

PRELIMINARY OFFICIAL STATEMENT DATED _____, 20__

NEW ISSUE-BOOK-ENTRY-ONLY

RATING: [Moody's: "___"]
S&P: "___"
(See "RATINGS" herein)

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by LACMTA described herein, interest on the Series [2013-__] Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series [2013-__] Bonds is exempt from personal income taxes of the State of California under present State law. See "TAX MATTERS" herein regarding certain other tax considerations. For a more complete description, see "TAX MATTERS" herein.

[LACMTA Logo]

\$ _____*

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
Proposition C Sales Tax Revenue [Refunding] Bonds
Senior Bonds
Series [2013-__]

Dated: Date of Delivery**Due: As shown on inside cover**

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") is issuing its Proposition C Sales Tax Revenue [Refunding] Bonds, Senior Bonds, Series [2013-__] (the "Series [2013-__] Bonds") pursuant to the Amended and Restated Trust Agreement, dated as of January 1, 2010 (the "Trust Agreement"), by and between LACMTA and U.S. Bank National Association, as trustee (the "Trustee"), and the _____ Supplemental Trust Agreement, to be dated as of _____, 20__ (the "_____ Supplemental Agreement," and together with the Trust Agreement, the "Agreement"), by and between LACMTA and the Trustee. The Series [2013-__] Bonds are limited obligations of LACMTA payable solely from and secured by a pledge of the "Pledged Revenues" and by other amounts held by the Trustee under the Agreement. "Pledged Revenues" are receipts from the Proposition C Sales Tax, less amounts described in this Official Statement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES [2013-__] BONDS" and "PROPOSITION C SALES TAX AND COLLECTIONS" herein. LACMTA will use the proceeds of the Series [2013-__] Bonds and other available funds to [(a) to finance the development and construction of certain projects of the rail, bus and highway transit system as further described herein, (b) refund the Refunded Bonds (as defined herein), (c) to fund one or more reserve funds or accounts as further described herein and (d) to pay the costs of issuance of the Series [2013-__] Bonds].

The Series [2013-__] Bonds will be issued in denominations of \$5,000 and integral multiples thereof. The Series [2013-__] Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Series [2013-__] Bonds. Individual purchases and sales of the Series [2013-__] Bonds may be made in book-entry form only. See "APPENDIX G—BOOK-ENTRY—ONLY SYSTEM." The Series [2013-__] Bonds will bear interest at the rates set forth on the inside front cover. LACMTA will pay interest on the Series [2013-__] Bonds on January 1 and July 1, commencing on January 1, 20__.

The Series [2013-__] Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "DESCRIPTION OF THE SERIES [2013-__] BONDS - Redemption."

Neither the faith and credit nor the taxing power of the County of Los Angeles, the State of California or any political subdivision or agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series [2013-__] Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series [2013-__] Bonds.

This cover page contains certain information for general reference only. It is not intended to be a summary of the terms of, or the security for, the Series [2013-__] Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

LACMTA is offering the Series [2013-__] Bonds when, as and if it issues the Series [2013-__] Bonds. The issuance of the Series [2013-__] Bonds is subject to the approval as to their validity by Nixon Peabody LLP, Bond Counsel to LACMTA. The Los Angeles County Counsel, as General Counsel to LACMTA, and Nixon Peabody LLP, as Disclosure Counsel, will pass on certain legal matters for LACMTA. LACMTA anticipates that the Series [2013-__] Bonds will be available for delivery through the facilities of DTC on or about _____, 20__.

Sealed bids and electronic bids for the purchase of the Series [2013-__] Bonds will be received by LACMTA at 9:00 a.m., California time, on _____, 20__, unless postponed as set forth in the Notice Inviting Bids.

Date of Official Statement:

* Preliminary; subject to change.

MATURITY SCHEDULE*

\$ _____*

**Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue [Refunding] Bonds
Senior Bonds
Series [2013-__]**

<u>Maturity Date</u> <u>(July 1)*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No. †</u>
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* Preliminary; subject to change.

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[INSERT MAP OF LACMTA SYSTEM]

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board Members

Diane DuBois, Chair
Eric Garcetti, First Vice-Chair
Mark Ridley-Thomas, Second Vice-Chair
Michael D. Antonovich
Mike Bonin
Jacquelyn Dupont-Walker
John Fasana
Don Knabe
Paul Krekorian
Gloria Molina
Ara Najarian
Pam C. O'Connor
Zev Yaroslavsky
Carrie Bowen, Non-Voting Member

LACMTA Officers

Arthur T. Leahy, Chief Executive Officer
Terry Matsumoto, Chief Financial Services Officer
Donna R. Mills, Treasurer

LACMTA General Counsel

Office of the County Counsel
Los Angeles, California

FINANCIAL ADVISOR

[Public Financial Management, Inc.]
Los Angeles, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Nixon Peabody LLP

TRUSTEE AND ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

LACMTA has not authorized any dealer, broker, salesperson or other person to give any information or to make any representation in connection with the offer or sale of the Series [2013-__] Bonds other than as set forth in this Official Statement and, if given or made, such other information or representation must not be relied upon. 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 [2013-__] Bonds, by a 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 a contract with the purchasers or owners of the Series [2013-__] Bonds. Statements contained in this Official Statement which involve estimates, projections or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of facts.

The information and expressions of opinion in this Official Statement are subject to change without notice, and the delivery of this Official Statement and any sale made pursuant to this Official Statement do not, under any circumstances, imply that the information and expressions of opinion in this Official Statement and other information regarding LACMTA have not changed since the date hereof. LACMTA is circulating this Official Statement in connection with the sale of the Series [2013-__] Bonds and this Official Statement may not be reproduced or used, in whole or in part, for any other purpose.

In making an investment decision, investors must rely on their own examination of the terms of the offering and the security and sources of payment of the Series [2013-__] Bonds, including the merits and risks involved. The Series [2013-__] Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Agreement been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. Neither the U.S. Securities and Exchange Commission nor any other federal, state or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series [2013-__] Bonds or the accuracy or completeness of this Official Statement. The Series [2013-__] Bonds have not been recommended by any federal or state securities commission or regulatory authority. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements relating to future results that are “forward looking statements.” When used in this Official Statement, the words “estimate,” “forecast,” “projection,” “intend,” “expect” and similar expressions identify forward looking statements. Any forward looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward looking statements. Some assumptions used to develop forward looking statements inevitably will not be realized, and unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results; those differences could be material.

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OFFICIAL STATEMENT

\$ _____*

**Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue [Refunding] Bonds
Senior Bonds
Series [2013-__]**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, sets forth information in connection with the offering by the Los Angeles County Metropolitan Transportation Authority (“LACMTA”) of \$ _____* aggregate principal amount of its Proposition C Sales Tax Revenue [Refunding] Bonds, Senior Bonds, Series [2013-__] (the “Series [2013-__] Bonds”). This Introduction is not a summary of this Official Statement. This Introduction is qualified by the more complete and detailed information contained in this entire Official Statement and the documents summarized or described in this Official Statement. Prospective investors should review this entire Official Statement, including the cover page and appendices, before they make an investment decision to purchase the Series [2013-__] Bonds. LACMTA is only offering the Series [2013-__] Bonds to potential investors by means of the entire Official Statement. Capitalized terms used but not defined herein have the meanings ascribed to them in “APPENDIX C—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS.”

LACMTA

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code (the “LACMTA Act”). LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Los Angeles County Transportation Commission (the “Commission”). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the “County”), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 6, 1990, the voters of the County approved the Proposition C Sales Tax. The Proposition C Sales Tax is a one-half of 1% sales tax and is not limited in duration. For more information regarding the Proposition C Sales Tax, see “PROPOSITION C SALES TAX AND COLLECTIONS—The Proposition C Sales Tax.”

For further discussion of LACMTA, the services it provides and the projects it is undertaking, see “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY.”

Purpose of the Series [2013-__] Bonds

LACMTA will use the proceeds of the Series [2013-__] Bonds, together with other available funds, to [(a) to finance the development and construction of certain projects of the rail, bus and highway transit system as further described herein, (b) refund the Refunded Bonds (as defined herein), (c) to fund

* Preliminary; subject to change.

one or more reserve funds or accounts as further described herein and (d) to pay the costs of issuance of the Series [2013-__] Bonds]. For a more detailed description of LACMTA's proposed use of proceeds from the issuance of the Series [2013-__] Bonds, see "PLAN OF REFUNDING AND APPLICATION OF SERIES [2013-__] BOND PROCEEDS."

Description of the Series [2013-__] Bonds

The Series [2013-__] Bonds are limited obligations of LACMTA to be issued pursuant to and secured under the Amended and Restated Trust Agreement, dated as of January 1, 2010, as supplemented (the "Trust Agreement"), by and between LACMTA and U.S. Bank National Association, as trustee (the "Trustee"). In connection with the issuance of the Series [2013-__] Bonds, LACMTA will enter into the _____ Supplemental Trust Agreement, to be dated as of _____, 20__ (the "_____ Supplemental Agreement"), by and between LACMTA and the Trustee, to provide for the issuance of the Series [2013-__] Bonds and related matters. The Trust Agreement, as supplemented by the _____ Supplemental Agreement, is referred to in this Official Statement as the "Agreement."

The Series [2013-__] Bonds will be issued in registered form, in denominations of \$5,000 or any integral multiple thereof. The Series [2013-__] Bonds will be dated their initial date of delivery and will mature and will bear interest at the rates per annum as shown on the inside cover page hereof, computed on the basis of a 360-day year consisting of twelve 30-day months. The Series [2013-__] Bonds will be delivered in book-entry-only form and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series [2013-__] Bonds. See "APPENDIX G—BOOK-ENTRY-ONLY SYSTEM."

Security and Sources of Payment for the Series [2013-__] Bonds

The Series [2013-__] Bonds are limited obligations of LACMTA payable solely from and secured by a pledge of the "Pledged Revenues," which are moneys collected as a result of the imposition of the Proposition C Sales Tax, less 20% thereof which is allocated to local jurisdictions for public transit, paratransit and related services (the "Local Allocation"), and less an administrative fee paid to the California State Board of Equalization (the "State Board of Equalization") in connection with the collection and disbursement of the Proposition C Sales Tax, plus interest, profits and other income received from the investment of such amounts held by the Trustee. In addition, the Series [2013-__] Bonds are secured by all other amounts held by the Trustee under the Agreement except for amounts held in the Rebate Fund and the Redemption Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES [2013-__] BONDS."

Proposition C Sales Tax Obligations

Under the Agreement, LACMTA may issue two tiers of obligations secured by a pledge of the Pledged Revenues. LACMTA may issue Senior Bonds and incur Senior Parity Debt, which are secured by a senior lien on the Pledged Revenues. The Series [2013-__] Bonds are Senior Bonds and are payable on a parity with all other Senior Bonds and Senior Parity Debt. LACMTA also may issue Subordinate Lien Obligations, which are secured by a subordinate lien on the Pledged Revenues and are junior and subordinate to the Senior Bonds and Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES [2013-__] BONDS—Proposition C Sales Tax Obligations."

As of September 1, 2013, LACMTA had Senior Bonds outstanding in the aggregate principal amount of \$1,007,085,000, including the principal amount of the Refunded Bonds (as defined herein). See "PROPOSITION C SALES TAX OBLIGATIONS."

LACMTA may issue additional Senior Bonds and incur additional Senior Parity Debt upon the satisfaction of certain additional bonds tests contained in the Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES [2013-__] BONDS—Proposition C Sales Tax Obligations.”

LACMTA has covenanted in the Trust Agreement not to issue or incur any obligations with a pledge of or lien on Pledged Revenues prior or superior to that of the Senior Bonds (including the Series [2013-__] Bonds) and the Senior Parity Debt.

In addition, LACMTA has issued Subordinate Lien Obligations which are secured by a pledge of Pledged Revenues that is junior and subordinate to the Senior Bonds (including the Series [2013-__] Bonds) and Senior Parity Debt as to the lien on and source and security for payment from the Pledged Revenues. LACMTA may issue additional Subordinate Lien Obligations upon the satisfaction of certain conditions. See “PROPOSITION C SALES TAX OBLIGATIONS—Subordinate Lien Obligations.” In addition, LACMTA has incurred other obligations which are secured by certain “remaining” Proposition C Sales Tax cash receipts. See “PROPOSITION C SALES TAX OBLIGATIONS—Other Obligations.”

The Series [2013-__] Bonds are Limited Obligations of LACMTA Only

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series [2013-__] Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series [2013-__] Bonds.

The Series [2013-__] Bonds are limited obligations of LACMTA and are payable, both as to principal and interest, solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series [2013-__] Bonds.

Reserve Fund for the Series [2013-__] Bonds

The Agreement established the Reserve Fund, which is held by the Trustee and used to make payments of principal of and interest on all Senior Bonds, including the Series [2013-__] Bonds, to the extent the amounts in the Senior Bond Interest Account or the Senior Bond Principal Account are not sufficient to pay in full the principal (including accreted value) of and interest on the Senior Bonds when due. For each series of Senior Bonds, the Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement, which is the least of (a) 10% of the proceeds of such series of Senior Bonds, (b) the Maximum Annual Debt Service on such series of Senior Bonds, or (c) 125% of the average Annual Debt Service on such series of Senior Bonds.

Proposed Amendments to Trust Agreement Relating to Reserve Fund

Pursuant to the Twenty-First Supplemental Trust Agreement, dated as of January 1, 2010 (the “Twenty-First Supplemental Agreement”), by and between LACMTA and the Trustee, LACMTA amended certain provisions of the Trust Agreement (the “Proposed Reserve Fund Amendments”). The Proposed Reserve Fund Amendments include certain amendments to the definition of Reserve Fund Insurance Policy and to the provisions of the Trust Agreement relating to the funding of the Reserve Fund. See “APPENDIX D—PROPOSED RESERVE FUND AMENDMENTS TO TRUST

AGREEMENT” for additional information on the Proposed Reserve Fund Amendments. The Proposed Reserve Fund Amendments will not become effective until LACMTA receives the written consent of the owners of at least 60% in aggregate principal amount of all Senior Bonds then Outstanding, the consent of several municipal bond insurance companies that have provided municipal bond insurance policies with respect to the Senior Bonds, the consent of the bank that has provided a letter of credit with respect to the Proposition C Commercial Paper Notes (as defined herein) and the consent of the provider of a revolving line of credit (collectively, the “Consent Requirement”). After the issuance of the Series [2013-__] Bonds, the owners of approximately ___% of the Outstanding Senior Bonds will have provided written consent to the Proposed Reserve Fund Amendments; however, LACMTA will not have received any consents from the municipal bond insurance companies that have provided municipal bond insurance policies with respect to the Senior Bonds, the bank that has provided a letter of credit with respect to the Proposition C Commercial Paper Notes or the provider of the revolving line of credit. At this time there can be no assurance whether or when the Consent Requirement will be met within any definitive time frame.

LACMTA is requesting that each of the initial purchasers of the Series [2013-__] Bonds provide their written consent to the Proposed Reserve Fund Amendments by signing a form of the consent attached to this Official Statement as Appendix H and providing their signed consent to the Winning Bidder (as defined herein), who will forward such written consent to LACMTA and the Trustee.

Continuing Disclosure

In connection with the issuance of the Series [2013-__] Bonds, for purposes of Rule 15c2-12 (the “Rule”) promulgated by the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended, LACMTA will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”), certain annual financial information and operating data relating to LACMTA and notice of certain enumerated events. See “CONTINUING DISCLOSURE” and “APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” LACMTA has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of enumerated events.

Additional Information

Brief descriptions of the Series [2013-__] Bonds, the Agreement and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. The information herein is subject to change without notice, and the delivery of this Official Statement will under no circumstances, create any implication that there has been no change in the affairs of LACMTA since the date hereof. This Official Statement is not to be construed as a contract or agreement between LACMTA and the purchasers or Owners of any of the Series [2013-__] Bonds. LACMTA maintains a website, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series [2013-__] Bonds.

Copies of the Agreement may be obtained from LACMTA at One Gateway Plaza, 25th Floor, Treasury Department, Los Angeles, California 90012, Attention: Chief Financial Services Officer, or by calling (213) 922-2554.

[PLAN OF REFUNDING AND APPLICATION OF SERIES [2013-__] BOND PROCEEDS]

[Use of Proceeds; Plan of Refunding]

LACMTA will use the proceeds of the Series [2013-__] Bonds, together with other available funds, to [(a) to finance the development and construction of certain projects of the rail, bus and highway transit system as further described herein, (b) refund the Refunded Bonds (as defined herein), (c) to fund one or more reserve funds or accounts as further described herein and (d) to pay the costs of issuance of the Series [2013-__] Bonds].

[LACMTA will use a portion of the proceeds of the Series [2013-__] Bonds, along with certain other available moneys, to refund and redeem all or a portion of of its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2004-A (the “Refunded Bonds”), which are currently outstanding in the aggregate principal amount of \$_____. The specific maturities of Refunded Bonds, if any, to be refunded will depend on market conditions at the time of sale.

A portion of the proceeds of the Series [2013-__] Bonds, together with certain available moneys to be contributed by LACMTA, will be deposited with U.S. Bank National Association, as trustee and escrow agent, and will be held in an escrow fund for the Refunded Bonds (the “Escrow Fund”) to be created under the terms of an escrow agreement (the “Escrow Agreement”) between LACMTA and U.S. Bank National Association, as trustee and escrow agent. All amounts deposited into the Escrow Fund will be held uninvested in cash. Amounts on deposit in the Escrow Fund will be used on _____, 20__ (the “Redemption Date”) to pay the redemption price of the Refunded Bonds of 100% of the principal amount thereof, plus accrued interest thereon.

_____, certified public accountants, will verify that the amounts deposited to the Escrow Fund will be sufficient to pay on the Redemption Date the redemption price and the accrued interest due on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.]

Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series [2013-__] Bonds.

Sources

Principal Amount	\$
Original Issue Premium/(Discount)	
Release of Funds from Series 2004-A Debt Service Fund	
Release of Funds from Reserve Fund	_____
Total Sources	\$_____

Uses

[Deposit to Construction Fund]	\$
[Deposit to Escrow Fund]	
Deposit to Reserve Fund	
Costs of Issuance ¹	_____
Total Uses	\$_____

¹ Includes underwriters’ discount, legal fees, rating agency fees and other costs of issuance.

RISK FACTORS

Economic Factors May Cause Declines in Proposition C Sales Tax Revenues

The Series [2013-__] Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and pledge of Pledged Revenues, consisting primarily of certain revenues of the Proposition C Sales Tax and other amounts that are held by the Trustee under the Agreement. The level of Proposition C Sales Tax revenues collected depends on the level of taxable sales transactions within the County, which, in turn, depends on the level of general economic activity in the County. In fiscal years 2009 and 2010, the national economic recession and regional general economic conditions resulted in reductions in economic activity and taxable sales within the County and correspondingly Proposition C Sales Tax revenues received by LACMTA declined. Sales tax revenues increased in fiscal years 2011 and 2012 even though the economy of the County continued to experience significant weaknesses. In fiscal year 2013, the economy of the County has shown signs of strengthening. It is possible that Proposition C Sales Tax revenues could decline in the future, reducing amounts available to pay the principal of and interest on the Series [2013-__] Bonds.

Proposition C Sales Tax revenues fluctuate based on general economic conditions within the County. To project future Proposition C Sales Tax revenues for budgetary purposes, LACMTA relies on reports from local economists and other publicly available sources of data. LACMTA does not itself develop forecasts of current or future economic conditions. Furthermore, the State Board of Equalization does not provide LACMTA with any forecasts of Proposition C Sales Tax revenues for future periods. Therefore, LACMTA is unable to forecast or predict with certainty future levels of Proposition C Sales Tax revenues. Future significant declines in the amount of Proposition C Sales Tax revenues could ultimately impair the ability of LACMTA to pay principal of and interest on the Series [2013-__] Bonds. See “PROPOSITION C SALES TAX AND COLLECTIONS—Historical Proposition C Sales Tax Collections.”

California State Legislature or Electorate May Change Items Subject to Proposition C Sales Tax

With limited exceptions, the Proposition C Sales Tax is imposed on the same transactions and items subject to the general sales tax levied statewide by the State of California. In the past, the California State Legislature and the California State electorate have made changes to the transactions and items subject to the State of California’s general sales tax and, therefore, the Proposition C Sales Tax. In 1991, the California State Legislature enacted legislation which expanded the transactions and items subject to the general statewide sales tax to include fuel for aviation and shipping, bottled water, rental equipment and newspapers and magazines. In 1992, the California State electorate approved an initiative which eliminated candy, gum, bottled water and confectionery items as items subject to the California State’s general sales tax. In each case, the same changes were made to transactions or items subject to the Proposition C Sales Tax. In the future, the California State Legislature or the California State electorate could further change the transactions and items upon which the statewide general sales tax and the Proposition C Sales Tax are imposed. Such a change could either increase or decrease Proposition C Sales Tax revenues depending on the nature of the change. See “PROPOSITION C SALES TAX AND COLLECTIONS.”

Increases in Sales Tax Rate May Cause Declines in Proposition C Sales Tax Revenues

In November 2008, County voters approved Measure R, which increased the sales tax rate within the County by ½ of 1% for a period of 30 years to fund LACMTA transportation projects and operations. Measure R sales tax revenues are separate from Proposition C Sales Tax revenues and do not secure the Senior Bonds, including the Series [2013-__] Bonds. Collection of the additional sales tax rate

commenced July 1, 2009. In June 2012, the Board of Directors of LACMTA approved a proposal to extend the Measure R sales tax for 30 years beyond its current expiration date (2038). The proposed extension failed to receive the required 2/3 approval of the voters of the County at the November 2012 election. However, at the November 2012 election, the voters of the State approved an additional ¼ of 1% State general sales tax, which became effective on January 1, 2013 and will expire on December 31, 2016. Previously, in 2009, as part of its approval of the State of California's revised budget, the California State Legislature temporarily increased the State's general sales tax rate by 1.0 percent between April 1, 2009 and July 1, 2011. Increases in sales tax rates may affect consumer spending decisions and as a result adversely impact sales transactions in the County and, thereby, reduce Proposition C Sales Tax revenues.

Increased Internet Use May Reduce Proposition C Sales Tax Revenues

The increasing use of the Internet to conduct electronic commerce may affect the levels of Proposition C Sales Tax revenues. Internet sales of physical products by businesses located in the State of California, and Internet sales of physical products delivered to the State of California by businesses located outside of the State of California are generally subject to the retail transactions and use tax imposed by Proposition C. However, LACMTA believes that many of these transactions may avoid taxation either through error or deliberate non-reporting and this potentially reduces the amount of Proposition C Sales Tax revenues. As a result, the more that the Internet is used to conduct electronic commerce, along with the failure to collect sales taxes on such Internet purchases, the more that LACMTA may experience reductions of Proposition C Sales Tax revenues.

Impact of Bankruptcy of LACMTA

As a municipal entity, LACMTA may be qualified to file a petition under Chapter 9 of the United States Bankruptcy Code ("Chapter 9") under certain circumstances. In a Chapter 9 bankruptcy, the pledge of Proposition C Sales Tax will be enforceable only if a bankruptcy court determines that the Proposition C Sales Tax revenues are "Special Revenues" under Chapter 9 and that the pledge is valid and binding under Chapter 9. "Special Revenues" are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from particular functions of the debtor.

The results of Chapter 9 bankruptcy proceedings are difficult to predict. The Proposition C Sales Tax revenues may not constitute Special Revenues under Chapter 9 because, among other reasons, the Proposition C Sales Tax is not levied for a particular project and is available for the general purposes of LACMTA. If a bankruptcy court were to hold that the Proposition C Sales Tax revenues are not Special Revenues, the owners of the Senior Bonds (including the Series [2013-__] Bonds) would no longer be entitled to any special priority to the Proposition C Sales Tax revenues and may be treated as general unsecured creditors of LACMTA as to the Proposition C Sales Tax revenues.

