute all actions, suits or other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Accounting Records and Statements. The Trustee shall keep proper accounting records in which complete and correct entries shall be made of all transactions of the Trustee relating to the receipt, deposit and disbursement of the Lease Revenues, and such accounting records shall be available for inspection by the Authority and the County at reasonable hours and under reasonable conditions. The Trustee shall, upon written request, make copies of the foregoing available, at the Owner's expense, to any Owner or its agent duly authorized in writing.

Recordation. The County shall record, or cause to be recorded, with the appropriate county recorder, the Sublease and the Site Lease, or memoranda thereof, and a memorandum of the assignment of the County's right, title and interest in and to the Site Lease and the Sublease pursuant to the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Pledge and Assignment."

Tax Covenants. (a) Neither the Authority nor the County shall take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2010A Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, each of the Authority and the County shall comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth therein. This covenant shall survive payment in full or defeasance of the Series 2010A Bonds.

(b) In the event that at any time the Authority or the County is of the opinion that for purposes of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the Indenture, the Authority or the County shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants," if the Authority or the County shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2010A Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" and of the Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

Continuing Disclosure. The County shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture; provided, however, that the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate principal amount of Outstanding Series 2010 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee, or any holder or Beneficial Owner of the Series 2010 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority and the County shall promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Indenture, the Site Lease or the Sublease.

Events of Default and Remedies

Events of Default. The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under the Indenture:

(a) failure to pay any installment of principal of any Bond as and when the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise;

(b) failure to pay any installment of interest on any Bond as and when the same shall become due and payable;

(c) a Sublease Default Event shall have occurred and be continuing;

(d) failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee, the County or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the Authority, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such 30 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time;

(e) failure by the County to observe and perform any of the covenants, agreements or conditions on its part in the Indenture contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or

(f) the Authority or the County shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Action on Default. In each and every case during the continuance of an Event of Default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding (and upon indemnification of the Trustee to its reasonable satisfaction as provided in the Indenture), shall, upon notice in writing to the Authority and the County, exercise any of the remedies granted to the Authority under the Sublease and, in addition, take whatever action at law or in equity may appear necessary or desirable to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the provisions of the Indenture described under the heading "INDENTURE – Events Of Default And Remedies – Other Remedies of the Trustee."

Other Remedies of the Trustee. During the continuance of an Event of Default, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or the County or any member, director, officer or employee thereof, and to compel the Authority or the County or any such member, director, officer or employee to perform or carry out its

or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture or in the Bonds;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the Authority or the County, or both, to account as if it or they were the trustee or trustees of an express trust.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Application of Amounts After Default. If an Event of Default shall occur and be continuing, all Lease Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) to the payment of all amounts then due for interest on the Bonds, ratably without preference or priority of any kind, according to the amounts of interest on such Bonds due and payable, with interest on the overdue interest at the rate borne by the respective Bonds; and

(c) to the payment of all amounts then due for principal of the Bonds, ratably without preference or priority of any kind, according to the amounts of principal of the Bonds due and payable, with interest on the overdue principal at the rate borne by the respective Bonds.

Power of Trustee to Enforce. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture; provided, however, that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bonds, unless (a) such

Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers before granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners, or to enforce any right under the Bonds, the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided and for the benefit and protection of all Owners, subject to the provisions of the Indenture.

Termination of Proceedings. If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then, subject to any such adverse determination, the Trustee, such Owner, the Authority and the County shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owner, then in every such case the Trustee, such Owner, the Authority and the County, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Trustee, the Owners, the Authority and the County shall continue as though no such proceedings had been taken.

No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

The Trustee

Duties and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Removal and Resignation of the Trustee. The Authority and the County may by an instrument in writing, remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee shall cease to be

eligible in accordance with the following sentence, and shall appoint a successor Trustee. The Trustee and any successor Trustee shall be a commercial bank with trust powers having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 (or be part of a bank holding company with a combined capital and surplus of at least $50,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Removal and Resignation of the Trustee" the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and the County and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority and the County shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Authority and the County do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and the County and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless, at the written request of the Authority, the County or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture.

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Removal and Resignation of the Trustee," ipso facto, shall be and become successor trustee under the Indenture and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything therein to the contrary notwithstanding.

Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its reasonable advances and expenditures (which shall not include "overhead expenses" except as such expenses are included as a component of the Trustee's stated annual fees) under the Indenture, including but not limited to advances to and reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the

Indenture; provided, however, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established under the Indenture.

The County shall, to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities, costs, claims or expenses, including those of its attorneys, which it may incur in the exercise and performance of its powers and duties under the Indenture and under any related documents, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the County to indemnify the Trustee shall survive the termination and discharge of the Indenture.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the 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 shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. Under no circumstances shall the Trustee request or be entitled to indemnification from the County for taking actions required by and in accordance with the Indenture, including, but not limited to, causing payments of principal of and interest on the Bonds to be made to the Owners thereof and carrying out redemptions of the Bonds in accordance with the terms of the Indenture. The Trustee may consult with counsel, who may be counsel to the Authority or the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Bonds or the Sublease or for statements made in the preliminary or final official statement relating to the Bonds, or of the title to the Property.

Except as otherwise expressly provided in the Indenture, no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers thereunder.

Whenever in the administration of its rights and obligations under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Written Certificate of the Authority or a Written Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it deems reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or

other transaction with the Authority or the County, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the County as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it thereunder by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture, and the Trustee shall not be answerable for the negligence or misconduct of any such agent, attorney or receiver selected by it with reasonable care; provided, however, that in the event of any negligence or misconduct of any such attorney, agent or receiver, the Trustee shall diligently pursue all remedies of the Trustee against such agent, attorney or receiver. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established thereunder, except only for its own willful misconduct, negligence or breach of an obligation thereunder.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Authority or the County is a party and which, in the opinion of the Trustee and its counsel, affects the Bonds or the security therefor, and shall do so if requested in writing by the Owners of at least 5% of the aggregate principal amount of Bonds then Outstanding, provided the Trustee shall have no duty to take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

Supplemental Indentures

Supplemental Indentures. (a) The Indenture and the rights and obligations of the Authority, the County, the Trustee and the Owners under the Indenture may be modified or amended at any time by a Supplemental Indenture, which the Authority, the County and the Trustee may enter into when the prior written consents of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the provisions of the Indenture described under the heading "INDENTURE – Miscellaneous – Disqualified Bonds" are filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon or, alter the redemption provisions with respect thereto without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) permit the creation of any lien on the Lease Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Lease Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all Bonds then Outstanding, or (iv) amend the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures – Supplemental Indentures" without the prior written consent of the Owners of all Bonds then Outstanding.

(b) The Indenture and the rights and obligations of the Authority, the County, the Trustee and the Owners thereunder may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the County and the Trustee may enter into without the consent of any Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the County in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority or the County;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture or in regard to questions arising thereunder which the Authority or the County may deem desirable or necessary and not inconsistent with the Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the indenture;

(iv) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or maintain any federal interest subsidies expected to be received with respect to any Bonds; and

(v) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners; provided, however, that the Authority, the County and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this paragraph have been met with respect to such amendment or supplement.

(c) Promptly after the execution by the Authority, the County and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority or the County), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the execution and delivery of any Supplemental Indenture entered into pursuant to paragraphs (a) or (b) above, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the County, the Trustee and the Owners shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the effective date of any Supplemental Indenture pursuant to the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures" may and, if the Authority or the County so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority, the County and the Trustee as to any modification or amendment provided for in such Supplemental Indenture and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, the County and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such

effective date, and presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount of the same Series, interest rate and maturity shall be exchanged for such Owner's Bond so surrendered.

Amendment of Particular Bonds. The provisions of the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures" shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

Defeasance

Discharge of Indenture. (a) If (i) the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture, and (ii) all other amounts due and payable under the Indenture and under the Sublease shall have been paid, then the Owners shall cease to be entitled to the pledge of the Lease Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the County all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on the Bonds.

(b) Subject to the provisions of paragraph (a) above, when any Bond shall have been paid and if, at the time of such payment, each of the Authority and the County shall have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bond and such Bond shall cease to be entitled to the pledge of the Lease Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture shall cease, terminate, become void and be completely discharged and satisfied as to such Bond.

(c) Notwithstanding the discharge and satisfaction of the Indenture or the discharge and satisfaction of the Indenture in respect of any Bond, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of the Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the discharge and satisfaction of the Indenture, the provisions of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Compensation and Indemnification of the Trustee" relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Authority, the County and the Trustee.