Furthermore, since the obligations of LACMTA under the Agreement, including its obligations to pay principal of and interest on the Series [2013-__] Bonds, are limited obligations and are payable solely from the Pledged Revenue and certain other amounts held by the Trustee under the Agreement, if LACMTA filed a petition for bankruptcy under Chapter 9, the owners of the Senior Bonds (including the Series [2013-__] Bonds) may not have any recourse to any assets or revenues of LACMTA other than the Proposition C Sales Tax revenues.

There may be other possible effects of a bankruptcy of LACMTA that could result in delays or reductions in payments on the Series [2013-__] Bonds. LACMTA cannot predict what types of orders

and/or relief may be granted by a bankruptcy court that could have a material adverse effect on LACMTA's receipt or application of Proposition C Sales Tax revenues. Regardless of any specific adverse determinations in a LACMTA bankruptcy proceeding, the fact of a LACMTA bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Series [2013-__] Bonds.

Voter Initiatives and California State Legislative Action May Impair Proposition C Sales Tax

Voters have the right to place measures before the electorate in the County or the State of California and the California State Legislature may take actions to limit the collection and use of the Proposition C Sales Tax. Such initiatives or actions may impact various aspects of the security, source of payment and other credit aspects of the Series [2013-__] Bonds. See "PROPOSITION C SALES TAX AND COLLECTIONS—Initiatives and Changes to Proposition C Sales Tax."

DESCRIPTION OF THE SERIES [2013-__] BONDS

General

The Series [2013-__] Bonds are limited obligations of LACMTA to be issued pursuant to and secured under the Agreement. In connection with the issuance of the Series [2013-__] Bonds, LACMTA will enter into the _____ Supplemental Agreement to provide for the issuance of the Series [2013-__] Bonds and related matters.

The Series [2013-__] Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the inside cover of this Official Statement. LACMTA will pay interest on each January 1 and July 1, beginning January 1, 20___. Interest on the Series [2013-__] Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series [2013-__] Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Upon initial issuance, the Series [2013-__] Bonds will be registered in the name of Cede & Co. as registered owner and nominee of DTC. As long as the Series [2013-__] Bonds are registered in such name or in the name of a successor nominee, the ownership of the Series [2013-__] Bonds will be evidenced by book-entry as described in "APPENDIX G—BOOK-ENTRY-ONLY SYSTEM." Purchasers will not receive certificated Series [2013-__] Bonds. So long as Cede & Co. is the registered owner of the Series [2013-__] Bonds, reference herein to the Bondholders or registered owners will mean Cede & Co. as aforesaid and will not mean the Beneficial Owners (as defined herein) of the Series [2013-__] Bonds.

So long as Cede & Co. is the registered owner of the Series [2013-__] Bonds, principal of and interest on the Series [2013-__] Bonds are payable by wire transfer of funds by the Trustee to Cede & Co., as nominee of DTC. DTC is obligated, in turn, to remit such amounts to its participants as described herein for subsequent disbursement to the Beneficial Owners. If the Series [2013-__] Bonds cease to be held by DTC or by a successor securities depository, the principal of the Series [2013-__] Bonds will be payable at maturity upon presentation and surrender of the Series [2013-__] Bonds at the corporate trust office or agency of the Trustee, and interest on the Series [2013-__] Bonds will be payable by check mailed by first-class mail on each Interest Payment Date to the Owners of the Series [2013-__] Bonds as of the Record Date; provided, that Owners of \$1,000,000 or more in aggregate principal amount of Series [2013-__] Bonds may arrange for payment by wire transfer of immediately available funds upon written request given to the Trustee at least 15 days prior to an Interest Payment Date.

Redemption*

Optional Redemption. The Series [2013-__] Bonds maturing on or before July 1, 20__ are not subject to redemption prior to their stated maturities. The Series [2013-__] Bonds maturing on or after July 1 20__ are subject to redemption at the option of LACMTA on or after July 1, 20__, in whole or in part in Authorized Denominations at any time, from any moneys that may be provided for such purpose and at a redemption price of 100% of the principal amount of such Series [2013-__] Bonds to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Series [2013-__] Bonds maturing on July 1, 20__ are subject to mandatory sinking fund redemption in the amount of the principal thereof, without premium, plus accrued interest thereon to the redemption date, to be paid on [July 1] of the years and in the amounts set forth below.

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
	\$		\$

† Final Maturity

On or before the forty-fifth day prior to any mandatory sinking fund redemption date, the Trustee will proceed to select for redemption (by lot in such manner as the Trustee may determine), from the Series [2013-__] Bonds subject to such redemption, an aggregate principal amount of such Series [2013-__] Bonds equal to the amount for such year as set forth in the table above and will call such Series [2013-__] Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such redemption in accordance with the terms of the Agreement.

At the option of LACMTA, it may (a) deliver to the Trustee for cancellation any Series [2013-__] Bonds or portions thereof (in Authorized Denominations) of the stated maturity subject to such redemption purchased in the open market or otherwise acquired by LACMTA or (b) specify a principal amount of such Series [2013-__] Bonds or portions thereof (in Authorized Denominations) subject to mandatory sinking fund redemption which prior to said date have been purchased or redeemed (other than pursuant to mandatory sinking fund redemption) and previously cancelled by the Trustee at the request of LACMTA and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series [2013-__] Bond or portion thereof so delivered or previously redeemed will be credited by the Trustee at 100% of the principal amount thereof against the obligation of LACMTA on such mandatory sinking fund redemption date.

* Preliminary, subject to change.

Selection of Series [2013-__] Bonds to Be Redeemed; Notice of Redemption.

If the Series [2013-__] Bonds are redeemed at the option of LACMTA, it will select the maturities of the Series [2013-__] Bonds to be redeemed. If less than all of the Series [2013-__] Bonds of a maturity are to be redeemed, and the Series [2013-__] Bonds are not held by DTC, the Trustee will select by lot, in such manner as the Trustee deems appropriate, the particular Series [2013-__] Bonds or portions thereof to be redeemed. See also APPENDIX G—"BOOK-ENTRY ONLY SYSTEM."

The Trustee is required to give notice of redemption to the registered owners affected by such redemption at least 30 days but not more than 60 days before each redemption date, and to send such notice of redemption by first-class mail (or, with respect to Series [2013-__] Bonds held by DTC, by an express delivery service for delivery on the next following Business Day). Each notice of redemption will specify the Series [2013-__] Bonds to be redeemed; the redemption date; the CUSIP numbers of the Series [2013-__] Bonds to be redeemed, the redemption price and the place or places where amounts due upon such redemption will be payable and if less than all of the Series [2013-__] Bonds are to be redeemed, the numbers of the Series [2013-__] Bonds and the portions of Series [2013-__] Bonds to be redeemed; any condition to the redemption; and that on the redemption date, and upon the satisfaction of any such condition, the Series [2013-__] Bonds to be redeemed shall cease to bear interest.

If at the time of mailing of notice of an optional redemption moneys sufficient to redeem all the Series [2013-__] Bonds called for redemption have not been deposited with the Trustee, at the election of LACMTA such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be canceled and on such cancellation date notice will be mailed to the holders of such Series [2013-__] Bonds to be redeemed in the same manner as the notice of redemption.

Failure to give any required notice of redemption or any defect therein will not affect the validity of the call for redemption of any Series [2013-__] Bonds in respect of which no failure or defect occurs. Any notice sent as provided above will be conclusively presumed to have been given whether or not actually received by the addressee.

Effect of Redemption.

If notice is given as described above under "—Selection of Series [2013-__] Bonds to be Redeemed; Notice of Redemption" and the moneys for payment of the redemption price are on deposit with the Trustee, the Series [2013-__] Bonds called for redemption will be due and payable on the redemption date, interest on such Series [2013-__] Bonds will cease to accrue after such date, such Series [2013-__] Bonds will cease to be entitled to any lien, benefit or security under the Agreement, and the registered owners of the redeemed Series [2013-__] Bonds will have no rights under the Agreement after the redemption date other than the right to receive the redemption price for such Series [2013-__] Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES [2013-__] BONDS

Security for the Series [2013-__] Bonds

The Series [2013-__] Bonds are limited obligations of LACMTA payable from and secured by a pledge of the "Pledged Revenues," which are moneys collected as a result of the imposition of the Proposition C Sales Tax, less 20% thereof which constitutes the Local Allocation, less an administrative fee paid to the State Board of Equalization in connection with the collection and disbursement of the

Proposition C Sales Tax, plus interest, profits and other income received from the investment of such amounts held by the Trustee. In addition, the Series [2013-__] Bonds are secured by all other amounts held by the Trustee under the Agreement except for amounts held in the Rebate Fund and the Redemption Fund. Additionally, the Agreement provides that Pledged Revenues also include any Local Allocation that a local jurisdiction authorizes to be pledged to secure the Series [2013-__] Bonds, plus such additional sources of revenue, if any, which are hereafter pledged to pay the Series [2013-__] Bonds under a subsequent supplemental trust agreement. No local jurisdiction has pledged any of its Local Allocation to secure any Senior Bonds issued under the Agreement, including the Series [2013-__] Bonds. Pledged Revenues do not include any Proposition C Sales Tax revenues that are released by the Trustee to (a) the payment of the Proposition C Commercial Paper Notes or the Proposition C Revolving Obligations (as defined herein); or (b) LACMTA for the payment, if necessary, of the General Revenue Bonds (as defined herein) and any other lawful purposes of LACMTA. For a description of the Proposition C Sales Tax and collections related thereto, see “PROPOSITION C SALES TAX AND COLLECTIONS.”

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series [2013-__] Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series [2013-__] Bonds.

The Series [2013-__] Bonds are limited obligations of LACMTA and are payable, both as to principal and interest, solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series [2013-__] Bonds.

Proposition C Sales Tax Obligations

Under the Agreement, LACMTA may issue two tiers of obligations secured by Pledged Revenues. LACMTA may issue Senior Bonds and incur Senior Parity Debt, which are secured by a senior lien on the Pledged Revenues. The Series [2013-__] Bonds are Senior Bonds. LACMTA also may issue Subordinate Lien Obligations, which are secured by a subordinate lien on Pledged Revenues and are junior and subordinate to the Senior Bonds and Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues.

Pursuant to the Trust Agreement, LACMTA has covenanted and agreed not to issue or incur any obligations that would have a lien on Pledged Revenues senior to the Senior Bonds (including the Series [2013-__] Bonds) or the Senior Parity Debt.

Senior Obligations. LACMTA is authorized to issue Senior Bonds and incur Senior Parity Debt, which would be payable from and secured by Pledged Revenues on a parity basis with the Series [2013-__] Bonds.

LACMTA may issue additional Senior Bonds or incur Senior Parity Debt if LACMTA delivers to the Trustee a certificate prepared by a Consultant showing that the Pledged Tax collected for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of such Senior Bonds or incurrence of Senior Parity Debt, as applicable, was at least equal to 130% of Maximum Annual Debt Service for all Senior Bonds and Senior Parity Debt which will be Outstanding immediately after the proposed issuance of Senior Bonds or incurrence of Senior Parity Debt. This certificate need not be

delivered if the Senior Bonds or Senior Parity Debt are being issued or incurred for the purpose of refunding Outstanding Senior Bonds or Senior Parity Debt and certain conditions are met as described in “APPENDIX C—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—TRUST AGREEMENT—Additional Senior Bonds.”

Under the Trust Agreement, “Maximum Annual Debt Service” generally means the greatest amount of principal and interest becoming due and payable on all Senior Bonds and Senior Parity Debt in the fiscal year in which the calculation is made or in any subsequent fiscal year. However, if LACMTA issues variable rate bonds and enters into an interest rate swap agreement related to any Senior Bonds or Senior Parity Debt, the Agreement permits LACMTA to use the fixed rate it pays under the interest rate swap agreement for purposes of determining the maximum amount of interest becoming due and payable on such Senior Bonds or Senior Parity Debt. For the full definition of Maximum Annual Debt Service, see “APPENDIX C—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS.”

For a description of the Senior Bonds and Senior Parity Debt currently outstanding, see “PROPOSITION C SALES TAX OBLIGATIONS—Senior Bonds” and “—Senior Parity Debt.”

Subordinate Lien Obligations. Under the Agreement, LACMTA may issue Subordinate Lien Obligations secured by Pledged Revenues that are junior and subordinate to the Senior Bonds and Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues. See “PROPOSITION C SALES TAX OBLIGATIONS—Subordinate Lien Obligations.” In addition, LACMTA has incurred other obligations which are secured by certain “remaining” Proposition C Sales Tax cash receipts. See “PROPOSITION C SALES TAX OBLIGATIONS—Other Obligations.”

Flow of Funds

Pursuant to an agreement between LACMTA and the State Board of Equalization, the State Board of Equalization directly remits Proposition C Sales Tax receipts monthly to the Trustee after deducting the State Board of Equalization’s costs of administering the Proposition C Sales Tax and after paying directly to LACMTA the Local Allocation (20% of net Proposition C Sales Tax cash receipts). Under the Agreement, the Trustee is required to deposit and to apply the remaining moneys received from the State Board of Equalization, as needed (80% of net Proposition C Sales Tax cash receipts), taking into consideration any other funds previously deposited or applied in such month for such purposes, as follows:

FIRST, to the credit of the Senior Bond Interest Account, an amount equal to the Aggregate Accrued Senior Interest for the current calendar month less any Senior Excess Deposit made with respect to the last preceding calendar month plus any Senior Deficiency existing on the first day of the calendar month plus any amount of interest which has become due and has not been paid and for which there are insufficient funds in the Senior Bond Interest Account or in the special account to be used to make such payment;

SECOND, to the credit of the Senior Bond Principal Account, an amount equal to the Aggregate Accrued Senior Principal for the current calendar month less any Senior Excess Deposit made with respect to the last preceding calendar month plus any Accrued Senior Premium and Senior Deficiency existing on the first day of the calendar month plus any amount of principal which has become due and has not been paid and for which there are insufficient funds in the Senior Bond Principal Account or another special account to be used to make such payment;

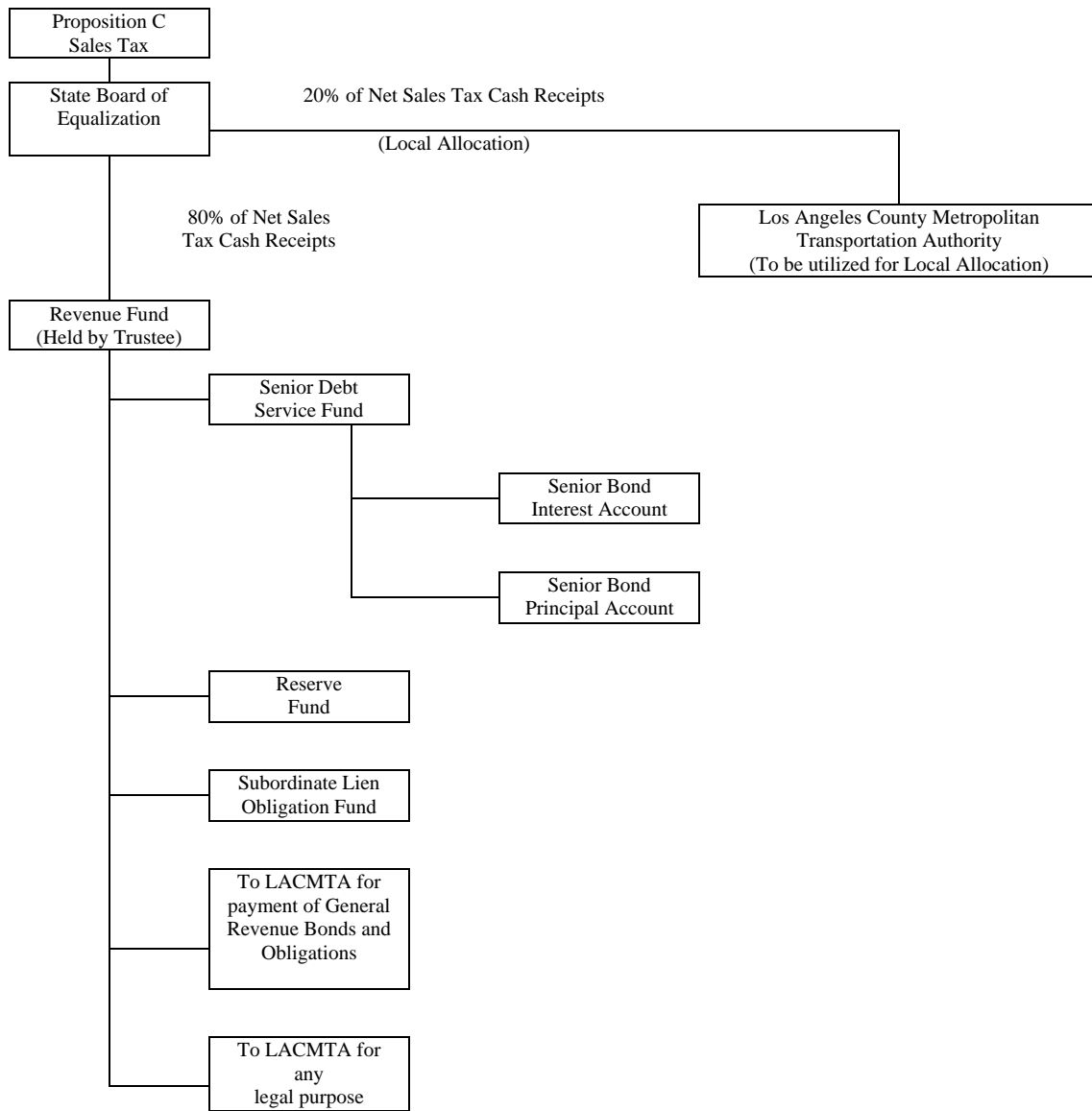
THIRD, to the credit of the Reserve Fund, such portion of the balance, if any, remaining after making the deposits to the interest and principal accounts as described above, as is necessary to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement for all Senior Bonds Outstanding (including such amounts required to reimburse draws on any Reserve Fund Insurance Policy), or if the entire balance is less than the amount necessary, then the entire balance will be deposited into the Reserve Fund, and such amounts will be used to reimburse draws on any Reserve Fund Insurance Policy prior to replenishing the cash or Permitted Investments formerly on deposit therein; and

FOURTH, if LACMTA has incurred a Subordinate Lien Obligation, to the Subordinate Lien Obligation Fund to the credit of accounts to be created within the Subordinate Lien Obligation Fund by the Trustee pursuant to the Agreement for the deposit of funds to pay Subordinate Lien Obligations. The credit of Pledged Revenues to such accounts will be made in accordance with the rank of the pledge created by such Subordinate Lien Obligations. Notwithstanding the foregoing, however, if there are insufficient Pledged Revenues in any Fiscal Year to make all of the foregoing deposits, such Pledged Revenues will be allocated to the accounts within the Subordinate Lien Obligation Fund on a pro rata basis based on the amounts required to be deposited therein during such Fiscal Year among all such Subordinate Lien Obligations issued or entered into on a parity basis and in accordance with the rank of the pledge created by such Subordinate Lien Obligations.

After setting aside amounts to be deposited in the Rebate Fund, any remaining funds will then be transferred to LACMTA and will be available to be used for any lawful purpose (including the payment of General Revenue Bonds and obligations), and will no longer be available to pay debt service on the Senior Bonds.

The following table provides a graphic presentation of the flow of funds for Proposition C Sales Tax cash receipts.

TABLE 1
Proposition C Sales Tax
Flow of Funds



Reserve Fund for Senior Bonds

Pursuant to the Agreement, the Reserve Fund was established and is held by the Trustee and used to make payments of principal and interest with respect to all Senior Bonds, including the Series [2013-__] Bonds, issued by LACMTA under the Agreement to the extent amounts in the Senior Bond Interest Account or the Senior Bond Principal Account are not sufficient to pay in full the interest on or principal (including accreted value) of the Senior Bonds when due. For each Series of Senior Bonds, the Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement, which is the least of (a) 10% of the proceeds of such Series of Senior Bonds, (b) the Maximum Annual Debt Service on such Series of Senior Bonds, or (c) 125% of the average Annual Debt Service on such Series of Senior Bonds. The Reserve Fund Requirement for the Series [2013-__] Bonds is \$_____.

Under the terms of the Agreement, LACMTA may deposit a Reserve Fund Insurance Policy, which is an insurance policy or surety bond provided by a bond insurer, or a letter of credit, deposited in the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Insurance Policy must be rated in one of the two highest rating categories by Moody's Investors Service Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). The Trust Agreement provides that any Reserve Fund Insurance Policy deposited with the Trustee is deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, less any unreimbursed drawings or other amounts not reinstated under such Reserve Fund Insurance Policy. See "APPENDIX C—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS."

As of the date of issuance of the Series [2013-__] Bonds, the Reserve Fund is expected to contain approximately \$_____ of cash and investments, which will satisfy the Reserve Fund Requirement for all Senior Bonds after giving consideration to the issuance of the Series [2013-__] Bonds and the refunding of the Refunded Bonds.

In addition to the cash and investments, the Reserve Fund also will contain four reserve fund surety bonds, which were issued by MBIA Insurance Corporation and assigned to National Public Finance Guarantee Corporation ("MBIA"). The amount of cash and other investments in the Reserve Fund satisfy the Reserve Fund Requirement without taking into consideration these surety bonds.

See "INTRODUCTION—Proposed Amendments to Trust Agreement Relating to Reserve Fund" and "APPENDIX D—PROPOSED RESERVE FUND AMENDMENTS TO TRUST AGREEMENT" for additional information with respect to certain amendments being made to the Trust Agreement in connection with the treatment of Reserve Fund Insurance Policies and the funding of the Reserve Fund.

PROPOSITION C SALES TAX AND COLLECTIONS

The Proposition C Sales Tax

Under the California Public Utilities Code, LACMTA is authorized to adopt retail transactions and use tax ordinances applicable in the incorporated and unincorporated territory of the County in accordance with California's Transaction and Use Tax Law (California Revenue and Taxation Code Section 7251 et seq.), upon authorization by a specified percentage of the electors voting on the issue. In accordance with the County Transportation Commissions Act (Section 130000 et seq. of the California Public Utilities Code (the "Transportation Commissions Act")), the Commission, on August 8, 1990, adopted Ordinance No. 49 ("Ordinance No. 49") which imposed a retail transactions and use tax for public transit purposes. Ordinance No. 49 was submitted to the electors of the County in the form of Proposition C ("Proposition C") and approved at an election held on November 6, 1990. Ordinance No. 49 imposes a tax, effective April 1, 1991, of ½ of 1% of the gross receipts of retailers from the sale of tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain limited exceptions. The retail transactions and use tax imposed by Ordinance No. 49 and approved by the voters with the passage of Proposition C is referred to in this Official Statement as the "Proposition C Sales Tax." As approved by the voters, the Proposition C Sales Tax is not limited in duration. The validity of the Proposition C Sales Tax was upheld in 1992 by the California Court of Appeal in *Vernon v. State Board of Equalization*. See "LITIGATION."

Collection of the Proposition C Sales Tax is administered by the State Board of Equalization, which imposes a charge for administration. Such charge is based on the actual costs incurred by the State Board of Equalization in connection with the administration of the collection of the Proposition C Sales

Tax. In accordance with Ordinance No. 49, LACMTA is required to allocate the proceeds of the Proposition C Sales Tax as follows:

TABLE 2
Allocation of Proposition C Sales Tax

<u>Uses</u>	<u>Percentage</u>
To local jurisdictions for local transit based on population (Local Allocation)	20%
To LACMTA for construction and operation of the bus transit and rail system ¹	40
To LACMTA to expand rail and bus security	5
To LACMTA for commuter rail, construction of transit centers, park and ride lots and freeway bus stops	10
To LACMTA for transit-related improvements to freeways and state highways	<u>25</u>
Total	<u>100%</u> ²

¹ Pursuant to the Act of 1998 (as defined herein) LACMTA is prohibited from spending Proposition C Sales Tax revenues on the costs of planning, design, construction or operation of any New Subway (as defined below), including debt service on bonds, notes or other evidences of indebtedness issued for such purposes after March 30, 1998. See “—Initiatives and Changes to Proposition C Sales Tax—The Act of 1998” below.

² Up to 1.5% of the non-Local Allocation portion of the Proposition C Sales Tax received by LACMTA may be used by LACMTA to pay administrative costs. Administrative costs are payable only from Proposition C Sales Tax revenues that have been released to LACMTA and are no longer Pledged Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES [2013-__] BONDS—Flow of Funds” above.

Source: LACMTA

As described below, the State Board of Equalization, after deducting the costs of administering the Proposition C Sales Tax and disbursing the Local Allocation to LACMTA, has agreed to remit directly on a monthly basis the remaining Proposition C Sales Tax revenues to the Trustee. After application of such Proposition C Sales Tax revenues to certain funds and accounts in accordance with the Agreement, the Trustee is required to transfer the remaining unapplied Proposition C Sales Tax revenues for deposit to the funds and accounts established and maintained for the Proposition C Commercial Paper Notes and the Proposition C Revolving Obligations. Any Proposition C Sales Tax revenues remaining after the deposits described above are released to LACMTA to be used by LACMTA first, if necessary, to pay debt service on the General Revenue Bonds, and second, for any lawful purposes (subject to the allocation requirements set forth in Ordinance No. 49). The Senior Bonds do not have a lien on and are not secured by any Proposition C Sales Tax revenues that are released by the Trustee and deposited to the funds and accounts established and maintained for the Proposition C Commercial Paper Notes, the Proposition C Revolving Obligations, the General Revenue Bonds or transferred to LACMTA to be used for any lawful purposes of LACMTA.

The amount retained by the State Board of Equalization from collections of Proposition C Sales Tax after July 1993 is based on the total local entity cost reflected in the annual budget of the State of California, and includes direct, shared and central agency costs incurred by the State Board of Equalization. The amount retained by the State Board of Equalization is adjusted to account for the difference between the State Board of Equalization’s recovered costs and its actual costs during the prior two fiscal years. For fiscal years 2010 through 2013, the State Board of Equalization’s fee for administering the Proposition C Sales Tax was as follows:

Fiscal Year Ended (June 30)	Fee (\$'s in millions)	Percentage of Proposition C Sales Tax Receipts
2010	\$7.0	1.2%
2011	6.9	1.2
2012	6.2	1.0
2013	6.4	0.9

LACMTA assumes that such State Board of Equalization fee may increase incrementally each year. The State Board of Equalization can change the fee at its discretion in the future.

Under the Agreement, LACMTA covenants that (a) it will not take any action which will impair or adversely affect in any manner the pledge of the Pledged Revenues or the rights of the owners of the Senior Bonds, including the Series [2013-__] Bonds; and (b) it will be unconditionally and irrevocably obligated, so long as any of the Senior Bonds, including the Series [2013-__] Bonds, are Outstanding and unpaid, to take all lawful action necessary or required to continue to entitle LACMTA to receive the Pledged Revenues at the same rates as provided by law (as of October 1, 1992), to pay from the Pledged Revenues the principal of and interest on the Senior Bonds in the manner and pursuant to the priority set forth in the Agreement, and to make the other payments provided for in the Agreement.

Under the LACMTA Act, the State of California pledges to, and agrees with, the holders of any bonds issued under the LACMTA Act and with those parties who may enter into contracts with LACMTA pursuant to the LACMTA Act that the State of California will not limit or alter the rights vested by the LACMTA Act in LACMTA until such bonds, together with the interest thereon, are fully met and discharged and the contracts are fully performed on the part of LACMTA. However, such pledge and agreement does not preclude the State of California from changing the transactions and items subject to the statewide general sales tax and concurrently thereby altering the amount of Proposition C Sales Tax collected. See “RISK FACTORS—California State Legislature or Electorate May Change Items Subject to Proposition C Sales Tax.”

The 1/2 of 1% Proposition C Sales Tax imposed by LACMTA in the County is in addition to the general sales tax levied statewide by the State of California (currently 7.50%), the 1/2 of 1% sales tax imposed by LACMTA pursuant to Ordinance No. 16 of the Commission known as “Proposition A” (such sales tax is referred to herein as the “Proposition A Sales Tax”), the 30-year 1/2 of 1% sales tax approved by County voters in November 2008 to fund LACMTA transportation projects and operations known as the “Measure R Sales Tax,” and the taxes that apply only within certain cities in the County. These tax rates and the items subject to the Proposition C Sales Tax are subject to change. See “RISK FACTORS—California State Legislature or Electorate May Change Items Subject to Proposition C Sales Tax” and “—Increases in Sales Tax Rate May Cause Declines in Proposition C Sales Tax Revenues.” See also “APPENDIX A—THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—OUTSTANDING DEBT.”

Initiatives and Changes to Proposition C Sales Tax

Proposition 218. In 1996, the voters of the State of California approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIIIC and XIID to the California State Constitution. Among other things, Article XIIIIC removes limitations, if any, that exist on the initiative power in matters of local taxes, assessments, fees and charges. Even though LACMTA’s enabling legislation did not limit the initiative power of the electorate prior to Proposition 218,

Proposition 218 has affirmed the right of the voters to propose initiatives that could influence the Proposition C Sales Tax.

The Act of 1998. One such initiative was approved by the voters of the County in 1998 in the form of the “Metropolitan Transportation Authority Reform and Accountability Act of 1998” (the “Act of 1998”). The Act of 1998 prohibits the use of Proposition C Sales Tax and Proposition A Sales Tax to pay any costs of planning, design, construction or operation of any “New Subway,” including debt service on bonds, notes or other evidences of indebtedness issued for such purposes after March 30, 1998. “New Subway” is defined in the Act of 1998 to mean any rail line which is in a tunnel below the grade level of the earth’s surface (including any extension or operating segment thereof), except for the Segment 1, Segment 2 and Segment 3 (North Hollywood) of the Red Line. The Act of 1998 does not limit the use of Proposition C Sales Tax or Proposition A Sales Tax revenues to provide public mass transit improvements to railroad right-of-ways. The Act of 1998 does not limit in any way the collection of the Proposition C Sales Tax or the Proposition A Sales Tax; it only limits the uses of such taxes. LACMTA believes that the proceeds of all obligations previously issued by LACMTA which are secured by the Proposition C Sales Tax and/or the Proposition A Sales Tax have been used for permitted purposes under the Act of 1998. **Therefore, the Act of 1998 has no effect on LACMTA’s ability to continue to use the Proposition C Sales Tax or the Proposition A Sales Tax to secure payment of its outstanding obligations secured by the Proposition C Sales Tax or the Proposition A Sales Tax. Additionally, LACMTA will covenant not to use the proceeds of the Series [2013-__] Bonds in a manner inconsistent with the provisions of the Act of 1998, and the Act of 1998 will not limit the ability of LACMTA to secure payment of the Series [2013-__] Bonds with a pledge of the Proposition C Sales Tax.**

As required by the Act of 1998, LACMTA contracted with an independent auditor to complete an audit with respect to the receipt and expenditure of Proposition A Sales Tax and Proposition C Sales Tax between the effective dates of Proposition A and Proposition C and June 30, 1998. The independent auditor completed the audit in November 1999. The Act of 1998 further requires LACMTA to contract for an independent audit each subsequent fiscal year to determine LACMTA’s compliance with the provisions of Proposition A, Proposition C and the Act of 1998 relating to the receipt and expenditure of Proposition A Sales Tax revenues and Proposition C Sales Tax revenues. For fiscal years 1999 through 2012, the independent auditors determined that LACMTA was in compliance with Proposition A, Proposition C and the Act of 1998 for each such respective fiscal year (the “Annual Act of 1998 Audit”).

In connection with each Annual Act of 1998 Audit, the independent auditor annually audits how LACMTA spends Proposition C Sales Tax revenues during the related fiscal year to ensure that it spends those revenues for the categories of use set forth in Proposition C. See “—The Proposition C Sales Tax” above. Each fiscal year, a substantial portion of the Proposition C Sales Tax revenues are spent on the payment of principal of and interest on the Senior Bonds. See “COMBINED DEBT SERVICE SCHEDULE.” For purposes of determining LACMTA’s compliance with the categories of use set forth in Proposition C, LACMTA allocates the annual payments of principal and interest with respect to each series of Senior Bonds to the categories of use for which such series of Senior Bonds financed or refinanced.

The Act of 1998 also established the “Independent Citizens’ Advisory and Oversight Committee” (the “Committee”) whose responsibilities include reviewing LACMTA’s annual audit of its receipt and expenditure of Proposition C Sales Tax and Proposition A Sales Tax, the holding of public hearings regarding the annual audit and issuing reports based upon those audits and public hearings. The Committee is made up of five members, of which one member is appointed by the chair of the Los Angeles County Board of Supervisors, one member is appointed by the chair of the Board, one

member is appointed by the Mayor of the City of Los Angeles, one member is appointed by the Mayor of the City of Long Beach, and one member is appointed by the Mayor of the City of Pasadena.

Historical Proposition C Sales Tax Collections

The following table presents, among other things, collections of net Proposition C Sales Tax revenues and corresponding Pledged Revenues and Senior Bonds debt service coverage ratios for the fiscal years ending June 30, 2003 through June 30, 2012.

TABLE 3
Historic Net Proposition C Sales Tax Receipts,
Local Allocations, Pledged Revenues and Debt Service Coverage
(Dollars in Millions)

Fiscal Year Ended June 30	Net Sales Tax Revenue¹	Annual Percentage Change	Allocations to Local Governments²	Pledged Revenues³	Senior Bonds Debt Service Coverage⁴
2003	\$548.3	4.26%	\$109.7	\$438.6	4.70x
2004	576.7	5.18	115.3	461.4	4.86
2005	619.6	7.44	123.9	495.7	5.06
2006	669.0	7.98	133.8	535.2	5.16
2007	686.3	2.59	137.2	549.0	5.85
2008	683.5	(0.41)	136.7	546.8	5.30
2009	620.9	(9.16)	124.2	496.7	4.22
2010	565.8	(8.87)	113.2	452.6	4.29
2011	601.9	6.38	120.4	481.5	4.28
2012	648.9	7.79	129.8	519.0	4.62

¹ Reflects Proposition C Sales Tax revenues, reported according to accrual basis accounting, as presented in LACMTA's audited financial statements, less the administrative fee paid to the State Board of Equalization but before required allocations to local governments for transit purposes. Rounded to the closest \$100,000.

² Rounded to the closest \$100,000.

³ Proposition C Sales Tax receipts for the fiscal years shown, reported according to accrual basis accounting, less required allocations to local governments for transit purposes and less the administrative fee paid to the State Board of Equalization. Rounded to the closest \$100,000.

⁴ Coverage of debt service on Senior Bonds.

Source: LACMTA

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The following table sets forth the amount of Proposition C Sales Tax receipts received for the most recent nine quarters and the changes in such amounts from the corresponding period in the prior year.

TABLE 4
Selected Actual Proposition C Sales Tax Revenue Information
(values are cash basis)

Quarter Ended	Quarterly Receipts (\$ millions)	Change From Same Period Prior Year	Rolling 12 Months Receipts (\$ millions)	Change From Same Period Prior Year
September 30, 2013	\$179.2	6.6%	\$690.7	5.4%
June 30, 2013	170.3	4.8	679.6	5.7
March 31, 2013	169.2	3.8	669.5	6.2
December 31, 2012	171.9	4.7	663.3	7.3
September 30, 2012	168.2	8.3	655.6	8.6
June 30, 2012	160.2	8.7	642.7	8.6
March 31, 2012	163.0	8.2	630.3	8.4
December 31, 2011	164.2	9.7	618.0	8.0
September 30, 2011	155.3	7.9	603.5	7.5

Source: LACMTA

The Proposition C Sales Tax receipts on a cash basis for a quarterly period are determined by sales tax revenues generated by sales activity generally occurring in the last two months of the previous quarter and the first month of the current quarter. For example, for the three-month period ended September 30, 2013, reported according to cash basis accounting, Proposition C Sales Tax receipts were approximately \$179.2 million, which receipts generally represented sales activity occurring in May, June and July 2013. Total Proposition C Sales Tax receipts on a cash basis for fiscal year 2013 were approximately \$679.6 million, compared to \$642.7 million in fiscal year 2012. LACMTA’s fiscal year 2014 budget assumes total Proposition C Sales Tax revenues of \$708.4 million, and Proposition C Sales Tax revenues net of Local Allocation of \$566.7 million.

Proposition C Sales Tax receipts fluctuate based on general economic conditions within the County. To project future Proposition C Sales Tax receipts for budgetary purposes, LACMTA relies on reports from local economists and other publicly available sources of data. LACMTA does not itself develop forecasts of current or future economic conditions. Furthermore, the State Board of Equalization does not provide LACMTA with any forecasts of Proposition C Sales Tax receipts for future periods. Therefore, LACMTA is unable to predict with certainty future levels of Proposition C Sales Tax receipts. See “RISK FACTORS—Economic Factors May Cause Declines in Proposition C Sales Tax Revenues” above.

PROPOSITION C SALES TAX OBLIGATIONS

General

Long-term obligations of LACMTA payable from the Proposition C Sales Tax consist of sales tax revenue bonds and commercial paper notes, a reimbursement agreement and a revolving line of credit agreement. LACMTA has two priority levels of obligations secured by the Proposition C Sales Tax: its Senior Bonds (which includes the Series [2013-__] Bonds) and Senior Parity Debt and its Subordinate

Lien Obligations. In addition, LACMTA has incurred other obligations, which are secured by certain “remaining” Proposition C Sales Tax cash receipts. See “—Other Obligations” below.

Senior Bonds

LACMTA had the following Senior Bonds outstanding as of September 1, 2013:

TABLE 5
Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Bonds, Senior Bonds
(Outstanding as of September 1, 2013)

Senior Bonds¹	Principal Amount
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-A	\$ 138,960,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-A	14,635,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-B	74,885,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2010-A	37,150,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-B	224,050,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-D	77,480,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-E	102,115,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2008-A	70,765,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2006-A	122,815,000
Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2004-A	<u>144,230,000</u>
Total	<u>\$1,007,085,000</u>

¹ The Senior Bonds are payable from Proposition C Sales Tax revenues.
Source: LACMTA

LACMTA may issue additional Senior Bonds upon the satisfaction of certain additional bonds tests. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES [2013-__] BONDS—Proposition C Sales Tax Obligations—Senior Obligations.”

Senior Parity Debt. LACMTA may incur Senior Parity Debt upon the satisfaction of certain additional bonds tests. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES [2013-__] BONDS—Proposition C Sales Tax Obligations—Senior Obligations.”

Subordinate Lien Obligations

Proposition C Commercial Paper Notes. On June 9, 1993, LACMTA received authorization to issue and have outstanding, at any one time, up to \$150,000,000 (principal of and interest thereon) of commercial paper notes (the “Proposition C Commercial Paper Notes”) payable from and secured by Proposition C Sales Tax revenues. As of September 15, 2013, the Proposition C Commercial Paper Notes were outstanding with a maturity value of \$21,594,000. The Proposition C Commercial Paper Notes are payable from Proposition C Sales Tax revenue on a basis subordinate to the lien on Proposition C Sales Tax revenues granted to the Senior Bonds, including the Series [2013-__] Bonds, and the Senior Parity Debt. The Proposition C Commercial Paper Notes can only be issued and outstanding if they are supported by a letter of credit.

A portion of the Proposition C Commercial Paper Notes are supported by a letter of credit (the “Proposition C CP Letter of Credit”) issued by State Street Bank and Trust Company. The following table sets forth certain terms of the Proposition C CP Letter of Credit.

Proposition C CP Letter of Credit

Letter of Credit Provider	State Street Bank and Trust Company
Amount of Letter of Credit	\$74,999,724 ¹
Issuance Date	April 24, 2013
Expiration Date	April 22, 2016

¹ Supports \$68,885,000 of principal and \$6,114,724 of interest.
Source: LACMTA

LACMTA has the ability to (but does not currently plan to) procure an additional \$75,000,276 of letter of credit support for the Proposition C Commercial Paper Notes, which would in turn allow it to issue and have outstanding additional Proposition C Commercial Paper Notes in a combined amount of principal of and interest thereon equal to \$75,000,726.

Proposition C Revolving Obligations. Pursuant to the Subordinate Trust Agreement, dated as of June 1, 1993 (the “Subordinate Trust Agreement”), by and between LACMTA and U.S. Bank National Association, as trustee (the “Subordinate Trustee”), the Second Supplemental Subordinate Trust Agreement, dated as of April 1, 2013 (the “Second Supplemental Subordinate Trust Agreement”), by and between LACMTA and the Subordinate Trustee, and the Revolving Credit Agreement, dated as of April 1, 2013 (the “Proposition C Revolving Credit Agreement”), by and between LACMTA and Wells Fargo Bank, National Association (the “Proposition C Revolving Obligations Bank”), LACMTA is authorized to issue and have outstanding, from time to time, up to \$75,000,000 in aggregate principal amount of its Subordinate Proposition C Sales Tax Revenue Revolving Obligations (the “Proposition C Revolving Obligations”). As of September 15, 2013, LACMTA has \$20,000,000 Proposition C Revolving Obligations outstanding. All Proposition C Revolving Obligations issued by LACMTA are purchased by the Proposition C Revolving Obligations Bank in accordance with the terms of the Proposition C Revolving Credit Agreement. The Proposition C Revolving Obligations are payable from Proposition C Sales Tax revenue on a basis subordinate to the lien on Proposition C Sales Tax revenues granted to the Senior Bonds, including the Series [2013-___] Bonds, and the Senior Parity Debt.

Pursuant to the terms of the Proposition C Revolving Credit Agreement, the Proposition C Revolving Obligations bear interest at variable rates determined pursuant to the terms of the Proposition C Revolving Credit Agreement. Except as otherwise provided in the Proposition C Revolving Credit Agreement, the principal of all Proposition C Revolving Obligations outstanding are due and payable on April 22, 2016. However, subject to the terms of the Proposition C Revolving Credit Agreement, on April 22, 2016, LACMTA can convert any outstanding Proposition C Revolving Obligations to a term loan that will be payable in twelve equal quarterly installments following April 22, 2016.

Other Obligations

General Revenue Bonds. On September 22, 2004, LACMTA issued \$197,050,000 aggregate principal amount of its General Revenue Refunding Bonds (Union Station Gateway Project) Series 2004-A, Series 2004-B, Series 2004-C and Series 2004-D (the “Series 2004 General Revenue Bonds”). In July 2010, LACMTA issued \$79,620,000 aggregate principal amount of its General Revenue Refunding Bonds (Union Station Gateway Project) Series 2010-A (the “Series 2010-A General Revenue Bonds” and together with the Series 2004 General Revenue Bonds, the “General Revenue Bonds”) to finance the purchase and cancellation of a portion of the Series 2004 General Revenue Bonds. As of September 1, 2013, there was \$148,685,000 aggregate principal amount of General Revenue Bonds outstanding.

The General Revenue Bonds are secured by a pledge of farebox revenues, fee and advertising revenues (collectively, "General Revenues") and Proposition A Sales Tax and Proposition C Sales Tax revenues that remain after the application of those revenues to the payment of principal and interest on certain Proposition A Sales Tax-secured obligations, in the case of the Proposition A Sales Tax, and the Senior Bonds (including the Series [2013-__] Bonds), the Senior Parity Debt and the Subordinate Lien Obligations (including the Proposition C Commercial Paper Notes and the Proposition C Revolving Obligations), in the case of the Proposition C Sales Tax (the "Proposition A Remaining Sales Tax" and the "Proposition C Remaining Sales Tax," respectively). LACMTA's obligation to pay principal of and interest on the General Revenue Bonds is secured by a lien on Proposition C Sales Tax that is junior and subordinate to the Senior Bonds (including the Series [2013-__] Bonds), the Senior Parity Debt and the Subordinate Lien Obligations (including the Proposition C Commercial Paper Notes and the Proposition C Revolving Obligations) as to the lien on and source and security for payment from Pledged Revenues.

LACMTA entered into an interest rate swap agreement (the "General Revenue Swap Agreement") with Bank of Montreal (the "General Revenue Swap Provider") in connection with the Series 2004 General Revenue Bonds. LACMTA's obligation to make fixed payments of 3.501% under the General Revenue Swap Agreement is payable from LACMTA's General Revenues (consisting primarily of farebox revenues), Proposition A Remaining Sales Tax and Proposition C Remaining Sales Tax on a parity with LACMTA's obligation to pay interest on the General Revenue Bonds; however, LACMTA's obligation to make termination payments, if any, due under the General Revenue Swap Agreement is subordinate to its obligations to pay debt service on the General Revenue Bonds. In connection with the purchase and cancellation of a portion of the Series 2004 General Revenue Bonds, LACMTA terminated the portion of the General Revenue Swap Agreement relating to the principal amount of the purchased and cancelled Series 2004 General Revenue Bonds so that the remaining notional amount of the General Revenue Swap Agreement corresponds to the principal amount of the Series 2004 General Revenue Bonds that remains outstanding, in the amount of \$148,685,000 as of September 1, 2013.

As of September 13, 2013, LACMTA estimates that the termination payment that LACMTA would be required to pay if the General Revenue Swap Agreement was terminated on that date would be approximately \$2.3 million. Under the terms of the General Revenue Swap Agreement, LACMTA may be required to post collateral in favor of the General Revenue Swap Provider if the estimated termination payment exceeds certain thresholds. As of September 13, 2013, LACMTA had no obligation to post collateral under the General Revenue Swap Agreement.

COMBINED DEBT SERVICE SCHEDULE

The following table shows the combined debt service requirements on LACMTA's Senior Bonds after giving effect to the issuance of the Series [2013-__] Bonds and the refunding of the Refunded Bonds.

TABLE 6
Los Angeles County Metropolitan Transportation Authority
Combined Debt Service Schedule
Senior Bonds¹

Bond Years Ending July 1	Previously Issued Senior Bonds Debt Service ²	Series [2013-__] Bonds Debt Service			Combined Total Debt Service Senior Bonds
		Principal	Interest	Total Debt Service	
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
Total					

¹ Totals may not add due to rounding.

² Excludes debt service on the Refunded Bonds.

Source: LACMTA and Public Financial Management Inc.

LITIGATION

There is no litigation pending or, to the knowledge of LACMTA, threatened, in any way questioning or affecting the validity of the Series [2013-__] Bonds, the imposition and collection of the Proposition C Sales Tax or the pledge of the Pledged Revenues. On March 3, 1992, the California Court of Appeal, in *Vernon v. State Board of Equalization*, upheld the validity of the Proposition C Sales Tax. Various claims of other types have been asserted against LACMTA. See “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—LITIGATION AND OTHER REGULATORY ACTIONS.”