Bonds Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity or redemption date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Discharge of Indenture." Any Outstanding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the

effect expressed in the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Discharge of Indenture" if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture notice of redemption of such Bond on said redemption date, said notice to be given in accordance with the provisions of the Indenture, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bond. Neither the money nor the Defeasance Securities deposited with the Trustee pursuant to this paragraph in connection with the deemed payment of Bonds, nor principal or interest payments on any such Defeasance Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal of and, premium, if any, and interest on such Bonds.

(b) No Bond shall be deemed to have been paid pursuant to clause (ii)(B) of paragraph (a) above unless the Authority or the County shall cause to be delivered (A) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Authority, the County and the Trustee, (B) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) above resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (C) a copy of an Opinion of Counsel, dated the date of such deemed payment and addressed to the Authority, the County and the Trustee, to the effect that such Bond has been paid within the meaning and with the effect expressed in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

(c) The Trustee may seek and is entitled to rely upon (i) an Opinion of Counsel reasonably satisfactory to the Trustee to the effect that the conditions precedent to a deemed payment pursuant to clause (ii) of paragraph (a) above have been satisfied, and (ii) such other opinions, certifications and computations, as the Trustee may reasonably request, of accountants or other financial consultants concerning the matters described in paragraph (b) above.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the principal of, or premium or interest on, any Bonds which remain unclaimed for two years after the date when such principal, premium or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal, premium or interest become payable, shall, at the Written Request of the Authority, be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the County for the payment of such principal, premium or interest.

Miscellaneous

Benefits of Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended to give to any Person other than the Authority, the County and the Trustee and the Owners any claim, remedy or right under or pursuant to the Indenture, and any agreement, condition, covenant or term required in the Indenture to be observed or performed by or on behalf of the Authority or the County shall be for the sole and exclusive benefit of the Trustee and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever the Authority, the County or the Trustee, or any officer thereof, is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, the County or the Trustee, or such officer, and all agreements, conditions, covenants and terms required by the Indenture to be observed or performed by or on behalf of the Authority, the County or the Trustee, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or its attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which such notary public or other officer purports to act that the Person signing such declaration, request or other instrument or writing acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bond and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

Any declaration, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority, the County or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer or employee of the Authority or the County shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of or interest on the Bonds, but nothing contained in the Indenture shall relieve any member, officer or employee of the Authority or the County from the performance of any official duty provided by any applicable provisions of law, by the Sublease or by the Indenture.

Acquisition of Bonds by Authority or County. All Bonds acquired by the Authority or the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the County, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the County, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this paragraph if the pledgee shall

establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the County. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the principal of or premium or interest on particular Bonds due on any date (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Unclaimed Moneys," but without any liability for interest thereon.

Funds and Accounts. Any fund or account required to be established and maintained pursuant to the Indenture by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Indenture.

The Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to the Indenture.

California Law. The Indenture and the Bonds shall be construed and governed in accordance with the laws of the State of California.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES

CALIFORNIA

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC, and the Authority, the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The Authority, the County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2010 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2010 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2010 Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each coupon and maturity of each Series of Series 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information set forth on such websites is not incorporated by reference.

Purchases of the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds 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 Series 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive

certificates representing their ownership interests in the Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed, unless otherwise provided.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest and premium, if any, on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest and redemption premium, if any, on the Series 2010 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NONE OF THE AUTHORITY, THE COUNTY, THE UNDERWRITERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE

PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF SERIES 2010 BONDS FOR PREPAYMENT.

None of the Authority, the County or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2010 Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010 Bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF LOS ANGELES

CALIFORNIA

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 November 1, 2010 in connection with the issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects), 2010 Series A (Tax-Exempt) (the "Series 2010A Bonds") and Lease Revenue Bonds (Multiple Capital Projects), 2010 Series B (Build America Bonds/Recovery Zone Economic Development Bonds (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "Series 2010 Bonds"). The Series 2010 Bonds are being issued pursuant to the Master Indenture, dated as of November 1, 2010 (the "Indenture"), by and among the County, the Los Angeles County Public Works Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"). 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 for the benefit of the Owners and Beneficial Owners of the Series 2010 Bonds and in order to assist the Participating Underwriters in complying with the Rule (herein defined).