LEGAL MATTERS

Legal matters incident to the issuance of the Series [2013-__] Bonds are subject to the approving opinion of Nixon Peabody LLP, Bond Counsel to LACMTA. The form of the opinion to be delivered by Bond Counsel is attached hereto as Appendix E. As Bond Counsel, Nixon Peabody LLP undertakes no

responsibility for the accuracy, completeness or fairness of this Official Statement. The Los Angeles County Counsel, as General Counsel to LACMTA, and Nixon Peabody LLP, as disclosure counsel, will pass on certain legal matters for LACMTA.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series [2013-__] Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series [2013-__] Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series [2013-__] Bonds. Pursuant to the Agreement, LACMTA has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series [2013-__] Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, LACMTA has made certain representations and certifications in the Agreement.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by LACMTA, interest on the Series [2013-__] Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series [2013-__] Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series [2013-__] Bonds is exempt from personal income taxes of the State of California under present State law. Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series [2013-__] Bonds nor as to the taxability of the Series [2013-__] Bonds or the income therefrom under the laws of any state other than California.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Series [2013-__] Bonds maturing July 1, 20__ through July 1, 20__, inclusive and on July 1, 20__; (collectively the “Discount Bonds”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series [2013-__] Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Series [2013-__] Bonds maturing on July 1, 20__ and on July 1, 20__ and July 1, 20__ (collectively, the “Premium Bonds”) are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series [2013-__] Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series [2013-__] Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series [2013-__] Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series [2013-__] Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Series [2013-__] Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series [2013-__] Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series [2013-__] Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series [2013-__] Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series [2013-__] Bonds from gross income for federal or state income tax purposes, or otherwise. We note that in 2011, and again in 2012 and 2013, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on

obligations of states and political subdivisions under Section 103 of the Code (including the Series [2013-__] Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series [2013-__] Bonds may occur. Prospective purchasers of the Series [2013-__] Bonds should consult their own tax advisors regarding the impact of any change in law on the Series [2013-__] Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series [2013-__] Bonds may affect the tax status of interest on the Series [2013-__] Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series [2013-__] Bonds, or the interest thereon, if any action is taken with respect to the Series [2013-__] Bonds or the proceeds thereof upon the advice or approval of other counsel.

FINANCIAL ADVISOR

LACMTA has retained [Public Financial Management, Inc.] as Financial Advisor (the “Financial Advisor”) for the sale of the Series [2013-__] Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent advisory firm with its principal office in [Philadelphia, Pennsylvania] and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

FINANCIAL STATEMENTS

The financial statements of LACMTA for the fiscal year ended June 30, 2012 and the Management’s Discussion and Analysis and certain supplementary information, and the Independent Auditors’ Report of KPMG LLP, independent accountants, dated January 8, 2013 (collectively, the “2012 Financial Statements”) are included as “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012.” LACMTA’s financial statements as of June 30, 2012 and for the year then ended, included in this Official Statement, have been audited by KPMG LLP, independent accountants, as stated in their Report appearing in Appendix B. LACMTA has not requested, nor has KPMG LLP given, KPMG LLP’s consent to the inclusion in Appendix B of its Report on such financial statements. In addition, KPMG LLP has not performed any post-audit review of the financial condition of LACMTA and has not reviewed this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, certified public accountants, will verify, from the information provided to them, the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be held in the Escrow Fund will be sufficient to pay on the Redemption Date the redemption price and the accrued interest due on the Refunded Bonds. Grant Thornton LLP will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Series [2013-__] Bonds.

CONTINUING DISCLOSURE

At the time of issuance of the Series [2013-__] Bonds, LACMTA will execute a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), which will provide for disclosure obligations on the part of LACMTA. Under the Continuing Disclosure Certificate, LACMTA will covenant for the benefit of Owners and Beneficial Owners of the Series [2013-__] Bonds to provide

certain financial information and operating data relating to LACMTA by not later than 195 days after the end of the prior fiscal year (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The Annual Reports and the notices of Listed Events will be filed with the MSRB through its EMMA System. LACMTA has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events. See “APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

SALE OF BONDS

The Series [2013-__] Bonds were sold at competitive sale on _____, 2013 and awarded to _____ (the “Winning Bidder”) at a purchase price of \$_____ (consisting of the par amount of the Series [2013-__] Bonds, less an original issue discount of \$_____, plus an original issue premium of \$_____, and less an underwriter’s discount of \$_____). The Winning Bidder will purchase all of the Series [2013-__] Bonds, subject to certain terms and conditions set forth in the Notice Inviting Bids, dated _____, 2013, the approval of certain legal matters by counsel, and certain other conditions.

RATINGS

[Moody’s] and S&P have assigned the Series [2013-__] Bonds ratings of “___” (stable outlook) and “___” (stable outlook), respectively. Such credit ratings reflect only the views of such organizations and any desired explanation of the meaning and significance of such credit ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses, which are current as of the date of this Official Statement: [Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007]; and Standard & Poor’s, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the ratings will remain in effect for any given period of time or that any such rating will not be revised, either downward or upward, or withdrawn entirely, or a positive, negative or stable outlook announced, by the applicable rating agency, if, in its judgment, circumstances so warrant. LACMTA undertakes no responsibility to bring to the attention of the Owners of the Series [2013-__] Bonds any announcement regarding the outlook of any rating agency with respect to the Series [2013-__] Bonds. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series [2013-__] Bonds. Maintenance of ratings will require periodic review of current financial data and other updating information by assigning agencies.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Treasurer of the Los Angeles County Metropolitan Transportation Authority, One Gateway Plaza, Los Angeles, California 90012, Attention: Treasury Department, Telephone: (213) 922-2554, or from LACMTA's Financial Advisor, [Public Financial Management, Inc., 601 South Figueroa Street, Suite 4500, Los Angeles, California 90017, Telephone: (213) 404-0079]. LACMTA maintains a website at <http://www.metro.net>. Information on such website is not part of this Official Statement and such information has not been incorporated by reference in this Official Statement and should not be relied upon in deciding whether to invest in the Series [2013-___] Bonds.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Chief Financial Services Officer

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APPENDIX A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

GENERAL

The Los Angeles County Metropolitan Transportation Authority (“LACMTA”) is the largest public transit operator west of Chicago. As the principal transit provider in the southern California region, LACMTA serves about 75% of all transit trips within its 1,433 square mile service area, carrying an estimated 1.1 million passengers per day on buses and nearly 360,000 passengers on rail. LACMTA operates four light rail lines, serving 67 stations along 70.3 miles of track and two heavy rail lines that serve 16 stations along 17.4 miles of track. In addition to the transit services provided by LACMTA, it also funds 40 other municipal operators that offer fixed-route service and more than 100 other local return and non-profit agencies that provide community-based transportation. LACMTA also provides highway construction funding and traffic flow management.

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code. LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Los Angeles County Transportation Commission (the “Commission”). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the “County”), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 6, 1990, the voters of the County approved the Proposition C Sales Tax pursuant to Ordinance No. 49. The Proposition C Sales Tax is in addition to a ½ of 1 percent sales tax imposed by LACMTA beginning in 1980 known as “Proposition A Sales Tax” and a 30-year ½ of 1 percent sales tax imposed by LACMTA beginning in 2009 known as the “Measure R Sales Tax.”

Board of Directors

LACMTA is governed by a 14-member Board of Directors (the “Board”). The Board is composed of the five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, two public members and one member of the City Council of the City of Los Angeles, four members who are either a mayor or a member of a city council of a city in the County (other than the City of Los Angeles) and who have been appointed by the Los Angeles County City Selection Committee, and a non-voting member appointed by the Governor.

The Board of LACMTA exclusively exercises and discharges the following powers and responsibilities: (a) establishment of overall goals and objectives, (b) adoption of the aggregate budget for all of its organizational units, (c) designation of additional municipal bus operators under criteria enumerated in the LACMTA Act, (d) approval of all final rail corridor selections, (e) final approval of labor contracts covering employees of LACMTA and its organizational units, (f) establishment of LACMTA’s organizational structure, (g) conducting hearings and setting fares for the operating organizational units, (h) approval of transportation zones, (i) approval of any debt instrument with a maturity date exceeding the end of the Fiscal Year in which it is issued, (j) approval of benefit assessment districts and assessment rates and (k) approval of contracts for construction and transit equipment acquisition which exceed \$5,000,000 and making findings in connection with certain procurement decisions.

The current members of the Board and a brief biography of each member are provided below.

Diane DuBois, Chair. In January 2009, the California League of Cities Los Angeles County Division appointed Lakewood City Councilmember Diane DuBois to the Board representing the Gateway Cities. Councilmember DuBois was elected to the City Council of Lakewood in 2005. Prior to her City Council service, she was a Lakewood Planning and Environment Commissioner for 28 years. She has been a board member and volunteer of Lakewood Meals On Wheels, a board member of the Greater Long Beach Girl Scout Council, a governing board member of Lakewood Regional Medical Center, a member of Soroptimists International of Lakewood/Long Beach, and a volunteer at Pathways Volunteer Hospice.

Eric Garcetti, First Vice-Chair. Mr. Garcetti was elected Mayor of Los Angeles in 2013. From 2001 until taking office as Mayor, Mr. Garcetti served on the Los Angeles City Council representing the Thirteenth District and was elected to serve as President of the Los Angeles City Council four times from 2006 to 2012. Mr. Garcetti earned his B.A. and M.A. from Columbia University. He has also studied as a Rhodes Scholar at Oxford and the London School of Economics and taught at Occidental College and University of Southern California.

Mark Ridley-Thomas, Second Vice-Chair. Mr. Ridley-Thomas was elected to the Board representing the Second Supervisorial District in November 2008 and was reelected in June 2012. Previously, he served as a California State Senator, 26th District, 2006 to 2008, and chaired the Senate Committee on Business, Professions and Economic Development. Mr. Ridley-Thomas was first elected to public office in 1991, serving on the Los Angeles City Council for nearly a dozen years during which time he sat on the Board. He later served two terms in the California State Assembly, where he chaired the Committee on Jobs, Economic Development and the Economy and the Assembly Democratic Caucus. He earned a baccalaureate degree in Social Relations, minor in Government, and a master's degree in Religious Studies (concentration in Christian Ethics) from Immaculate Heart College. Mr. Ridley-Thomas received his Ph.D. in Social Ethics and Policy Analysis from the University of Southern California.

Michael D. Antonovich. Mr. Antonovich has been the Los Angeles County Supervisor representing the Fifth Supervisorial District since his election in 1980. From 1972 to 1978, he served as a member of the California State Assembly. He also served as a member of the Board of Trustees of the Los Angeles Community College District from 1968 to 1973. Mr. Antonovich has held teaching positions with the Los Angeles Unified School District and Pepperdine University. He holds a Bachelor of Arts and master's degree from California State University, Los Angeles.

Mike Bonin. Mr. Bonin was recently elected to Los Angeles City Council to represent the Eleventh District. He is Chair of the City Council's Transportation Committee and is Vice Chair of the Metro Exposition Line Construction Authority. Previously, Mr. Bonin served as chief deputy to former Councilmember Bill Rosendahl. In that role, he was an alternate member on the Board of the Metro Exposition Line Construction Authority and a Co-Chair of the North Runway Safety Advisory Committee. He has also served as district director for U.S. Congresswoman Jane Harman and deputy chief of staff for Councilmember Ruth Galanter and is co-founder and program director of Camp Courage, a training program for LGBT community organizers. Mr. Bonin received his B.A. in U.S. History from Harvard University.

Jacquelyn Dupont-Walker. Ms. Dupont-Walker is the founding President of Ward Economic Development Corporation, a faith-based community development organization and is chair of the USC Master Plan Advisory Committee where she represents the residents of the West Adams district. She is involved in numerous other civic organizations and serves as the AME Church International Social Action Officer and as the Social Action Chair of Delta Sigma Theta—Century City.

John Fasana. Mr. Fasana has served on the Duarte City Council since 1987, and served as Mayor of the City of Duarte in 1990, 1997, 2004, and 2009. Mr. Fasana has represented 30 San Gabriel Valley cities on the Board since its inception in 1993. Mr. Fasana serves as Chair of the San Gabriel Valley Council of Governments Transportation Committee and is a member of the board of the Metro Gold Line Foothill Extension Construction Authority. Mr. Fasana has worked 30 years with Southern California Edison and is a graduate of Whittier College with a Bachelor of Arts in Business Administration.

Don Knabe. Mr. Knabe is the Los Angeles County Supervisor representing the Fourth Supervisorial District, having been elected in 1996 and re-elected in 2000, 2004, 2008 and 2012. Following a successful career as a small business owner, Mr. Knabe joined Los Angeles County Supervisor Deane Dana's staff in 1982 and later became Chief of Staff for Deane Dana. Mr. Knabe was also elected to the Cerritos City Council in 1980 and served for eight years, including two terms as Mayor. Mr. Knabe holds a bachelor's degree in Business Administration from Graceland College in Lamoni, Iowa.

Paul Krekorian. Mr. Krekorian was elected to the Los Angeles City Council to represent the Second District in 2009. Prior to his election to the Los Angeles City Council, he represented California's 43rd Assembly District in the California State Assembly for three years. Prior to being elected to public office, Mr. Krekorian served as President of the Burbank Board of Education and practiced law. He attended the University of Southern California and later earned his Juris Doctor from the University of California, Berkeley, School of Law.

Gloria Molina. Ms. Molina is the Los Angeles County Supervisor representing the First Supervisorial District, having been first elected to this office in 1991 and re-elected in 1994, 1998, 2002, 2006 and 2010. Prior to her election to the Board of Supervisors, Ms. Molina served as State Assemblywoman for the 56th District from 1982 to 1987. In 1987, she was elected to the Los Angeles City Council where she served as the Councilwoman of the First District until 1991. Prior to being elected to public office, Ms. Molina served in the Carter White House as a Deputy for Presidential Personnel. After leaving the White House, Ms. Molina served as the Deputy Director for the Department of Health and Human Services in San Francisco.

Ara Najarian. Mr. Najarian was elected to the Glendale City Council in April of 2005 and re-elected in 2009 and 2013; served as Mayor from 2007 to 2008 and 2010 to 2011. He was selected to the Board in 2006 by the Los Angeles County City Selection Committee. He served as MTA Chairman from 2009-2010. He is past Chair of the Glendale Housing Authority and previously served as Chair of the Glendale Redevelopment Agency. He was elected to serve on the Glendale Community College Board of Trustees from 2003 to 2005. Mr. Najarian was Chair of the Glendale Transportation and Parking Commission. Mr. Najarian also serves on Metrolink's Board of Directors. Mr. Najarian has been an attorney in private practice in Glendale for 25 years. He attended Occidental College where he received a Bachelor of Arts in Economics and later earned his Juris Doctor from University of Southern California School of Law.

Pam C. O'Connor. Ms. O'Connor has served on the Santa Monica City Council since 1994 and has served as that city's mayor in 1997, 1999 and 2005. Ms. O'Connor was appointed to the Board in 2001 by the Los Angeles County City Selection Committee. She has served as a member of the Southern California Association of Governments' Regional Council and the League of California Cities transportation and public works committee. Ms. O'Connor also works as a private consultant, specializing in historic preservation. Ms. O'Connor earned a Bachelor of Science in journalism from Southern Illinois University and holds master's degrees in historic preservation planning and in technology management from Eastern Michigan University.

Zev Yaroslavsky. Mr. Yaroslavsky is the Los Angeles County Supervisor representing the Third Supervisorial District, having been elected to this office in November 1994 and reelected in 1998, 2002, 2006 and 2010. Mr. Yaroslavsky served as a member of the City Council of the City of Los Angeles between 1975 and 1994. Prior to his election to the Los Angeles County Board of Supervisors, Mr. Yaroslavsky served on the Board as the alternate to Los Angeles Mayor Richard Riordan. The Los Angeles native earned his bachelor's degree in history and economics from UCLA in 1971, followed by a master's degree in history in 1972.

Carrie Bowen, Ex Officio Member. Ms. Bowen became the Acting Director of the California Department of Transportation District 7 in August 2013. She provides oversight to all divisions including administration, construction, design, environmental, external affairs, maintenance, operations, planning, project management and right-of-way. Previously, Ms. Bowen served as District 10 Director, following her appointment in January 2011. She has worked for Caltrans for approximately 30 years, rising to the position of Deputy District Director for the Central Region, Environmental Division. In addition to her work with Caltrans, Ms. Bowen also served on Assemblyman Jim Costa's staff from 1985 to 1991.

Management

General. The management of LACMTA is carried out under the direction of its Chief Executive Officer, who performs any duties delegated to him or her by the Board. The Board also appoints a General Counsel, Inspector General and Board Secretary. The Chief Executive Officer serves at the pleasure of the Board, as do the General Counsel, Inspector General and Board Secretary. Certain of LACMTA's executives and a brief biography of each executive are provided below.

Chief Executive Officer. Arthur T. Leahy became LACMTA's Chief Executive Officer in April 2009. Prior to his appointment as Chief Executive Officer of LACMTA, Mr. Leahy was the chief executive officer of the Orange County Transportation Authority ("OCTA"), a county-wide transportation agency, where he oversaw planning, financing and coordination for Orange County's freeway, street and rail development, bus service, commuter rail service and paratransit services for the disabled, among other transportation programs. Prior to his service at OCTA, Mr. Leahy served as general manager of the transit agency in Minneapolis-St. Paul between 1997 and 2001. Mr. Leahy began his transit career in 1971 driving a bus for the District, a predecessor of LACMTA, while attending college, eventually becoming the head of the Operations Division for LACMTA, before taking the Minneapolis chief executive job. Mr. Leahy earned a bachelor's degree in political science from California State University, Los Angeles and a master's degree in Public Administration from the University of Southern California.

Chief Financial Services Officer. Terry Matsumoto was appointed as Chief Financial Services Officer in December 2006. He also served as Treasurer from 1998 to January 2013. Prior to his appointment as Chief Financial Services Officer, Mr. Matsumoto served as LACMTA's Executive Officer, Finance beginning in October 1996. Mr. Matsumoto also served temporarily as Interim Deputy Chief Executive Officer for Finance and Administration for LACMTA. As Chief Financial Services Officer, he is responsible for the oversight of LACMTA's accounting, risk management and treasury functions, including debt, investment, pension and benefits. He has also served as Executive Officer, Administration and Controller of LACMTA and as Director of Strategic Funding Analysis for LACMTA's Regional Transportation Planning and Development Division. Prior to joining LACMTA, Mr. Matsumoto was the Controller with the Community Redevelopment Agency of the City of Los Angeles. His prior experience includes managing financial functions for Republic Geothermal, Inc., divisional finance and administration for Tetra Tech, Inc., in Arlington, Virginia, and auditing functions for Coopers & Lybrand. He is a Certified Public Accountant and holds a Bachelor of Arts in Economics and an MBA from the UCLA.

Treasurer. Donna R. Mills was appointed Treasurer in July 2013, following her appointment to Interim Treasurer in January 2013. Ms. Mills previously served LACMTA as Assistant Treasurer beginning in April 2001, and as Senior Investment Manager beginning in December 1995. As Treasurer, she is responsible for directing LACMTA’s revenue collection, investment management and debt management programs, and for overseeing pension and benefits administration. Prior to joining LACMTA, Ms. Mills served as a Financial Planning Administrator and as Cash Manager for Pacific Enterprises. She also worked as a Banking Analyst and as a Research Assistant for the Federal Reserve Bank of Philadelphia. Ms. Mills holds a Bachelor of Arts in Economics and Sociology from the University of Pennsylvania and an MBA from the University of California, Berkeley.

Public Transportation Services Corporation

In December 1996, LACMTA created the Public Transportation Services Corporation (“PTSC”), a nonprofit public benefit corporation organized under the laws of the State. PTSC was created in order to transfer certain functions, then performed by LACMTA, and the employees related to those functions, to this new corporation. The purpose of PTSC is to conduct essential public transportation activities including but not limited to the following: (a) to coordinate multimodal multi-jurisdictional transportation planning; (b) to program federal, State and local funds for transportation projects County-wide within the County; (c) to oversee construction; (d) to provide certain administrative services to the Los Angeles County–Service Authority for Freeway Emergencies and the Southern California Regional Rail Authority; (e) to provide administrative support and security services for the foregoing and to the operation of LACMTA’s bus and rail system; and (f) such other activities and services as it deems necessary. One advantage of PTSC is that it allows its employees, including those transferred from LACMTA, to participate in the California Public Employees Retirement System.

TRANSPORTATION SERVICES

LACMTA is a multi-faceted transportation agency responsible for the coordination of transportation policy, funding and planning within the County as well as the development and operation of bus, rail, highway and commuter rail within the greater Los Angeles region. This breadth of services distinguishes LACMTA from other transportation agencies across the country. Most other transportation agencies specialize in three or fewer of the referenced transportation services.

Bus System

LACMTA operates the second largest bus system in the United States. LACMTA provides bus service within its service area in the County and to portions of Orange and Ventura Counties, operating a vehicle fleet of over 2,200 buses. LACMTA’s bus system covers 183 routes and serves approximately 16,000 bus stops, including two premium bus rapid transit dedicated busways. Systemwide, LACMTA buses provide approximately [6.9] million revenue service hours annually with an average of approximately 1.1 million weekday boardings for the three month period ended June 30, 2013 and total boardings of 88 million for the three month period ended June 30, 2013, including Orange Line ridership. In addition, LACMTA contracts with outside service providers, with approximately 45,900 average weekday boardings for the three month period ended June 30, 2013. Virtually all of LACMTA’s bus fleet is composed of compressed-natural gas (“CNG”) powered buses. As of September 2013, the average age of LACMTA’s bus fleet was approximately 8.9 years.

Metro Rapid Bus. In June 2000, LACMTA launched the Metro Rapid Demonstration Program (“Metro Rapid”). Initially, Metro Rapid consisted of two lines—one along Ventura Boulevard in the San Fernando Valley and the other along the Wilshire/Whittier transit corridor. In September 2002, based on the success of Metro Rapid, the Board adopted the Metro Rapid Five-Year Implementation Plan that

identified additional Metro Rapid corridors to be implemented through Fiscal Year 2007-08. Twenty-four of the 25 Metro Rapid corridors are now operating, representing nearly 400 miles in the City of Los Angeles, the County and 33 other cities. In addition to LACMTA, Santa Monica's Big Blue Bus and Culver CityBus operate Metro Rapid, and the remaining planned Metro Rapid corridor is expected to be provided by Torrance Transit. The Metro Rapid Program provides fast, frequent regional bus service throughout the County. Key features of the Metro Rapid Program include simple route layouts, frequent service, fewer stops, low-floor buses to facilitate boarding and alighting, color-coded buses and stations, and traffic signal priority.

Metro Orange Line. The Metro Orange Line is a 14-mile Bus Rapid Transit service that operates along an exclusive right-of way and transports thousands of commuters between Warner Center in the west San Fernando Valley and the Metro Red Line subway station in North Hollywood. The Metro Orange Line buses operate in exclusive lanes along a 13-mile stretch of LACMTA-owned right-of-way and one mile in mixed flow traffic on public streets. The Metro Orange Line has 14 stations, each located roughly one mile apart, with park and ride facilities at seven stations providing approximately 4,700 parking spaces. The Metro Orange Line opened in October 2005, at a total cost of \$273.1 million. The Metro Orange Line Extension Project (the "MOL Extension"), a four-mile extension of the Metro Orange Line extending from the Canoga park-and-ride lot to the Chatsworth Metrolink Station, opened in June 2012. The MOL Extension includes: the busway, new station platforms at the Canoga park-and-ride lot, and new stations at Sherman Way (with park-and-ride), Roscoe Boulevard, Nordhoff Street, and the Chatsworth Metrolink Station (with park-and-ride). The estimated total cost for the MOL Extension is \$154.0 million.

Highway System

The High Occupancy Vehicle ("HOV") lane program is a cooperative effort between Caltrans and LACMTA, and is funded through a combination of federal, State and local resources. In November 2002, the Board approved a comprehensive evaluation report for its HOV Performance Program that fully documents the user and regional mobility benefits of HOV investments. Freeways were analyzed to determine the best and most cost-effective way to use HOV lanes with other transit services. [There were 516 lane miles of HOV lanes on Los Angeles freeways as of September 15, 2013.] [Some HOV lanes have been converted to allow not only high occupancy vehicles but other vehicles whose drivers pay a toll to drive in the converted HOV lanes.] LACMTA also provides highway construction funding and traffic flow management.

Rail System

General. In 1992, the Commission developed a comprehensive rail rapid transit system development plan (the "Rail System") which has been revised from time to time. The Rail System currently consists of four light rail lines: the Metro Blue Line, the Metro Green Line, the Metro Gold Line (including the Gold Line Eastside Extension) and the Exposition Project; and two heavy rail lines: Metro Red Line and the Metro Purple Line.

Metro Blue Line. The Metro Blue Line was designed as a modern, state-of-the-art light rail transit line, which extends approximately 22 miles from downtown Los Angeles, where it links to the Metro Red Line, to the City of Long Beach. The Metro Blue Line passes through portions of the cities of Los Angeles, Long Beach, Compton, Carson and other cities, and certain unincorporated areas of the County. A portion of the Metro Blue Line utilizes a reserved, but not necessarily grade-separated, right-of-way on which electrically powered vehicles, drawing current from overhead wire, operate singly or in trains. Passenger service began in July 1990 and had estimated ridership of approximately [7.0 million] for the three month period ended June 30, 2013.

The Metro Blue Line consists of a dual-track line with 22 stations, with a fleet of 54 articulated rail cars and a primary maintenance facility and yard located in Long Beach adjacent to the Long Beach Freeway with a storage and maintenance capacity of 89 vehicles. The vehicle maintenance facility supports vehicles from both the Metro Blue Line and the Metro Green Line. Fares are collected through self-service, barrier-free fare collection machines. Total travel time between the terminal points of the Metro Blue Line is approximately 58 minutes. The Metro Blue Line project budget was \$877 million and the project was completed within budget.

Metro Green Line. The Metro Green Line is a 19.5-mile light rail line linking the El Segundo employment area near the Los Angeles International Airport to the City of Norwalk near the San Gabriel River Freeway. The Metro Green Line has 14 stations including a station that intersects the Metro Blue Line and one that provides passenger connections to the Harbor Freeway Transitway, an elevated busway developed by Caltrans. Travel time between the terminal points of the Metro Green Line is approximately 35 minutes. The Metro Green Line began operations in August 1995, and had estimated ridership of approximately [3.3 million] for the three month period ended June 30, 2013. The Metro Green Line Project budget was \$712.3 million and the project was completed within budget.

Metro Gold Line and Gold Line Eastside Extension. The Metro Gold Line (formerly known as the Pasadena Gold Line) is a 13.7-mile light rail line which extends from downtown Los Angeles (where it links to the Metro Red Line) to the City of Pasadena. The Metro Gold Line consists of a dual-track line with 13 stations. Travel time of the Metro Gold Line between the Sierra Madre Villa station and downtown Los Angeles is approximately 35 minutes. The Metro Gold Line began operations in July 2003. The Metro Gold Line project budget was \$725 million, \$451 million of which was funded by the Pasadena Metro Blue Line Construction Authority and \$274 million of which was funded by LACMTA.

The Gold Line Eastside Extension Project (“Eastside Extension”), which opened in November 2009, is a six-mile, dual track light rail system with eight new stations and one station modification. The system originates at Union Station in downtown Los Angeles, where it connects with the Metro Gold Line, traveling generally east to Pomona and Atlantic Boulevards through one of the most densely populated areas of the County. The total estimated project cost for the Eastside Extension is \$898.8 million. Estimated ridership for the Metro Gold Line, including the Eastside Extension, was approximately [3.3 million] for the three month period ended June 30, 2013.

Gold Line Foothill Extension. LACMTA has been working with the Metro Gold Line Foothill Extension Construction Authority to extend the existing Metro Gold Line from its current terminus in Pasadena to Montclair. The proposed extension consists of two phases. Phase One will continue from Sierra Madre Villa in Pasadena east over 11 miles with stops in the cities of Arcadia, Duarte, Irwindale, Monrovia and two in Azusa. Phase One is currently being constructed. Funding is currently being sought for the second phase, which would continue east from Azusa to Montclair. The final Environmental Impact Report for Phase One (Sierra Madre Villa to Azusa) was certified in 2007. The Gold Line Foothill Extension Construction Authority is beginning to develop a final Environmental Impact Report/Environmental Impact Statement for Phase Two. \$741 million of Measure R Sales Tax revenues have been allocated towards the construction of the Metro Gold Line Foothill Extension.

Exposition Light Rail Transit Project. The Exposition Light Rail Transit Project (the “Exposition Project”) is a light rail project under development by LACMTA that is being designed and constructed by the Exposition Metro Line Construction Authority (“Exposition Authority”), a single purpose entity created under State law. The light rail line will be approximately 15 miles and run from downtown Los Angeles to Santa Monica along the Exposition Boulevard corridor. Construction on the Exposition Project began in September 2006. Phase One of the project, which fully opened in June 2012, extends approximately 8.6 miles from downtown Los Angeles to Venice/Robertson in Culver City.

Estimated ridership for Phase One of the Exposition Project was approximately [2.1 million] for the three month period ended June 30, 2013. Phase Two of the Exposition Project, which is currently under construction, will extend westward from the Venice/Robertson station, primarily along the old Pacific Electric Exposition right-of-way, to 4th Street and Colorado in downtown Santa Monica.

In April 2005, the Board approved a full funding plan for Phase One of the Exposition Project, not to exceed \$640 million. Since April 2005, the Board has approved several increases to the budget for Phase One, and the current approved budget is \$971 million. Pursuant to the current full funding plan for Phase One, approximately 88% of the projected total costs are to be paid from State and federal sources, and the remainder are to be paid from Proposition A Sales Tax revenues, Proposition C Sales Tax revenues and other local sources. In February 2011, the Board approved a budget of \$1.5 billion for Phase Two of the Exposition Project.

Metro Red Line and Metro Purple Line. The Metro Red Line and Metro Purple Line were designed as state-of-the-art, modern heavy rail subway lines comparable to transit systems in San Francisco, Atlanta and Washington, DC. The Metro Red Line and Metro Purple Line are dual-rail steel-wheeled, high speed rapid subway systems that originally were to consist of a 19.7 mile 18-station line that was to connect the Los Angeles central business district to the San Fernando Valley, through the Wilshire Corridor and Hollywood, and to East Los Angeles through Union Station. However, due to the Act of 1998 and federal and State funding shortfalls, the development of the Metro Red Line and the Metro Purple Line has been drastically reduced, including the indefinite suspension of certain of the extensions. The Act of 1998 prohibits LACMTA from utilizing any of the Proposition A Sales Tax or the Proposition C Sales Tax revenues for the costs of planning, design, construction or operation of any new subway, including debt service on any obligations issued for such purposes after March 30, 1998. However, LACMTA is not precluded from continuing the construction of the Metro Red Line and the Metro Purple Line as long as such design, construction and operation are paid from funds other than Proposition A Sales Tax revenues and Proposition C Sales Tax revenues.

The initial 4.4-mile Metro Red Line Segment 1, previously known as MOS-1, extends from Union Station to Alvarado Street in the downtown section of the City of Los Angeles, with five stations located along the line. Segment 1 began operating in January 1993. The total cost of constructing Segment 1 was \$1.45 billion. In addition to constructing the rail line, the total cost of Segment 1 included the purchase of passenger vehicles, fare collection equipment, automatic train control equipment, the yards and shops required for the full construction of the Metro Red Line alignment.

Segment 2 of the Metro Red Line, previously known as MOS-2, is 6.8 miles long with eight stations extending west from Alvarado Street to Vermont Avenue where it branches north and west. The west branch continues west under Wilshire Boulevard to Western Avenue. The west branch became operational in July 1996 and was renamed the Purple Line in August 2006. The north branch turns up Vermont Avenue and travels through Hollywood to Hollywood Boulevard and Vine Street. The north branch opened for service in June 1999. The total cost of Segment 2 was \$1.81 billion.

Segment 3 of the Metro Red Line, previously known as MOS-3, was originally designed to consist of the north and west extensions from Segment 2 and an east extension from Union Station of Segment 1. As a result of the passage of the Act of 1998, funding shortfalls and the internal guidelines adopted by the Board, only the north extension was completed. The eastside extension has been reengineered as a light rail line. See “Metro Gold Line and Gold Line Eastside Extension” above. The north extension runs west and north from the Segment 2 Hollywood and Vine station to a North Hollywood station with two intermediate stops. This final segment of the subway opened in June 2000. The total cost of the North Hollywood segment was \$1.29 billion.

The ridership estimate for the entire Metro Red Line and Metro Purple Line was approximately [12.5 million] for the three month period ended June 30, 2013. The Metro Red Line and Metro Purple Line are serviced by a main storage yard and maintenance facility located near the Los Angeles River at the eastern terminus of the line. As currently planned, primary passenger access to the Metro Red Line will be provided from the Orange Line, other rail projects and from LACMTA's extensive bus network. The extension of the Metro Purple Line to the Westside of Los Angeles is included in LACMTA's Long Range Transportation Plan. The Westside Subway Extension is currently estimated to extend approximately nine miles from its current terminus at Wilshire and Western. See "FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan" below.

Commuter Rail. LACMTA initiated, with the active participation of five surrounding counties (Riverside, Ventura, Orange, San Bernardino and San Diego), joint planning, project development and procurement activities related to the initiation of new commuter rail services. Such services from multiple corridors, principally into Los Angeles Union Passenger Terminal, currently operate on existing rights-of-way for which the purchase and operating rights were acquired. The commuter rail initiative is principally geared toward providing better commuter rail service from outlying communities to downtown Los Angeles.

In July 1991, the Southern California Regional Rail Authority ("SCRRA") was created to oversee commuter rail services in the region. LACMTA is the Los Angeles County participant in SCRRA. Other participants include the Orange County Transportation Authority, the Riverside County Transportation Commission, the San Bernardino Association of Governments and the Ventura County Transportation Authority.

On October 26, 1992, SCRRA opened the first three Commuter Rail ("Metrolink") lines to downtown Los Angeles initiating commuter rail service for the first time ever in the County. Service is being provided between Los Angeles and Lancaster in the County, Oxnard in Ventura County, San Bernardino in San Bernardino County, Riverside in Riverside County, San Clemente in Orange County, and Oceanside in San Diego County. Metrolink also provides service between San Bernardino in San Bernardino County and Oceanside in San Diego County. The Metrolink system consists of seven lines totaling 512 miles and 55 stations. Average weekday boardings were approximately [43,300] for the [first] quarter of fiscal year 2013. These facilities were constructed within their project budgets and time specifications.

FUTURE TRANSPORTATION IMPROVEMENTS

LACMTA, as the State-designated planning and programming agency for the County, identifies future transportation needs and transportation funding and construction priorities in the County. LACMTA prepares a Long Range Transportation Plan that identifies the costs of major transportation projects and the anticipated funding sources.

Long Range Transportation Plan

In October 2009, the Board approved a 2009 Long Range Transportation Plan ("2009 LRTP"), which is an update to the 2001 Long Range Transportation Plan ("2001 LRTP"). It incorporates changes in policy and system needs since the 2001 LRTP's adoption as well as the approval of Measure R in November 2008 by County voters, which increased the sales tax rate within the County by 1/2 of 1% for a period of 30 years to fund LACMTA transportation projects and operations. The 2009 LRTP identifies projected costs of running the transportation system based on a financial forecast of future revenue assumptions through 2040. During the planning process, data was reviewed that predict where and what

the current challenges are on the existing transportation system, where mobility issues could arise in 2040, and how the transportation system could be improved with new investments.

The 2009 LRTP reflects LACMTA’s assessment of growth patterns, regional congestion, strategies to improve local air quality, transit-oriented development, the latest technical assumptions and climate change issues, and incorporates Measure R projects. The 2009 LRTP identified a \$297.6 billion investment in the County’s transportation system through 2040, funded with more than 45 sources of federal, State and local funds. The 2009 LRTP is now the guiding policy behind funding decisions on subsequent transportation projects and programs in the County. Major capital projects and programs that are identified in the 2009 LRTP have priority for future programming of funds. While these projects and programs require further Board approval at various stages of their development, they are priorities for further planning, design, construction and the pursuit of additional funding.

Included in the 2009 LRTP is a projection of debt financing by LACMTA of \$14.3 billion through Fiscal Year 2040, composed of a combination of Proposition A, Proposition C and Measure-R secured debt. Of the total projected amount of LACMTA debt issuance, approximately \$7.5 billion was estimated to be financed over the first ten years of the 2009 LRTP, through Fiscal Year 2019. In the May 2013 update of the 2009 LRTP is a projection of debt financing by LACMTA of \$7.5 billion from Fiscal Year 2013 through Fiscal Year 2040, composed of a combination of Proposition A, Proposition C and Measure R-secured debt. Of the total projected amount of LACMTA debt issuance, approximately \$4.5 billion is estimated to be financed through Fiscal Year 2019. The actual amount and timing of any debt issuance depends on a number of factors including the actual scope, timing and cost of transportation projects, the ability to obtain funding from other sources and the amount of Proposition A, Proposition C and Measure R sales tax revenues available to fund the projects in the LRTP, and the actual amounts and timing of future debt issuance may be materially different from the estimate in the May 2013 update of the 2009 LRTP.

LABOR RELATIONS

General

As of October 1, 2013, LACMTA had approximately 9,340 employees, of which approximately 88% are covered by labor agreements. Full and part-time LACMTA bus and train operators are represented by the United Transportation Union (“UTU”); LACMTA mechanics and service attendants are members of the Amalgamated Transit Union (“ATU”); LACMTA clerks are members of the Transportation Communications Union (“TCU”); bus and rail transportation and maintenance supervisors are members of the American Federation of State County and Municipal Employees (“AFSCME”); and LACMTA security guards are members of the Teamsters Union. The following table summarizes the number of employees covered by, and the expiration dates of, the labor agreements of LACMTA with each of its employee bargaining units as of October 1, 2013.

<u>Employee Bargaining Unit</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
United Transportation Union	4,456	06/30/14
Amalgamated Transit Union	2,239	06/30/13
Transportation Communications Union	738	06/30/13
American Federation of State, County and Municipal Employees	673	06/30/14
Teamsters Union	76	09/30/14

ATU and TCU members continue to work under the terms of their expired contracts until such time as new agreements can be finalized. There are no imminent job actions at this time.

Since September 16, 2000, LACMTA has suffered two major work stoppages. In September 2000, members of UTU went on strike and many members of TCU, ATU and AFSCME honored the picket lines, and in October 2003, members of ATU went on strike and many members of UTU, TCU and AFSCME honored the picket lines. During both strikes LACMTA was able to provide substitute service on a limited basis through contracted services and other operators. The strike in 2000 lasted 32 days and the strike in 2003 lasted 35 days.

Defined Benefit Pension Plan

LACMTA has a single-employer public employee retirement system that includes five defined benefit plans (the “Plans”) that cover substantially all employees (except PTSC employees) and provides retirement, disability, and death benefits. The benefit provisions and all other requirements are established by State statute, ordinance, collective bargaining agreements or Board actions. Four of the Plans are restricted to specific union members, while the fifth provides benefits to non-represented employees and to members of the Teamsters Union. In addition, LACMTA provides pension benefits to most PTSC employees through a defined benefit plan administered by the California Public Employees’ Retirement System (“PERS”), a multiple-employer pension system. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. For a description of these defined benefit plans and LACMTA’s obligations to make contributions to these plans, see “Note III—DETAILED NOTES ON ALL FUNDS—I. Pensions” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012.”

Other Post-Employment Benefits

LACMTA provides post-employment health care and life insurance benefits for retired employees and families. Pursuant to Governmental Accounting Standards Board Pronouncement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB),” LACMTA is required to account for its expenses and a portion of the present value of future expenses related to these benefits. For a description of these benefits, LACMTA’s obligations to account for certain projected future costs of these benefits and other matters regarding these benefits, see “Note III—DETAILED NOTES ON ALL FUNDS—J. Other Postemployment Benefits (OPEB)” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012.”

OUTSTANDING DEBT

General

In addition to obligations issued by LACMTA that are secured by Proposition C Sales Tax, LACMTA has issued debt secured by the Proposition A Sales Tax, the Measure R Sales Tax, and other revenues of LACMTA, and may issue additional obligations so secured upon satisfaction of certain additional bonds tests in the applicable indentures governing such debt. See “FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan” above. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES [2013-__] BONDS” in the front part of this Official Statement for a discussion of obligations secured by the Proposition C Sales Tax.

Debt and Interest Rate Swap Policies

In March 2013, the Board approved an updated Debt Policy for LACMTA (the “Debt Policy”). The Debt Policy sets forth guidelines for the issuance and management of LACMTA’s debt. Among other things, the Debt Policy requires LACMTA to develop a capital improvement plan which includes the capital projects LACMTA plans to undertake in future years. Capital improvement plans were adopted with the annual budgets for Fiscal Years 2000 through 2013. The Debt Policy also sets forth guidance on the type of debt that may be incurred by LACMTA (e.g., long-term versus short-term), the source of payment for such debt, and other factors to be considered when incurring debt.

In March 2013, the Board approved an updated Interest Rate Swap Policy for LACMTA (the “Swap Policy”). The Swap Policy includes guidelines to be used by LACMTA when entering into interest rate swaps and management practices that address the special risks associated with interest rate swaps. The Swap Policy requires that LACMTA evaluate the risks, on an ongoing basis, of existing interest rate swaps.

Proposition A Sales Tax Obligations

General. Obligations of LACMTA payable from the Proposition A Sales Tax consist of sales tax revenue bonds, commercial paper notes and certain amounts owed under interest rate swap agreements, standby bond purchase agreements and pledge agreements. At this time, LACMTA has three priority levels of obligations for Proposition A Sales Tax revenues: its First Tier Senior Lien Bonds, its Second Tier Obligations (which include certain payments under interest rate swap agreements and certain other obligations) and its Third Tier Obligations (which include the Proposition A Commercial Paper Notes). LACMTA has incurred other obligations which are secured by certain “remaining” Proposition A Sales Tax cash receipts.

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First Tier Senior Lien Bonds. LACMTA had the following Proposition A First Tier Senior Lien Bonds outstanding as of September 1, 2013.

**Los Angeles County Metropolitan Transportation Authority
Proposition A First Tier Senior Sales Tax Revenue Bonds
(Outstanding as of September 1, 2013)**

<u>Proposition A First Tier Senior Sales Tax Revenue Bonds¹</u>	<u>Outstanding Principal Amount</u>
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2013-A	\$262,195,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2012-A	68,205,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2011-A	104,630,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2011-B	91,110,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2009-A	211,750,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008-A	255,350,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008-B	22,395,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2007-A	35,600,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2005-A	<u>198,665,000</u>
Total	<u>\$1,249,900,000</u>

¹ The Proposition A First Tier Senior Lien Bonds are payable from, and constitute prior first liens on, Proposition A Sales Tax revenue.
Source: LACMTA.

Index Interest Rate Bonds. On August 4, 2011, LACMTA converted the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008-A2 Bonds, Series 2008-A3 Bonds and Series 2008-A4 Bonds (the “Proposition A Index Interest Rate Bonds”) to bear interest at an Index Interest Rate. On the conversion date of the Proposition A Index Interest Rate Bonds, the Proposition A Series 2008-A2 Bonds were purchased by Sumitomo Mitsui Banking Corporation and the Proposition A Series 2008-A3 Bonds and the Proposition A Series 2008-A4 Bonds were purchased by RBC Capital Markets, LLC. The Proposition A Index Interest Rate Bonds bear interest at a rate equal to the SIFMA Municipal Swap Index announced by Municipal Market Data plus an interest rate spread (currently 0.60% with respect to the Proposition A Series 2008-A2 Bonds and 0.55% with respect to the Proposition A Series 2008-A3 Bonds and the Proposition A Series 2008-A4 Bonds). The Proposition A Index Interest Rate Bonds will be subject to tender for purchase on August 1, 2014 unless extended or modified. The Proposition A Index Interest Rate Bonds also are subject to mandatory redemption upon certain specified events.

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Second Tier Obligations.

Proposition A Series 2008-A Swap Agreements. In connection with the issuance of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2005-C, LACMTA entered into an interest rate swap agreement with the Bank of Montreal (“BMO”) and an interest rate swap agreement with Deutsche Bank AG, New York Branch (“Deutsche Bank”). These interest rate swap agreements are now associated with the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008-A1, Series 2008-A2, Series 2008-A3 and Series 2008-A4 for purposes of calculating maximum annual debt service with respect to the First Tier Senior Lien Bonds and are referred to as the “Proposition A Series 2008-A BMO Swap Agreement” and the “Proposition A Series 2008-A Deutsche Swap Agreement,” respectively, and collectively are referred to as the “Proposition A Series 2008-A Swap Agreements.” BMO and Deutsche Bank are referred to collectively as the “Proposition A Series 2008-A Swap Counterparties.”

Certain terms of the Proposition A Series 2008-A Swap Agreements (as of September 13, 2013) are included in the following table.

**Proposition A Series 2008-A Swap Agreements
(as of September 13, 2013)**

	Proposition A Series 2008-A BMO Swap Agreement	Proposition A Series 2008-A Deutsche Swap Agreement
Counterparty	Bank of Montreal	Deutsche Bank AG, New York Branch
Associated First Tier Senior Lien Bonds	Proposition A Series 2008-A1 and 2008-A2 Bonds	Proposition A Series 2008-A3 and 2008-A4 Bonds
Current Notional Amount	\$127,575,000	\$127,775,000
Effective Date	August 23, 2005	August 23, 2005
Maturity Date	July 1, 2031	July 1, 2031
Fixed Rate Paid by LACMTA	3.373%	3.358%
Variable Rate Received by LACMTA	63% of USD-LIBOR + 0.14%	63% of USD-LIBOR + 0.14%
Estimated Termination Value as of September 13, 2013	\$6,537,000	\$6,492,000

Source: LACMTA

LACMTA’s obligations to pay the Proposition A Series 2008-A Swap Counterparties a fixed amount under the respective Proposition A Series 2008-A Swap Agreements are Second Tier Obligations. The terms of the Proposition A Series 2008-A Swap Agreements do not alter any of the obligations of LACMTA with respect to the payment of principal of or interest on the Proposition A Series 2008-A Bonds or any other Proposition A First Tier Senior Lien Bonds. The payments received by LACMTA from the Proposition A Series 2008-A Swap Counterparties due under the Proposition A Series 2008-A Swap Agreements are not pledged to the payment of principal or interest on the Proposition A Series 2008-A Bonds or any other Proposition A First Tier Senior Lien Bonds.

Under certain circumstances, LACMTA may be obligated to make termination payments to the Proposition A Series 2008-A Swap Counterparties if the Proposition A Series 2008-A Swap Agreements are terminated prior to their termination dates. The amount of any termination payment will be determined pursuant to several factors, including the level of comparable interest rates at the time the applicable Proposition A Series 2008-A Swap Agreement is terminated. Such termination payments could be substantial. Such termination payments would be secured by a lien on Proposition A Remaining Sales Tax revenues on a parity with LACMTA's obligations to pay debt service on the General Revenue Bonds. However, LACMTA may have to incur additional indebtedness secured by Proposition A Sales Tax revenue and/or Proposition C Sales Tax revenue to make any termination payments on the applicable Proposition A Series 2008-A Swap Agreement; any such additional indebtedness may include the issuance of Proposition A First Tier Senior Lien Bonds.