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 Series 2010 Bonds (including persons holding Series 2010 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2010 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" shall mean the MSRB's Electronic Municipal Market Access system.

"Listed Event" 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 Series 2010 Bonds required to comply with the Rule in connection with the offer and sale of the Series 2010 Bonds.

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

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, 2010, provide to the MSRB copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under subsection 5(c).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing an Annual Report to the MSRB, the County shall provide such 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.

(c) The Dissemination Agent (if one has been appointed) shall, if the Annual Report has been furnished to the Dissemination Agent, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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, dated November 9, 2010, relating to the Series 2010 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 through its EMMA System.

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 give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2010 Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

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

(iv) unscheduled draws on any 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 or events affecting the tax status of the Series 2010 Bonds;

(vii) modifications to the rights of Owners of the Series 2010 Bonds;

(viii) bond calls other than scheduled sinking fund redemptions;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Series 2010 Bonds; and

(xi) rating changes.

Certain of the foregoing events may not be applicable to the Series 2010 Bonds.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such occurrence with 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 Series 2010 Bonds pursuant to the Indenture.

(d) Each notice of the occurrence of a Listed Event shall be so captioned and prominently state the title, date and CUSIP numbers of the Series 2010 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 Series 2010 Bonds. If such termination occurs prior to the final maturity of the Series 2010 Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty days written notice to the County. The Dissemination Agent 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 is 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 Series 2010 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 Series 2010 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 (i) is approved by the Owners of the Series 2010 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Series 2010 Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2010 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, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is

made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in Appendix A to the County's official statements relating to debt issuances, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Series 2010 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 in and for the County of Los Angeles or in a U.S. District Court in or nearest to Los Angeles County. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture with respect to the Series 2010 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 11. 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2010 Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Owners and Beneficial Owners from time to time of the Series 2010 Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California and the federal securities laws.

Section 14. Transmission of Notices, Documents and Information. All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 15. Effective Date. This Disclosure Certificate shall be effective upon the issuance of the Series 2010 Bonds.

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

COUNTY OF LOS ANGELES

By:_____
Mark J. Saladino,
Treasurer and Tax Collector

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

COUNTY OF LOS ANGELES

CALIFORNIA

Upon delivery of the Series 2010 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final opinion in substantially the following form:

Los Angeles County Public Works Financing Authority
Los Angeles, California

Los Angeles County Public Works Financing Authority
Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series A
(Tax-Exempt)

and

Los Angeles County Public Works Financing Authority
Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series B
(Build America Bonds/Recovery Zone Economic Development Bonds)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Los Angeles County Public Works Financing Authority (the "Authority") in connection with the issuance of its Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series A (Tax-Exempt) (the "Series 2010A Bonds"), in the aggregate principal amount of $102,900,000, and its Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects I), 2010 Series B (Build America Bonds/Recovery Zone Economic Development Bonds) (the "Series 2010B Bonds" and together with the Series 2010A Bonds, the "Series 2010 Bonds"), in the aggregate principal amount of $688,005,000. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Master Indenture, dated as of November 1, 2010 (the "Indenture"), by and among the Authority, the County of Los Angeles (the "County") and U.S. Bank National Association, as trustee (the "Trustee"), the Master Site Lease, dated as of November 1, 2010 (the "Site Lease"), by and between the County and the Authority, the Master Sublease, dated as of November 1, 2010 (the "Sublease"), by and between the County and the Authority, the Tax Certificate and Agreement, dated the date hereof, relating to the Series 2010A Bonds (the "Tax Certificate"), opinions of counsel to the Authority, the County, the Trustee and others, certificates of the Authority, the County, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2010 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the County. We have assumed,

without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Site Lease, the Sublease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2010A Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Series 2010 Bonds, the Indenture, the Site Lease, the Sublease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers authorities and counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in the Site Lease or the Sublease or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2010 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2010 Bonds constitute the valid and binding special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Authority.

3. The Indenture, the Site Lease and the Sublease have been duly executed and delivered by, and constitute valid and binding obligations of, the County.

4. Interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and interest on the Series 2010 Bonds is exempt from State of California personal income taxes. Interest on the Series 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. We express no opinion regarding other tax consequences related to the accrual or receipt of such interest or the ownership or disposition of the Series 2010 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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