Under the terms of the Proposition A Series 2008-A Swap Agreements, LACMTA may be required to post collateral in favor of the applicable Proposition A Series 2008-A Swap Counterparty if the estimated termination payment exceeds certain thresholds. As of September 13, 2013, LACMTA had no collateral posted under the Proposition A Series 2008-A BMO Swap Agreement or the Proposition A Series 2008-A Deutsche Swap Agreement.

Other Second Tier Obligations. On October 6, 1993, the Community Redevelopment Financing Authority of the Community Redevelopment Agency of the City of Los Angeles, California issued its Grand Central Square Multifamily Housing Bonds, 1993 Series A (the "Housing Bonds") and its Grand Central Square Qualified Redevelopment Bonds, 1993 Series A (the "Redevelopment Bonds"). The Redevelopment Bonds were refunded on April 30, 2002 with the proceeds of The Community Redevelopment Agency of the City of Los Angeles, California Grand Central Square Qualified Redevelopment Bonds, 2002 Refunding Series A (the "Refunding Redevelopment Bonds"). The Housing Bonds were refunded on June 21, 2007 with the proceeds of The Community Redevelopment Agency of the City of Los Angeles, California Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series A (the "2007 Series A Refunding Housing Bonds") and Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series B (the "2007 Series B Refunding Housing Bonds" and, together with the 2007 Series A Refunding Housing Bonds, the "Refunding Housing Bonds"). LACMTA is obligated (but only from LACMTA's 40% discretionary share of Proposition A Sales Tax revenues) to make debt service payments with respect to the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds. To the extent the trustee for the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds has sufficient revenues and other funds, the trustee will reimburse LACMTA to the extent of its payment from such funds. As of September 15, 2013, \$21,630,000 aggregate principal amount of the 2007 Series B Refunding Housing Bonds and the Refunding Redevelopment Bonds were outstanding.

LACMTA's regularly scheduled payment obligations under the Proposition A Series 2008-A Swap Agreements, the Refunding Housing Bonds and the Refunding Redevelopment Bonds constitute "Proposition A Second Tier Obligations," and are payable from Proposition A Sales Tax revenues on a subordinate basis to the Proposition A First Tier Senior Lien Bonds described above.

Third Tier Obligations. On January 24, 1991, LACMTA received authorization to issue and have outstanding, at any one time, up to \$350,000,000 (principal of and interest thereon) of its Proposition A commercial paper notes (the "Proposition A Commercial Paper Notes). As of September 15, 2013, \$119,020,000 aggregate principal amount of Proposition A Commercial Paper Notes were outstanding. The Proposition A Commercial Paper Notes are payable from Proposition A Sales Tax revenues on a subordinate basis to the Proposition A First Tier Senior Lien Bonds and the Proposition A Second Tier Obligations. The Proposition A Commercial Paper Notes can only be issued and outstanding if they are supported by a letter of credit.

A portion of the Proposition A Commercial Paper Notes are supported by two letters of credit (the “Proposition A CP Letters of Credit”) issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch, and Union Bank, N.A. LACMTA’s reimbursement obligations under the reimbursement agreements entered into with respect to the Proposition A CP Letters of Credit are payable from Proposition A Sales Tax revenues on parity with the Proposition A Commercial Paper Notes and on a subordinate basis to the Proposition First Tier Senior Lien Bonds and the Proposition A Second Tier Obligations. The following table sets forth certain terms of the Proposition A CP Letters of Credit.

Proposition A CP Letters of Credit

<u>Letter of Credit Provider</u>	<u>Amount of Letter of Credit</u>	<u>Issuance Date</u>	<u>Expiration Date</u>
Sumitomo Mitsui Banking Corporation, acting through its New York Branch	\$74,999,724 ¹	March 11, 2013	March 11, 2016
Union Bank, N.A.	74,999,724 ²	March 11, 2013	March 11, 2016

¹ Supports \$68,885,000 of principal and \$6,114,724 of interest.

² Supports \$68,885,000 of principal and \$6,114,724 of interest.

Source: LACMTA

LACMTA has the ability to (but does not currently plan to) procure an additional \$200,000,552 of letter of credit support for the Proposition A Commercial Paper Notes, which would in turn allow it to issue and have outstanding additional Proposition A Commercial Paper Notes in a combined amount of principal of and interest thereon equal to \$200,000,552.

Other Obligations. In connection with the Proposition A Series 2008-A1 Bonds, LACMTA entered into an Amended and Restated Standby Bond Purchase Agreement, dated as of August 1, 2011 (the “Proposition A Series 2008-A1 Liquidity Facility”), by and among LACMTA, the Proposition A trustee, and Bank of America, N.A. (the “Proposition A Series 2008-A1 Liquidity Provider”). Pursuant to the Proposition A Series 2008-A1 Liquidity Facility, LACMTA is obligated to pay certain specified fees and other amounts, which are payable from Proposition A Pledged Revenues on a subordinate basis to the Proposition A First Tier Senior Lien Bonds, the Proposition A Second Tier Obligations and the Proposition A Third Tier Obligations.

In connection with the purchase of the Proposition A Series 2008-A2 Bonds by Sumitomo Mitsui Banking Corporation, LACMTA entered into a Covenant Agreement, dated August 4, 2011 (the “Proposition A Series 2008-A2 Covenant Agreement”), by and between Sumitomo Mitsui Banking Corporation and LACMTA. Additionally, in connection with the purchase of the Proposition A Series 2008-A3 Bonds and the Proposition A Series 2008-A4 Bonds by RBC Capital Markets, LLC, LACMTA entered into a Bondholder’s Agreement, dated August 4, 2011 (the “Proposition A Series 2008-A3/A4 Bondholder’s Agreement”), by and between RBC Capital Markets, LLC and LACMTA. Pursuant to the Proposition A Series 2008-A2 Covenant Agreement and the Proposition A Series 2008-A3/A4 Bondholder’s Agreement, LACMTA is obligated to pay certain specified fees and other amounts, which are payable from Proposition A Pledged Revenues on a subordinate basis to the Proposition A First Tier Senior Lien Bonds, the Proposition A Second Tier Obligations and the Proposition A Third Tier Obligations.

Measure R

On November 16, 2010, LACMTA issued \$732,410,000 aggregate principal amount of its Measure R Senior Sales Tax Revenue Bonds, Series 2010-A and Series 2010-B (the “Measure R Bonds”) to finance certain transportation projects. These bonds are payable from the Measure R Sales Tax. As of September 1, 2013, there was \$701,935,000 aggregate principal amount of the Measure R Bonds outstanding. LACMTA may incur additional debt secured by and payable from the Measure R Sales Tax.

Lease/Leaseback and Lease-to-Service Obligations

From January 1997 through July 2003, LACMTA entered into ten “lease/leaseback” leveraged lease agreements for assets including heavy rail vehicles, buses, light rail vehicles, and various real property operating facilities. Under these agreements, LACMTA entered into a head lease as lessor with an investor and simultaneously into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments which were invested in fixed income investments in an amount that, including interest income, will be sufficient to fund all scheduled sublease payments through exercise of the early buyout option. LACMTA has realized \$64.7 million in net benefit after funding of fixed income investments and payment of transaction expenses.

For the leveraged lease transactions, LACMTA was obligated to insure and maintain the facilities, buses, and rail cars. The leveraged lease agreements provided for LACMTA’s right to continue to use and control the facilities, buses, and rail cars during the term of the sublease. LACMTA agreed to indemnify the investors against increased costs, and any new or increased taxes or fees imposed on the leased assets, and cash flows or income of the lease, other than changes to the income tax rate.

The proceeds from the various finance obligations have been recorded as lease accounts in the Statement of Net Assets – Enterprise Fund. These funds were placed with fiscal agents and are sufficient to cover all scheduled payments. The related liabilities are shown as long-term debt in the business-type activities. These debts will be repaid from earnings on the related investments together with the principal amounts of the investments.

American International Group Inc. or its affiliates (“AIG”) provided a fixed income investment product known as a “payment undertaking agreement” that was used in eight of the lease/leaseback transactions in order to invest the proceeds to fund all the scheduled rent payments and early buy-out option payments. In addition, AIG provided credit support in the form of letters of credit for three lease/leaseback transactions. Under seven of the lease/leaseback documents, AIG was required to be replaced or credit enhanced if any of its credit ratings fall below either “Aa2/AA” or “A2/A”, depending on the transactions. As for the letter of credit documents, AIG’s credit rating could not fall below either “A2” or “A.” In September 2008, AIG’s credit rating was downgraded to “A-” by S&P, requiring replacement of the payment undertaking agreements and credit enhancement, as applicable, and in two instances required AIG to post collateral. With respect to the eighth lease-leaseback transaction involving AIG, the credit rating downgrade of AIG did not trigger any payment undertaking agreement and/or credit enhancement replacement provisions or collateral posting requirements.

Additionally, Assured Guaranty Municipal Corp. (as successor to Financial Security Assurance Inc.) (“AGM”) provided credit support in the form of sureties and guarantees for three of the lease/leaseback transactions (including two of the AIG transactions). Pursuant to the surety and guarantee documents, if AGM’s credit ratings fall below certain levels, LACMTA is required to replace the sureties or guarantees. As a result of Moody’s downgrade of AGM in January 2013, LACMTA is in discussions with the lessors under the three lease/leaseback transactions to reach a solution.

In the current market environment, most products specified in the lease/leaseback transaction documents as acceptable replacement facilities are not available. Since May 2011, LACMTA has reached agreements with two lessors to terminate the respective lease/leaseback transactions with minimal settlement costs and has reached agreement with two other lessors to post collateral under three leases in lieu of obtaining a replacement facility. Failure to reach a solution with the three remaining lessors could result in early termination and could require LACMTA to pay up to \$53 million, plus legal costs.

See “Note III—DETAILED NOTES ON ALL FUNDS—L. Long-term Debt—Lease/leaseback and Lease-to-service Obligations” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012.”

INVESTMENT POLICY

General

Certain features of LACMTA’s Investment Policy are summarized in “Note III—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012.”

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Investment Balances

As of June 30, 2013 (based on unaudited financial information), LACMTA had approximately \$2.54 billion in market value deposited in non-discretionary trust accounts (including bond proceeds and escrows), primarily invested in U.S. Treasury securities, municipal bonds, commercial paper and the County of Los Angeles Pooled Surplus Investments (the “Los Angeles County Pool”) maintained by the County of Los Angeles Treasurer and Tax Collector. As of June 30, 2013, LACMTA also had approximately \$2.23 billion in book value deposited in discretionary (operating) accounts. Such discretionary investments are summarized below:

Investments	Percentage of Total Book Value as of June 30, 2013
Los Angeles County Investment Pool	
Local Agency Investment Fund	4.4%
Bank Deposits	<u>2.6</u>
Subtotal Los Angeles County Investment Pool	7.0%
Managed Investments	
U.S. Treasuries	26.3%
Federal Agencies	33.2
Corporate Notes	13.4
Commercial Paper	12.2
Municipal securities	3.4
Money Market Funds	3.6
Asset Backed Securities	<u>0.9</u>
Sub Total Managed Investments	93.0
Total Cash and Investments*	100.0%

* Numbers may not add due to rounding.

Source: LACMTA

As of June 30, 2013, the liquid reserve of the discretionary accounts, which totaled approximately \$924 million in both book value and market value, was managed internally by LACMTA and had an average maturity of 44 days. LACMTA’s Investment Policy prohibits investing in reverse repurchase agreements.

The total market value of the Los Angeles County Pool as of August 31, 2013 was approximately \$22.58 billion. As of August 31, 2013, approximately 39.31% of the investments mature within 60 days, with an average of 639 days to maturity for the entire portfolio.

Additional information regarding LACMTA’s investments are included in “Note III—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012.”

LITIGATION AND OTHER REGULATORY ACTIONS

Sales Tax Litigation

On April 30, 1982, the California Supreme Court, in *Los Angeles County Transportation Commission v. Richmond*, upheld the constitutionality of the Proposition A Sales Tax. On March 3, 1992, the California Court of Appeal, in *Vernon v. State Board of Equalization*, upheld the validity of the Proposition C Sales Tax. On September 28, 1995, the California Supreme Court affirmed the California Court of Appeal's ruling in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a half cent sales tax by the Santa Clara County Local Transportation Authority. LACMTA does not believe such decision has any effect on the validity of LACMTA's Proposition C Sales Tax.

Construction Litigation

Tutor-Saliba-Perini ("TSP"), a construction company, filed suit against LACMTA claiming extra charges under certain Metro Red Line Segment 2 contracts. LACMTA cross-complained for violation of the California False Claims Act and for breaches of contract. The trial on the complaint and cross-complaint concluded in August 2001, with a judgment for LACMTA, which judgment was reversed in January 2005. After retrying portions of this case, certain rulings will be appealed. LACMTA does not believe the outcome of the litigation will have a material adverse impact on its ability to pay debt service on any of its obligations.

California Public Employees Pension Reform Act of 2013

In 2012, the State Legislature adopted and the Governor signed into law the Public Employees Pension Reform Act of 2013 ("PEPRA"), which establishes limits on California public employee defined benefit pension plans. PEPRA does not affect the pension benefits of employees who became pension plan members prior to January 1, 2013. However, pension plans for employees who become pension plan members after January 1, 2013, must be modified to comply with PEPRA. PEPRA applies to LACMTA's Plans (see "LABOR RELATIONS—Defined Benefit Pension Plan" above).

Several unions representing certain public transit employees in the State (including employees of LACMTA) asserted to the U.S. Department of Labor (DOL) that PEPRA is inconsistent with collective bargaining rights that are protected under Section 13(c) of the Federal Transit Act. Section 13(c) requires that employee protections must be certified by the DOL before Federal transit funds can be released to a mass transit provider. By August 2013, the DOL was withholding certification of \$313.0 million in federal grants requested by LACMTA. The California legislature passed Assembly Bill 1222 in September 2013, temporarily exempting transit workers from PEPRA. The law assured the resumption of federal grants to California transit agencies while the Federal Court considers if PEPRA violates union members' collective bargaining rights.

Other Litigation

In addition to the matters herein discussed, various other claims have been asserted against LACMTA. In the opinion of LACMTA, none of the pending claims will materially and adversely affect LACMTA's ability to pay the principal of and interest on any of its obligations.

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APPENDIX B

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL
STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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APPENDIX C

SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS

The following is a brief summary of certain provisions of the principal documents relating to the Series [2013-__] Bonds and is supplemental to the summary of provisions of such documents elsewhere in this Official Statement. This summary is not intended to be definitive and is qualified in its entirety by reference to the full text of the summarized documents. Copies of such documents are available from the Authority.

DEFINITIONS

The following terms, as used in the Trust Agreement and the _____ Supplemental Agreement and elsewhere in this Official Statement and in this summary, have the meanings set forth below.

“*Account*” means any account established pursuant to the Trust Agreement or any Supplemental Agreement.

“*Accreted Value*” means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the applicable interest rate thereon on each date specified therein. The Accreted Value at any date will be the amount set forth in the applicable Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date plus the amount of daily interest accrued from such preceding compounding date to the date of determination.

“*Accreted Value Table*” means the table denominated as such which appears as an exhibit to a Supplemental Agreement providing for the issuance of Capital Appreciation Bonds.

“*Accrued Senior Interest*” and “*Accrued Second Senior Interest*” means, for any current or future calendar month, the amount of interest which has accrued or will accrue on a Series of Senior Bonds or Senior Parity Debt during that month, less any interest which accrues during such period but for which a separate fund has been established and into which have been deposited moneys, Federal Securities, Pre-refunded Municipals or Permitted Investments which, with the earnings thereon, will be sufficient to pay such interest and which fund is irrevocably pledged to payment of such interest. With respect to Senior Bonds or Senior Parity Debt (i) bearing an interest rate which will or may fluctuate from the date of calculation to the end of such calendar month; or (ii) coupled with an interest rate swap agreement in effect on the date of calculation, interest after the calculation date, for purposes of calculating Accrued Senior Interest for such month, will be assumed to accrue at a rate equal to 12% per annum or any higher rate then prevailing on such Senior Bonds or Senior Parity Debt. For any prior calendar month, “Accrued Senior Interest” means the actual amount of interest which has accrued on a Series of Senior Bonds or Senior Parity Debt during that month. With respect to Senior Capital Appreciation Bonds, the interest accruing thereon will be treated as an accretion of principal not includable as Accrued Senior Interest. All references in the Trust Agreement to “Accrued Senior Interest” will be deemed to also mean, include and refer to “Accrued Second Senior Interest”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Accrued Second Senior Interest” will be deemed to also mean, include and refer to “Accrued Senior Interest”.

“*Accrued Senior Premium*” and “*Accrued Second Senior Premium*” means, with respect to any Senior Bonds or Senior Parity Debt which are or is to be redeemed or otherwise prepaid, the full amount of the premium or prepayment penalty imposed as a condition of such redemption or prepayment. The

full amount of such premium or penalty will be deemed to accrue in the calendar month in which notice of the redemption or prepayment is given by the Authority to the Trustee. All references in the Trust Agreement to “Accrued Senior Premium” will be deemed to also mean, include and refer to “Accrued Second Senior Premium”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Accrued Second Senior Premium” will be deemed to also mean, include and refer to “Accrued Senior Premium”.

“*Accrued Senior Principal*” and “*Accrued Second Senior Principal*” means, with respect to any calendar month, the amount of principal and Accreted Value which has matured or will mature on a Series of Senior Bonds or Senior Parity Debt during that month less any principal and Accreted Value which matures during such period but for which a separate fund has been established and into which have been deposited moneys, Federal Securities, Pre-refunded Municipals or Permitted Investments which, with the earnings thereon, will be sufficient to pay such principal and Accreted Value and which fund is irrevocably pledged to the payment of such principal and Accreted Value. For purposes of this definition, it will be assumed that for any payment of principal or Accreted Value, principal and Accreted Value commences to mature on the later of (i) the date of issue of the Series; or (ii) one year prior to the payment date (unless principal and Accreted Value is payable more frequently than annually, in which case, principal and Accreted Value will, for the first payment, be assumed to mature from the later of the date of issuance or one year prior to the first payment date and thereafter principal and Accreted Value will mature from the date of each principal payment of principal or Accreted Value) and principal and Accreted Value will be assumed to accrue in equal monthly installments during each calendar month or portion of any calendar month occurring from the time of commencement of such maturity to the payment date. All references in the Trust Agreement to “Accrued Senior Principal” will be deemed to also mean, include and refer to “Accrued Second Senior Principal”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Accrued Second Senior Principal” will be deemed to also mean, include and refer to “Accrued Senior Principal”.

“*Act*” means the Los Angeles County Transportation Commission Revenue Bond Act, Sections 130500 et seq. of the California Public Utilities Code, as amended from time to time.

“*Aggregate Accrued Senior Interest*” and “*Aggregate Accrued Second Senior Interest*” means, for any calendar month, the sum of the Accrued Senior Interest for all Series of Outstanding Senior Bonds and Senior Parity Debt. All references in the Trust Agreement to “Aggregate Accrued Senior Interest” will be deemed to also mean, include and refer to “Aggregate Accrued Second Senior Interest”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Aggregate Accrued Second Senior Interest” will be deemed to also mean, include and refer to “Aggregate Accrued Senior Interest”.

“*Aggregate Accrued Senior Principal*” and “*Aggregate Accrued Second Senior Principal*” means, for any calendar month, the sum of the Accrued Senior Principal for all Series of Outstanding Senior Bonds and Senior Parity Debt. All references in the Trust Agreement to “Aggregate Accrued Senior Principal” will be deemed to also mean, include and refer to “Aggregate Accrued Second Senior Principal”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Aggregate Accrued Second Senior Principal” will be deemed to also mean, include and refer to “Aggregate Accrued Senior Principal”.

“*Agreement*” means, collectively, the Trust Agreement and the _____ Supplemental Agreement.

“*Annual Debt Service*” means for any Fiscal Year the aggregate amount of principal and interest on all Bonds and Parity Debt becoming due and payable during such Fiscal Year, calculated using the

principles and assumptions set forth under the definition of Maximum Annual Debt Service, as certified by a certificate of a Consultant delivered within 30 days of the date of calculation to the Trustee, who may conclusively rely on such certificate.

“Assumed Debt Service” means for any Fiscal Year the aggregate amount of principal and interest which would be payable assuming that each payment of principal of Bonds or Parity Debt subject to optional tender is amortized on a substantially level debt service basis for a period ending on the earlier of (i) 25 years from the date of calculation; or (ii) if a binding commitment has been provided for the refinancing of the applicable indebtedness, the term specified in the lender’s commitment for such refinancing indebtedness, in either case calculated based on an assumed interest rate equal to the actual rate of interest payable on the applicable indebtedness if the interest rate is a fixed rate, or equal to the maximum interest rate specified in any credit or liquidity facility or other arrangement for the tender of such Bonds or Parity Debt if the rate of interest is a variable rate.

“Authority” or *“LACMTA”* means the Los Angeles County Metropolitan Transportation Authority created under the provisions of the Authority Act, and any successor to its function.

“Authority Act” or *“LACMTA Act”* means Chapter 2, Division 12 of the California Public Utilities Code (commencing with Section 130050.2).

“Authorized Authority Representative” means the Chairperson, the Chief Executive Officer, the Chief Administrative Officer or the Chief Financial Officer of the Authority or such other officer or employee of the Authority or other person who has been designated an agent of the Authority by resolution of the Authority.

“Authorized Denomination” means, with respect to any Series of Bonds, any denomination authorized by the Supplemental Agreement under which such Bonds are issued.

“Beneficial Owner” means, whenever used with respect to a Series [2013-__] Bond, the person in whose name such Series [2013-__] Bond is recorded as the beneficial owner of such Series [2013-__] Bond by a Participant on the records of such Participant or such person’s subrogee.

“Board of Equalization” means the California State Board of Equalization which collects the Proposition C Sales Tax.

“Bond” or *“Bonds”* means indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations issued under the provisions of the Trust Agreement. *“Bond”* or *Bonds”* will not include any subordinated obligations incurred by the Authority as permitted by the Trust Agreement.

“Bond Counsel” means a firm of attorneys nationally recognized as experts in the area of municipal finance who are familiar with the transactions contemplated under the Trust Agreement and acceptable to the Authority.

“Book-Entry Bonds” means the Series [2013-__] Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of the _____ Supplemental Agreement.

“Business Day” means a day on which banks located in New York, New York and in California are open; provided that such term may have a different meaning for any specified Series of Bonds if so provided by Supplemental Agreement.

“*Capital Appreciation Bonds*” means Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series and on which interest is compounded and paid at maturity or on prior redemption.

“*Capitalized Interest*” means the amount set aside from the proceeds of Bonds and held by the Trustee or a Paying Agent to be used to pay interest on such Bonds.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the regulations applicable thereto or issued thereunder or any successor statute thereto.

“*Commission*” means the Los Angeles County Transportation Commission created under the provisions of Section 130050 of the California Public Utilities Code, and any successor to its function.

“*Construction Fund*” means the fund or funds authorized to be created by the Trust Agreement.

“*Consultant*” means the accountant, attorney, consultant, financial advisor or investment banker, or firm thereof, retained by the Authority to perform acts and carry out the duties provided for such Consultant in the Trust Agreement. Such accountant, attorney, consultant, financial advisor or investment banker, or firm thereof, will be nationally recognized within its profession for work of the character required.

“*Continuing Disclosure Certificate*” means the Continuing Disclosure Certificate, dated _____, 201____, entered into by the Authority in order to assist the underwriter of the Series [2013-____] Bonds in complying with Securities and Exchange Commission Rule 15c2 12(b)(5).

“*Costs*” or “*Costs of the Projects*” means, as applied to a Project or portion thereof financed under the Trust Agreement, the definition set forth in the Act, to wit, all or any part of the cost of construction and acquisition of all real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for a Project, the cost of demolishing or removing any structures on land so acquired, including the cost of acquiring any land to which the structures may be removed, the cost of all machinery and equipment, vehicles, rolling stock, financing charges, interest prior to, during and for a period after completion of construction as determined by the Authority, provisions for working capital, reserves for principal and interest, and for extensions, enlargements, additions, replacement, renovations and improvements, the cost of architectural, engineering, financial and legal services, plans, specifications, estimates and administrative expenses and other expenses necessary or incidental to the determination of the feasibility of constructing any Project or incidental to the construction, acquisition or financing of any Project and, with respect to the use of Bond proceeds, such other costs and expenses as are permitted by the Act at the time such Bonds are issued.

“*Costs of Issuance*” means all costs and expenses incurred by the Authority in connection with the issuance of the Series [2013-____] Bonds, including, but not limited to, costs and expenses of printing and copying documents and the Series [2013-____] Bonds, and the fees, costs and expenses of rating agencies, credit or liquidity providers or enhancers, if any, the Trustee, bond counsel, disclosure counsel, counsel to credit or liquidity providers or enhancers, if any, verification agents, accountants, financial advisors and other consultants and the premium for any reserve fund surety bond insurance.

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

“*EMMA System*” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system or any successor nationally recognized municipal securities information repositories recognized by the Securities and Exchange Commission.

“*Event of Default*” means any occurrence or event described in this Appendix C under the caption “TRUST AGREEMENT—Events of Default and Remedies.”

“*Federal Securities*” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in safekeeping in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated.

“*Fiscal Year*” means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period as the Authority designates as its fiscal year.

“*Fitch*” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and if such corporation will for any reason no longer perform the functions of a securities rating agency, “Fitch” will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

“*Fund*” means any fund established pursuant to the Trust Agreement or any Supplemental Agreement.

“*Holder*” or “*Bondholder*” or “*Owner*” means the registered owner of any Series [2013-__] Bond, including DTC or its nominee as the sole registered owner of Book-Entry Bonds.

“*Interest Payment Date*” means each January 1 and July 1, commencing January 1, 2014, the dates upon which interest on the Series [2013-__] Bonds becomes due and payable.

“*Local Allocation*” means 20% of the Proposition C Sales Tax, calculated on an annual basis, which 20% is, under Ordinance No. 49, allocated to local jurisdictions for public transit, paratransit and related services.

“*Mail*” means by first-class United States mail, postage prepaid.

“*Maximum Annual Debt Service*” means the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Debt in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year as certified by a certificate of a Consultant delivered within 30 days of the date of calculation to the Trustee, who may rely conclusively on such certificate; provided, however, that for the purposes of computing Maximum Annual Debt Service:

- (a) if the Bonds or Parity Debt constitute or constitutes Variable Rate Indebtedness, the interest rate on such Bonds or Parity Debt will be assumed to be the maximum interest rate

specified in any credit or liquidity facility or other arrangement for the tender of such Bonds or Parity Debt, or if no such facility or arrangement exists, the maximum stated interest rate which may be borne by such Bonds or Parity Debt; provided that in the event that such Variable Rate Indebtedness is issued in connection with an interest rate swap agreement in which the Authority has agreed to pay a fixed interest rate and such interest rate swap agreement has been reviewed and approved by S&P, and to the extent MBIA is then insuring any Bonds and is not in default under the related insurance policy, MBIA, for purposes of this definition, then the interest rate for purposes of computing Maximum Annual Debt Service will be such fixed interest rate for the period that such interest rate swap agreement is contracted to remain in full force and effect and thereafter will be assumed to be such maximum interest rate described above;

(b) principal and interest payments on Bonds and Parity Debt will be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from Capitalized Interest;

(c) in determining the principal amount due in each Fiscal Year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any mandatory sinking account payments or any scheduled redemption or payment of Bonds or Parity Debt on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as part of Accreted Value will be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(d) if any interest rate swap agreement or similar agreement or arrangement in which the Authority has agreed to pay the floating amount thereunder is in effect with respect to the Bonds or Parity Debt to which it relates, no fixed amounts payable under such interest rate swap agreement will be included in the calculation of Maximum Annual Debt Service, and the interest rate with respect to such Bonds or Parity Debt will be assumed to be 12% per annum, unless the interest rate swap agreement has been reviewed and approved by S&P, and to the extent MBIA is then insuring any Bonds and are not in default under the related insurance policy, MBIA, for purposes of this definition, in which event only the amount of such floating payments to be made by the Authority that exceed the fixed amount of such floating payments to be made by the Authority that exceed the fixed amounts to be paid under the interest rate swap agreement will be included in the calculation of Maximum Annual Debt Service;

(e) if any Bonds or Parity Debt feature an option on the part of the holders thereof or an obligation under the terms of such Bonds or Parity Debt to tender all or a portion of such Bonds or Parity Debt to the Authority, the Trustee or other fiduciary or agent and require that such Bonds or Parity Debt or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds or Parity Debt, the options or obligations of the Owners of such Bonds or Parity Debt to tender the same for purchase or payment prior to their stated maturity or maturities will be treated as a principal maturity occurring on the first date on which Owners of such Bonds or Parity Debt may or are required to tender such Bonds or Parity Debt except that any such option or obligation to tender will not be treated as a single principal maturity, but rather such principal will be deemed amortized as specified in the definition of Assumed Debt Service, if (i) such Bonds or Parity Debt are rated in one of the two highest long-term Rating Categories by Moody's and S&P, or such Bonds are rated in the highest short-term, note or commercial paper Rating Categories by Moody's and S&P; and (ii) funds for the purchase price of such Bonds or Parity Debt are to be

provided by a letter of credit or standby bond purchase agreement and the obligation of the Authority with respect to the provider of such letter of credit or standby bond purchase agreement, other than its obligations on such Bonds or Parity Debt, will be subordinated to the obligation of the Authority on such Bonds or Parity Debt or, if not subordinate, will be incurred (assuming such immediate tender) under the conditions and meeting the tests for the issuance of additional Bonds or Parity Debt set forth in the Trust Agreement; and

(f) if the Bonds or Parity Debt are Paired Obligations, the interest rate on such Bonds or Parity Debt will be the resulting linked rate or effective fixed interest rate to be paid by the Authority with respect to such Paired Obligations.

“*MBIA*” means Municipal Bonds Investors Assurance Corporation, a New York stock insurance corporation, in its capacity as bond insurer or surety bond provider for one or more Series of Bonds.

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, “*Moody’s*” will be deemed to refer to any other nationally recognized rating agency designated by the Authority.

“*Nonarbitrage Certificate*” means the Tax Certificate or a Nonarbitrage Certificate prepared by Bond Counsel and delivered by the Authority at the time of the issuance and delivery of any Series of Bonds which purport to bear interest which is excluded from gross income for federal income tax purposes, as the same may be amended or supplemented in accordance with its terms.

“*Ordinance No. 49*” means “An Ordinance Establishing an Additional Retail Transaction and Use Tax in the County of Los Angeles for Public Transit Purposes” adopted by the Commission on August 8, 1990.

“*Original Trust Agreement*” means the Trust Agreement, dated as of October 1, 1992, by and between the Commission, as predecessor to the Authority, and Bank of America National Trust and Savings Association, as predecessor to U.S. Bank National Association, as trustee, which was amended and restated pursuant to the Trust Agreement.

“*Outstanding*” means, with respect to Senior Bonds (including the Series [2013-__] Bonds), all Senior Bonds which have been authenticated and delivered under the Trust Agreement, except:

(a) Senior Bonds cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Senior Bonds deemed to be paid in accordance with the Trust Agreement;

(c) Senior Bonds in lieu of which other Senior Bonds have been authenticated under the Trust Agreement;

(d) Senior Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent;

(e) Senior Bonds which, under the terms of the Supplemental Agreement pursuant to which they were issued, are deemed to be no longer Outstanding; and

(f) for purposes of any consent or other action to be taken by the holders of a specified percentage of Senior Bonds under the Trust Agreement, Senior Bonds held by or for the account of Authority or by any person controlling, controlled by or under common control with the Authority, unless such Senior Bonds are pledged to secure a debt to an unrelated party, in which case such Senior Bonds will, for purposes of consents and other Bondholder action, be deemed to be Outstanding and owned by the party to which such Senior Bonds are pledged.

“*Paired Obligations*” means any Series (or portion thereof) of Bonds or Parity Debt designated as Paired Obligations in the Supplemental Agreement or other document authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (i) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (ii) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Authority for the terms of such Bonds or Parity Debt.

“*Parity Debt*” means any indebtedness, installment sale obligation, lease obligation or other obligation for borrowed money, or any payment obligation under an interest rate swap agreement or other arrangement, in each case having an equal lien and charge upon Pledged Revenues and therefore payable on a parity with the Senior Bonds (whether or not any Bonds are Outstanding).

“*Paying Agent*” or “*Paying Agents*” means, with respect to the Bonds or any Series of Bonds, the banks, trust companies, or other financial institutions or other entities designated in a Supplemental Agreement or a resolution of the Authority as the place where such Bonds will be payable.

“*Permitted Investments*” means:

(a) direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee (“Direct Obligations”);

(b) direct obligations of the Export-Import Bank of the United States; consolidated debt obligations of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (“FHLMCs”); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association (“FNMA”); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association (“GNMA”); senior debt obligations of the Student Loan Marketing Association; local authority bonds of U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; REFCORP Strips (stripped with the Federal Reserve Bank of New York); debt obligations of the Resolution Trust Corporation;

(c) Project Notes, Local Authority Bonds, New Communities Debentures—U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds—U.S. government guaranteed public housing notes and bonds, all either issued or guaranteed by the U.S. Department of Housing and Urban Development and backed by the full faith and credit of the United States of America and rated “A” or better by Moody’s and “A” or better by S&P;

(d) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated “Aa” or better by Moody’s and “AA” or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated “Aa” or better by Moody’s and “AA” or better by S&P;

(e) commercial paper (having original maturities of not more than 270 days) rated “P-1” by Moody’s and “A-1” or better by S&P;

(f) federal funds or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank (including the Trustee) including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which has the highest short-term rating of each Rating Agency then rating any of the Bonds;

(g) deposits of any bank or savings and loan association (including the Trustee) which has combined capital, surplus and undivided profits or not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation (the “FDIC”);

(h) investments in money-market funds rated “AAAm” or “AAAm-G” by S&P;

(i) repurchase agreements collateralized by Direct Obligations, GNMA, FNMA or FHLMCs with any registered broker/dealer or any commercial bank insured by the FDIC, if such broker/dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated “P-1” or “A” or better by Moody’s, and “A-1” or “A” or better by S&P or such bank has an uninsured, unsecured and unguaranteed obligation rated “P-1” or “Aa” or better by Moody’s, and “A-1” or “AA” by S&P, provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction;

(ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent (“Agent”) for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits of not less than \$50 million and the Trustee will have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee;

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee;

(iv) the Agent provides the Trustee with a valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation;

(v) the fair market value of the securities in relation to the principal amount of the repurchase obligation is equal to levels sufficient to cause the repurchase agreement to have a rating equal to the rating on the broker/dealer or bank providing the repurchase agreement; and

(vi) the Authority has the option of terminating the repurchase agreement in the event that either the long-term or short-term ratings of the provider are reduced below "A/A" and "A-1/P-1," respectively;

(j) investment agreements with any bank, insurance company or broker/dealer, or any corporation whose principal business is to enter into such agreements, if at the time of such investment, such insurance company has an unsecured, uninsured and unguaranteed claims paying ability rated "Aaa" by Moody's and "AAA" by S&P, or such corporation has an unsecured, uninsured and unguaranteed investment agreement rated "Aaa" by Moody's and "AAA" by S&P, or such bank has an unsecured, uninsured and unguaranteed obligation rated "Aa" or better by Moody's and "AA" or better by S&P, or such broker/dealer (or its parent) has a long-term unsecured, uninsured and unguaranteed obligation rated "A" or better by Moody's and "A" or better by S&P or a short-term unsecured, uninsured and unguaranteed obligation rated "P-1" by Moody's and "A-1" by S&P; provided that such bank or broker/dealer also collateralize the obligation under the investment agreement with securities described in paragraph (ix) above meeting the requirements of subparagraphs b. through e. of paragraph (ix) above; provided further, that such agreement will include a provision to the effect that if any rating of any such bank, insurance company, broker/dealer (or its parent) or corporation is downgraded below the rating existing at the time such agreement was entered into the Authority will have the right to terminate such agreement;

(k) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (x) of this definition of Permitted Investments and which shares are rated "AA-m" or better by S&P;

(l) deposits in the pooled investment fund maintained by the Treasurer Tax Collector of the County;

(m) subject to the provisions of Section 53601 of the Government Code, any investment approved by the Board of Commissioners of the Authority for which confirmation is received from each Rating Agency then rating any of the Bonds that such investment will not adversely affect such agency's rating on such Bonds; and

(n) any cash sweep or similar account arrangement of or available to the Trustee which is fully insured by the FDIC and the investments of which are limited to investments described in clauses (i) through (xi) of this definition of Permitted Investments, and any money market fund rated in the two highest Rating Categories by Moody's and S&P, the investments of which are limited to investments described in clauses (i) through (xi) of this definition of Permitted Investments.

Notwithstanding anything in the Trust Agreement to the contrary with respect to provisions in this definition which describe the long-term debt rating assigned to a Permitted Investment or to the unsecured obligations of the provider of a Permitted Investment, as the case may be, in no event will such long-term debt rating be less than the long-term debt rating assigned to the Senior Bonds with respect to the investment of amounts held in the Senior Debt Service Fund or the Reserve Fund.

“*Pledged Revenues*” means the Pledged Tax and all interest, profits and other income received from the investment of the Pledged Tax (other than amounts in the Rebate Fund). Pledged Revenues will also include such additional sources of revenue, if any, pledged to pay the Bonds as set forth in a Supplemental Agreement, but only if such revenue is irrevocably pledged and the Authority has received written confirmation from each Rating Agency then rating any of the Bonds that such inclusion of additional sources of revenue in the definition of Pledged Revenues will not result in a lowering or withdrawal of any such rating on any of the Bonds.

“*Pledged Tax*” means the Proposition C Sales Tax (i) less the administrative fee deducted by the Board of Equalization, (ii) less the Local Allocation and Tax, (c) plus such portion, if any, of the Local Allocation as any jurisdiction entitled to such amount has authorized to be pledged to secure the Bonds in accordance with the Trust Agreement.

“*Pre-refunded Municipals*” means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on the escrow, in the highest Rating Category of Moody’s and S&P; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (B) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this definition on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

“*Prior Supplemental Agreements*” means, collectively, the Ninth Supplemental Trust Agreement, dated as of March 1, 2003, the Twelfth Supplemental Trust Agreement, dated as of October 1, 2004, the Thirteenth Supplemental Trust Agreement, dated as of September 1, 2006, the Fourteenth Supplemental Trust Agreement, dated as of June 1, 2008, the Amended and Restated Fifteenth Supplemental Trust Agreement, dated as of February 1, 2012, the Sixteenth Supplemental Trust Agreement, dated as of June 1, 2009, the Eighteenth Supplemental Trust Agreement, dated as of August 1, 2009, the Nineteenth Supplemental Trust Agreement, dated as of October 1, 2009, the Twentieth Supplemental Trust Agreement, dated as of January 1, 2010, the Twenty-First Supplemental Trust Agreement, dated as of January 1, 2010, and the Twenty-Second Supplemental Trust Agreement, dated as of July 1, 2012, each by and between the Authority and the Trustee, for so long as any such Supplemental Agreement remains outstanding and its terms and provisions remain in effect.

“*Projects*” will have the meaning set forth in the Act.

“*Proposition C Sales Tax*” means the retail transactions and use tax imposed by Ordinance No. 49 and approved by the electors of the County at an election held November 6, 1990.

“*Rating Agencies*” means Moody’s, S&P and Fitch.

“*Rating Category*” means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“*Rebate Fund*” means the fund of that name established pursuant to the Trust Agreement.

“*Rebate Requirement*” has the meaning as set forth in the Tax Certificate.

“*Record Date*” means, with respect to any Series of Bonds, the record date as specified in the Supplemental Agreement which provides for the issuance of such Series.

“*Redemption Fund*” means the fund of that name established pursuant to the Trust Agreement.

“*Registrar*” means, with respect to the Bonds or any Series of Bonds, the bank, trust company or other entity designated in a Supplemental Agreement or a resolution of the Authority to perform the function of Registrar under the Trust Agreement or any Supplemental Agreement, and which bank, trust company or other entity has accepted the position in accordance with the Trust Agreement.

“*Reserve Fund*” means the fund of that name established pursuant to the Trust Agreement.

“*Reserve Fund Insurance Policy*” means an insurance policy or surety bond provided by a bond insurer, or a letter of credit, deposited in the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Insurance Policy will be rated in one of the two highest Rating Categories by Moody’s and S&P.

“*Reserve Fund Requirement*” means, with respect to an Account within the Reserve Fund related to any Series of Senior Bonds Outstanding, as of any date of calculation, the least of (i) 10% of the proceeds of such Series of Senior Bonds; (ii) Maximum Annual Debt Service on such Senior Bonds; or (iii) 125% of average Annual Debt Service on such Senior Bonds. For purposes of determining if the amount on deposit in the Reserve Fund meets the Reserve Fund Requirement for all Senior Bonds Outstanding, any Reserve Fund Insurance Policy deposited with the Trustee will be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, less any unreimbursed drawings or other amounts not reinstated under such Reserve Fund Insurance Policy.

“*Responsible Officer*” means an officer of the Trustee assigned by the Trustee to administer the Trust Agreement.

“*Revenue Fund*” means the fund created by the Trust Agreement.

“*Senior Bonds*” and “*Second Senior Bonds*” means Bonds of any Series expressly designated as Senior Bonds or Second Senior Bonds in the Supplemental Agreement pursuant to which they are issued. All references in the Trust Agreement to “Senior Bonds” will be deemed to also mean, include and refer to “Second Senior Bonds”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Second Senior Bonds” will be deemed to also mean, include and refer to “Senior Bonds”.

“*Senior Bond Interest Account*” and “*Second Senior Bond Interest Account*” means the account by that name established within the Senior Debt Service Fund pursuant to the Trust Agreement. All references in the Trust Agreement to “Senior Bond Interest Account” will be deemed to also mean, include and refer to “Second Senior Bond Interest Account”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Second Senior Bond Interest Account” will be deemed to also mean, include and refer to “Senior Bond Interest Account”.

“*Senior Bond Principal Account*” and “*Second Senior Bond Principal Account*” means the account of that name established within the Senior Debt Service Fund pursuant to the Trust Agreement. All references in the Trust Agreement to “Senior Bond Principal Account” will be deemed to also mean,

include and refer to “Second Senior Bond Principal Account”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Second Senior Bond Principal Account” will be deemed to also mean, include and refer to “Senior Bond Principal Account”.

“*Senior Debt Service Fund*” and “*Second Senior Debt Service Fund*” means the fund of that name established pursuant to the Trust Agreement. All references in the Trust Agreement to “Senior Debt Service Fund” will be deemed to also mean, include and refer to “Second Senior Debt Service Fund”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Second Senior Debt Service Fund” will be deemed to also mean, include and refer to “Senior Debt Service Fund”.

“*Senior Deficiency*” and “*Second Senior Deficiency*” means, as of the first day of any calendar month, the amount by which the Aggregate Accrued Senior Interest or Aggregate Accrued Senior Principal, as the case may be, exceeds the amount on deposit in the Senior Bond Interest Account or the Senior Bond Principal Account. All references in the Trust Agreement to “Senior Deficiency” will be deemed to also mean, include and refer to “Second Senior Deficiency”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Second Senior Deficiency” will be deemed to also mean, include and refer to “Senior Deficiency”.

“*Senior Excess Deposit*” and “*Second Senior Excess Deposit*” means, at any time, the amount of Pledged Revenues deposited into the Senior Bond Interest Account or the Senior Bond Principal Account, as the case may be, in excess of the corresponding amount of Aggregate Accrued Senior Interest or Aggregate Accrued Senior Principal. All references in the Trust Agreement to “Senior Excess Deposit” will be deemed to also mean, include and refer to “Second Senior Excess Deposit”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Second Senior Excess Deposit” will be deemed to also mean, include and refer to “Senior Excess Deposit”.

“*Senior Parity Debt*” and “*Second Senior Parity Debt*” means any Parity Debt payable from Pledged Revenues on a parity basis with the Senior Bonds. All references in the Trust Agreement to “Senior Parity Debt” will be deemed to also mean, include and refer to “Second Senior Parity Debt”. All references in a Supplemental Agreement or in any issuing documents for Parity Debt to “Second Senior Parity Debt” will be deemed to also mean, include and refer to “Senior Parity Debt”.

“*Series*” means Bonds issued at the same time or sharing some other common term or characteristic and designated as a separate Series.

“*Series [2013-__] Bonds*” means the \$_____ original principal amount of Senior Bonds issued under the Trust Agreement and the _____ Supplemental Agreement and designated as “Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series [2013-__].”

“*Series [2013-__] Account of the Reserve Fund*” means the account of that name established under and pursuant to the _____ Supplemental Agreement.

“*Series [2013-__] Costs of Issuance Fund*” means the fund of that name established under and pursuant to the _____ Supplemental Agreement.

“*Series [2013-__] Rebate Fund*” means the fund of that name established under and pursuant to the _____ Supplemental Agreement.

“*Series [2013-__] Subaccount of the Senior Bond Interest Account*” means the subaccount of that name established within the Senior Bond Interest Account of the Senior Debt Service Fund pursuant to the _____ Supplemental Agreement.

“*Series [2013-__] Subaccount of the Senior Bond Principal Account*” means the subaccount of that name established within the Senior Bond Principal Account of the Senior Debt Service Fund pursuant to the _____ Supplemental Agreement.

“*S&P*” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and if such corporation will for any reason no longer perform the functions of a securities rating agency, “*S&P*” will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

“*State*” means the State of California.

“*Subaccount*” means any subaccount established pursuant to the Trust Agreement or any Supplemental Agreement.

“*Subordinate Lien Obligation*” means an obligation issued on a subordinate basis to the Bonds and any Parity Debt as permitted by the Trust Agreement and payable from and secured by amounts on deposit in the accounts established within the Subordinate Lien Obligation Fund with respect to such obligation.

“*Supplemental Agreement*” means any supplemental trust agreement then in full force and effect which has been duly approved by resolution of the Authority and signed by the Authority and the Trustee, providing for the issuance of a Series of multiple Series of Bonds, amending and/or supplementing the Trust Agreement, supplementing the Original Trust Agreement, or amending and/or supplementing another Supplemental Agreement.

“*Tax Certificate*” means the Tax Compliance Certificate executed and delivered by the Authority at the time of issuance and delivery of the Series [2013-__] Bonds, as the same may be amended or supplemented in accordance with its terms.

“*Trust Agreement*” means the Amended and Restated Trust Agreement, dated as of January 1, 2010, by and between the Authority and the Trustee, as supplemented by the Prior Supplemental Agreements, and as the same may be further amended and supplemented from time to time by Supplemental Agreements.

“*Trustee*” means U.S. Bank National Association, until a successor replaces it, and thereafter means such successor.

“*_____ Supplemental Agreement*” means the _____ Supplemental Trust Agreement, dated as of _____, 201____, by and between the Authority and the Trustee.

“*Variable Rate Indebtedness*” means any portion of indebtedness the interest rate on which is not established at the time of incurrence of such indebtedness and has not at some subsequent date been established at a single numerical rate for the entire term of the indebtedness, excluding Paired Obligations.

TRUST AGREEMENT

The below summary of the Trust Agreement contains a brief summary of certain basic provisions of the Trust Agreement which are generally applicable to all Bonds. For the Series [2013-__] Bonds, these provisions are supplemented by, and also may in certain instances be modified by, the provisions of the _____ Supplemental Agreement.

Grant to Secure the Bonds; Pledge of Pledged Revenues

The Bonds and Parity Debt authorized and issued under the provisions of the Trust Agreement will be secured by a prior lien on and pledge of Pledged Revenues and all amounts (including proceeds of Bonds and Parity Debt) held by the Trustee under the Trust Agreement or under any Supplemental Agreement, including earnings thereon, and all proceeds of Bonds and Parity Debt, including earnings thereon, held by the Authority in any Fund, Account or Subaccount (except for amounts held in the Rebate Fund and the Redemption Fund and, with respect to Senior Parity Debt, except for amounts held in the Reserve Fund, which Reserve Fund amounts are pledged on a first lien basis only to the payment of the Senior Bonds), and such Bonds and Parity Debt will be of equal rank without preference, priority or distinction of any Bond or Parity Debt over any other Bonds or Parity Debt within such lien priority. The Authority by execution of the Trust Agreement grants such pledge and prior lien on the Pledged Revenues and amounts in such Funds, Accounts and Subaccounts described above to secure the Bonds and Parity Debt, in the order of priority set forth in the Trust Agreement. Such pledge will constitute a first lien on Pledged Revenues and amounts in such Funds, Accounts and Subaccounts described above with respect to the Senior Bonds and Senior Parity Debt. The Authority represents and states that it has not previously created any charge or lien on the Pledged Revenues or the amounts in such Funds, Accounts and Subaccounts described above, and the Authority covenants that, until all the Bonds and Parity Debt authorized and issued under the provisions of the Trust Agreement and the interest thereon will have been paid or are deemed to have been paid, it will not grant any pledge of Pledged Revenues or amounts in such Funds, Accounts and Subaccounts described above ranking senior to the pledge under the Trust Agreement or create or permit to be created any charge or lien on the Pledged Revenues or the amounts in such Funds, Accounts and Subaccounts described above ranking senior to the charge or lien of the Bonds and Parity Debt issued pursuant to the Trust Agreement. The Authority may, as provided in the Trust Agreement, create or permit to be created a charge or lien on the Pledged Revenues ranking junior and subordinate to the charge or lien of the Bonds and Parity Debt issued pursuant to the Trust Agreement.

The Authority covenants that it will not take any action which will have a material adverse effect upon the Pledged Revenues, as pledged in the Trust Agreement, or have a material adverse effect upon the pledge of the Pledged Revenues made therein or the rights of the holders of the Bonds. The Authority covenants that it will not issue any other obligations, except upon the conditions and in the manner provided in the Trust Agreement, payable from or secured by the Pledged Revenues or amounts held by the Trustee or the Authority under the Trust Agreement or under any Supplemental Agreement on a basis on parity with any Bonds or any Parity Debt, and the Authority covenants that it will not voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or any other charge on a basis on parity with the lien held by the holders of any Bonds or any Parity Debt upon the Pledged Revenues, or any part thereof, or amounts held by the Trustee or the Authority under the Trust Agreement or under any Supplemental Agreement (except for amounts held in the Rebate Fund). The Authority may issue obligations on a subordinated basis as provided in a Supplemental Agreement; provided that any such subordinated obligations issued by the Authority and payable from the Pledged Revenues will contain an express statement that such obligations are junior and subordinate in all respects to the Bonds issued under the Trust Agreement as to lien on and source and security for payment from the Pledged Revenues. The Authority will be unconditionally and irrevocably obligated, so long as any of the Bonds are Outstanding and unpaid, to take all lawful action necessary or required to continue to entitle the

Authority to receive the Pledged Revenues at the same rates as now provided by law to pay from the Pledged Revenues the principal of and interest on the Bonds and to make the other payment provided for in the Trust Agreement.

Payment of Principal and Interest

The Authority covenants and agrees that it will duly and punctually pay or cause to be paid from the Pledged Revenues and to the extent thereof the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner specified in the Trust Agreement and in the Bonds, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements contained in the Trust Agreement and in the Bonds. The Authority may, in its discretion, provide funds other than Pledged Revenues to the Trustee to be used to pay principal of, premium, if any, and interest on the Bonds, but is under no obligation to do so.

Additional Senior Bonds

Upon compliance with the terms of the Trust Agreement, the Authority is permitted to issue Senior Bonds or Senior Parity Debt under the Trust Agreement secured on a parity by and payable from the Pledged Revenues. Bonds may be issued by the Authority under the terms of the Trust Agreement for any purpose for which the Authority, at the time of such issuance, may incur debt which, if the Authority may then otherwise do so, may include issuing Bonds and loaning the proceeds to other entities.

As a condition to the issuance of any Senior Bonds or Senior Parity Debt subsequent to the issuance of the initial Bonds issued under the Trust Agreement, there will first be delivered to the Trustee a certificate prepared by a Consultant showing that the Pledged Tax collected for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed Senior Bonds or Senior Parity Debt was at least equal to 130% of Maximum Annual Debt Service for all Bonds and Parity Debt which will be Outstanding immediately after the issuance of the proposed Senior Bonds or Senior Parity Debt.

If any city or the County has authorized the pledging of all or a portion of its share of the Local Allocation to secure the Bonds or Parity Debt and a certified copy of the ordinance, resolution or other official action authorizing the pledge and setting forth the terms of such pledge (including its duration, which will not be less than the term of any Bonds or Parity Debt then issued and Outstanding or currently proposed to be issued) and a written opinion of Bond Counsel that the pledge of such portion of the Local Allocation is a valid pledge of the Authority have been filed with the Trustee, then the reference to the Pledged Tax in the immediately preceding paragraph will include such pledged portion of the Local Allocation.

The certificate described above will not be required if the Senior Bonds or Senior Parity Debt being issued are for the purpose of refunding then Outstanding Bonds or Parity Debt and there is delivered to the Trustee, instead, a certificate of the Authorized Authority Representative showing that Annual Debt Service in each year on all Bonds Outstanding and Parity Debt after the issuance of the refunding Senior Bonds or Senior Parity Debt will not exceed Annual Debt Service in each year on all Bonds Outstanding and Parity Debt prior to the issuance of such Senior Bonds or Senior Parity Debt.

If the Authority is issuing Parity Debt, the following additional documents must be filed with the Trustee:

- (a) a certificate of an Authorized Authority Representative stating that no Event of Default has occurred and is continuing;

(b) the certificate of the Consultant required by the Trust Agreement or, if the Parity Debt to be issued is for refunding Outstanding Bonds or Parity Debt, the certificate of an Authorized Authority Representative described therein;

(c) an opinion of Bond Counsel to the effect that such Parity Debt has been duly authorized in accordance with applicable law and that the issuance of such Parity Debt and the intended expenditure of the proceeds thereof will not adversely affect the tax-exempt status of any Bonds Outstanding immediately after such issuance which purport to bear interest which is excluded from gross income for federal income tax purposes; and

(d) a transcript of the proceedings providing for the issuance of such Parity Debt, including issuing documents which designate the Trustee as a paying agent or trustee for such Parity Debt (but the Trustee will not be responsible for the validity of sufficiency of such proceedings or such Parity Debt).

Subordinated Obligations

The Authority may issue obligations on a subordinated basis as provided in a Supplemental Agreement; provided that any such subordinated obligations issued by the Authority and payable from the Pledged Revenues will contain an express statement that such obligations are junior and subordinate in all respects to the Bonds issued under the Trust Agreement as to lien on and source and security for payment from the Pledged Revenues.

Funds and Accounts

The Trust Agreement creates the Construction Fund containing a Discretionary Account, a Rail and Bus Security Account, a Commuter Rail and Transit Center Account, a Freeways and State Highway Account and a Cost of Issuance Account; the Revenue Fund; the Senior Debt Service Fund containing a Senior Bond Interest Account and a Senior Bond Principal Account; the Reserve Fund, a Subordinate Lien Obligation Fund; the Redemption Fund; the Rebate Fund; an account within the Reserve Fund; and subaccounts within the Costs of Issuance Account, the Discretionary Account and the Commuter Rail and Transit Center Account.

The Trust Agreement provides that the moneys in each of such funds and accounts and in the Construction Fund, if held by the Trustee, will be held by the Trustee in trust and applied as hereinafter provided with regard to each such fund and account and, pending such application, will be subject to a lien and charge in favor of the holders of the Bonds issued and Outstanding under the Trust Agreement and for the further security of such holders until paid out or transferred as provided in the Trust Agreement

Revenue Fund; Flow of Pledged Revenues. The Trustee will, on each day that Pledged Revenues are deposited into the Revenue Fund, as provided in the Trust Agreement, withdraw from the Revenue Fund an amount sufficient, with any other funds, if any, provided to the Trustee and previously used in such month to make such deposits, to make the deposits described in paragraphs (a) through (d), inclusive, below and deposit such sum so withdrawn to the credit of the following accounts in the following order of priority:

(a) to the credit of the Senior Bond Interest Account an amount equal to the Aggregate Accrued Senior Interest for the current calendar month less any Senior Excess Deposit made with respect to the last preceding calendar month plus any Senior Deficiency existing on the first day of such calendar month plus any amount of interest which has become due and has not

been paid and for which there are insufficient funds in the Senior Bond Interest Account or another special account to be used to make such payment;

(b) to the credit of the Senior Bond Principal Account an amount equal to the Aggregate Accrued Senior Principal for the current calendar month less any Senior Excess Deposit made with respect to the last preceding calendar month plus any Accrued Senior Premium and any Senior Deficiency existing on the first day of such calendar month plus any amount of principal which has become due and has not been paid and for which there are insufficient funds in the Senior Bond Principal Account or another special account to be used to make such payment;

(c) to the credit of the Reserve Fund such portion of the balance, if any, remaining after making the deposits described in paragraphs (a) and (b) above to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement for all Senior Bonds Outstanding (including such amounts required to reimburse draws on any Reserve Fund Insurance Policy), or if the entire balance is less than the amount necessary, then the entire balance will be deposited into the Reserve Fund, and such amounts will be used to reimburse draws on any Reserve Fund Insurance Policy prior to replenishing the cash or Permitted Investments formerly on deposit therein; and

(d) if the Authority has incurred a Subordinate Lien Obligation, to the Subordinate Lien Obligation Fund to the credit of accounts to be created within the Subordinate Lien Obligation Fund by the Trustee pursuant to this paragraph (d) for the deposit of funds to pay Subordinate Lien Obligations. The Trustee is instructed to create accounts within the Subordinate Lien Obligation Fund for each type of Subordinate Lien Obligation as such obligations arise and to credit such accounts in such amounts and at such times as will be needed to provide for payment of such Subordinate Lien Obligations under the Supplemental Agreement or Supplemental Agreements relating to such obligations. The credit of Pledged Revenues to such accounts will be made in accordance with the rank of the pledge created by such Subordinate Lien Obligations. Notwithstanding the foregoing, however, if there will be insufficient Pledged Revenues in any Fiscal Year to make all of the foregoing deposits, such Pledged Revenues will be allocated to the accounts within the Subordinate Lien Obligation Fund on a pro rata basis based on the amounts required to be deposited therein during such Fiscal Year among all such Subordinate Lien Obligations issued or entered into on a parity basis and in accordance with the rank of the pledge created by such Subordinate Lien Obligations.

Any Pledged Revenues remaining after making the deposits described in paragraphs (a) through (d) above will immediately be transferred to the Authority for use for any lawful purpose and will no longer be "Pledged Revenues." If, by the twenty-fifth day of any month, the Trustee has not received the Pledged Tax from the Board of Equalization in amounts necessary to make the deposits required by paragraphs (a) through (d) above, the Trustee will immediately notify the Authority. If Pledged Revenues are at any time insufficient to make the deposits required by the Trust Agreement, or at any time, the Authority may, at its election, deposit with the Trustee funds from any available sources with the direction that such funds be deposited into specified Funds, Accounts and Subaccounts held by the Trustee.

Debt Service Funds. In addition to the amounts deposited into the Accounts described in paragraphs (a) and (b) above, the Trustee may accept and deposit into the Senior Debt Service Fund other amounts from the Authority or from other sources to be used for regularly scheduled principal and interest payments or for the redemption of Bonds or Parity Debt. There will be withdrawn from the Senior Bond Interest Account and the Senior Bond Principal Account from time to time and set aside or deposited with

the applicable Paying Agent or Paying Agents sufficient money for paying the interest on the Senior Bonds and Senior Parity Debt and the principal of and premium on the Senior Bonds and Senior Parity Debt as the same will fall due, or if such interest, principal or premium is paid by or through a form of liquidity support, credit enhancement, interest rate swap agreement or other arrangement provided therefor, amounts in the Senior Bond Interest Account and Senior Bond Principal Account may, if so provided by Supplemental Agreement, be used to reimburse such amounts to the party providing such credit enhancement, liquidity support, interest rate swap agreement or other arrangement.

Reserve Fund. Moneys held in the Reserve Fund will be used for the purpose of paying principal and/or interest on the Senior Bonds if the amounts in either of the Accounts mentioned in paragraphs (a) and (b) in “Revenue Fund; Flow of Pledged Revenues” above will on any date be insufficient to pay in full the interest and principal due on such date. Investments in the Reserve Fund may not have maturities extending beyond five years. On or about July 1 of each year, commencing July 1, 1993, the Trustee will value the Reserve Fund at the then current market value in a manner satisfactory to the Trustee. If, on any valuation of the Reserve Fund, the value of the Reserve Fund will exceed the Reserve Fund Requirement for all Senior Bonds Outstanding, such excess will be withdrawn and transferred to the Authority to be used for any lawful purpose. In addition, at such time as any Senior Bonds will be paid in full or deemed to have been paid in full, or are otherwise no longer Outstanding, the Trustee will value the Reserve Fund, and if the amount on deposit in the Reserve Fund after such Senior Bonds are paid in full or deemed to have been paid in full, or are otherwise no longer Outstanding, exceeds the Reserve Fund Requirement for all Senior Bonds Outstanding, such excess will be withdrawn and transferred to the Authority to be used for any lawful purpose. If, on any valuation of the Reserve Fund, the value is less than the Reserve Fund Requirement for all Senior Bonds Outstanding, deposits will be made into the Reserve Fund from and to the extent of Pledged Revenues as provided in paragraph (c) in “Revenue Fund; Flow of Pledged Revenues” above (after deposits provided in paragraphs (a) and (b) in “Revenue Fund; Flow of Pledged Revenues” above have been made) until the Reserve Fund Requirement for all Senior Bonds Outstanding is met.

Redemption Fund. All moneys deposited by the Authority with the Trustee for the purpose of optionally redeeming Bonds of any Series will, unless otherwise directed by the Authority, be deposited in the Redemption Fund. Moneys held by the Trustee in an Account or Subaccount of the Construction Fund upon closing of such Account or Subaccount will, unless otherwise directed by the Authority, be transferred to the Redemption Fund as provided in the Supplemental Agreement creating such Account or Subaccount. All amounts deposited in the Redemption Fund than be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series, in the manner, at the times and upon the terms and conditions specified in the Supplemental Agreement pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee will, upon receipt of written instructions from an Authorized Authority Representative, apply such amounts to the purchase of Bonds of such Series at public or private sale, as and when and at such prices (including brokerage and other charges) as directed by the Authority.

Investments

Moneys held by the Trustee in Funds, Accounts and Subaccounts will be invested and reinvested as directed by the Authority solely in Permitted Investments, subject to the restrictions set forth in the Trust Agreement and in any Supplemental Agreement and subject to the investment restrictions imposed upon the Authority by the laws of the State. In addition to investing in Permitted Investments, the Authority may enter into an interest rate swap agreement corresponding to the interest rate or rates payable on a Series of Bonds or Parity Debt or any portion thereof, and the amounts received by the Authority or the Trustee, if any, pursuant to such a swap agreement may be applied to the deposits required under the Trust Agreement.

Defeasance

Bonds or portions thereof (such portions to be in integral multiples of the Authorized Denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Trust Agreement except for the purposes of payment from moneys, Federal Securities or Pre-refunded Municipals. When all Bonds which have been issued under the Trust Agreement have been paid in full or are deemed to have been paid in full, and all other sums payable under the Trust Agreement by the Authority, including all necessary and proper fees, compensation and expenses of the Trustee, any Registrars and any Paying Agents, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the Pledged Revenues will thereupon cease, terminate and become void, and thereupon the Trustee will cancel, discharge and release the Trust Agreement, will execute, acknowledge and deliver to the Authority such instruments of satisfaction and discharge or release as will be requisite to evidence such release and such satisfaction and discharge and will assign and deliver to the Authority any property and revenues at the time subject to the Trust Agreement which may then be in the Trustee's possession, except funds or securities in which such funds are invested and held by the Trustee or the Paying Agents for the payment of the principal of, premium, if any, and interest on the Bonds and will deliver to the Board of Equalization such instructions or certificates as will be needed to cause the Board of Equalization to pay the Pledged Tax directly to the Authority or its agent and not to the Trustee.

A Bond will be deemed to be paid within the meaning of and for all purposes of the Trust Agreement when (a) payment with respect thereto of the principal, interest and premium, if any, either (i) will have been made or caused to be made in accordance with the terms of the Bonds and the Trust Agreement; or (ii) will have been provided for, as certified to the Trustee by a Consultant, by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment: (1) moneys sufficient to make such payment; (2) Federal Securities maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment; and/or (3) Pre-refunded Municipals, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment; and (b) all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent pertaining to the Bonds with respect to which such deposit is made will have been paid or provision made for the payment thereof. At such times as Bonds will be deemed to be paid under the Trust Agreement, such Bonds will no longer be secured by or entitled to the benefits of the Trust Agreement, except for the purposes of payment from such moneys, Federal Securities or Pre-refunded Municipals. No deposit under (a)(ii) will be deemed a payment of such Bonds until (a) proper notice of redemption of such Bonds will have been given in accordance with the Trust Agreement, or in the event such Bonds are not to be redeemed within the next succeeding 60 days, until the Authority will have given the Trustee irrevocable instructions to notify, as soon as practicable, the holders of the Bonds in accordance with the Trust Agreement, that the deposit required by (a)(ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and unpaid interest on such Bonds; or (b) the maturity of such Bonds.

Events of Default and Remedies

Events of Default. Each of the following events will constitute and is referred to in the Trust Agreement as an "Event of Default":

- (a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Bonds when such interest will become due and payable;

(c) a failure to pay the purchase price of any Bond when such purchase price will be due and payable upon an optional or mandatory tender date as provided in the Bond;

(d) a failure by the Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) contained in the Bonds or in the Trust Agreement on the part of the Authority to be observed or performed, which failure will continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Authority by the Trustee; provided, however, that the Trustee will be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority within such period and is being diligently pursued;

(e) if the Authority files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(f) if a court of competent jurisdiction will enter an order, judgment or decree declaring the Authority insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Authority, or approving a petition filed against the Authority seeking reorganization of the Authority under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree will not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

(g) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Authority or of the Pledged Revenues, and such custody or control will not be terminated within 60 days from the date of assumption of such custody or control; or

(h) the occurrence of any other Event of Default as is provided in a Supplemental Agreement.

Upon its actual knowledge of the occurrence of any Event of Default, the Trustee will immediately give written notice thereof to the Authority.

Remedies. Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Authority to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Trust Agreement; provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Trust Agreement;

(b) bring suit upon the defaulted Bonds;

(c) commence an action or suit in equity to require the Authority to account as if it were the trustee of an express trust for the Bondholders; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

Bondholder's Right to Direct Proceedings. Anything in the Trust Agreement to the contrary notwithstanding, holders of a majority in principal amount of the Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Trust Agreement to be taken in connection with the enforcement of the terms of the Trust Agreement or exercising any trust or power conferred on the Trustee by the Trust Agreement; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Trust Agreement and that there will have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee; provided further that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Debt not parties to such direction.

Limitation on Bondholders' Right to Institute Proceedings. No owner of any Bond will 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 Trust Agreement, the Act or any other applicable law with respect to such Bond, unless (a) such owner will have given to the Trustee written notice of the occurrence of an Event of Default; (b) the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such suit, action or proceeding in its own name; (c) such owner or said owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee will have refused or failed to comply with such request for a period of 60 days after such written request will have been received by and said tender of indemnity will have been made to, the Trustee; and (e) the Trustee will not have received contrary directions from the owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Rights and Duties of the Trustee; Other Agents

If an Event of Default under the Trust Agreement has occurred and is continuing the Trustee will exercise its rights and powers 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. Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in the Trust Agreement and no others and, in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Trust Agreement. However, the Trustee will examine the certificates and opinions to determine whether they conform to the requirements of the Trust Agreement.

The Trust Agreement states that the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; the Trustee will not be liable with respect to any action it takes or fails to take in good faith in accordance with a direction received by it from Bondholders or the Authority in the manner provided in the Trust Agreement; and no provision of the Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder or in the exercise of any of its rights or powers if repayment of such funds or adequate

indemnity against such risk or liability is not reasonably assured to it. The Trustee will not be liable for interest on any cash held by it except as the Trustee may agree with the Authority.

The Authority or the Trustee may from time to time appoint other agents to perform duties and obligations under the Trust Agreement or under a Supplemental Agreement, which agents may include, but not be limited to, tender agents (which will be limited to commercial banks with trust powers), remarketing agents and authenticating agents all as provided by Supplemental Agreement or resolution of the Authority.

Replacement of Trustee

The Trustee may resign as trustee by notifying the Authority in writing prior to the proposed effective date of the resignation. The holders of a majority in principal amount of the Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the Authority's consent. The Authority may remove the Trustee, by notice in writing delivered to the Trustee 60 days prior to the proposed removal date; provided, however, that the Authority will have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing unless (i) the Trustee fails to comply with the Trust Agreement, (ii) the Trustee is adjudged a bankruptcy or an insolvent, (iii) a receiver or other public officer takes charge of the Trustee or its property, (iv) the Trustee otherwise becomes incapable of acting, or (v) the Authority determines that the Trustee's services are no longer satisfactory to the Authority. No resignation or removal of the Trustee will be effective until a new Trustee has taken office.

Amendments

Without the Consent of Bondholders. The Authority may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Agreements supplementing and/or amending the Trust Agreement or any Supplemental Agreement as follows:

- (a) to provide for the issuance of a Series or multiple Series of Bonds under the provisions of the Trust Agreement and to set forth the terms of such Bonds and the special provisions which will apply to such Bonds;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in the Trust Agreement or any Supplemental Agreement;
- (c) to add to the covenants and agreements of the Authority in the Trust Agreement or any Supplemental Agreement other covenants and agreements, or to surrender any right or power reserved or conferred upon the Authority, and which will not adversely affect the interests of the Bondholders;
- (d) to confirm, as further assurance, any interest of the Trustee in and to the Pledged Revenues or in and to the Funds, Accounts and Subaccounts held by the Trustee or in and to any other moneys, securities or funds of the Authority provided pursuant to the Trust Agreement or to otherwise add additional security for the Bondholders;
- (e) to evidence any change made in the terms of any Series of Bonds if such change is authorized by and such change is made in accordance with the terms of the Supplemental Agreement relating to such Series of Bonds;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(g) to modify, alter, amend or supplement the Trust Agreement or any Supplemental Agreement in any other respect which, in the judgment of the Authority, is not materially adverse to the Bondholders;

(h) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(i) to qualify the Bonds or a Series of Bonds for a rating or ratings by any Rating Agency; and

(j) to comply with the requirements of the Code as are necessary, opinion of Bond Counsel, to prevent the federal income taxation of the interest on any of the Bonds which purport to bear interest which is excluded from gross income for federal income tax purposes.

Before the Authority, without Bondholder consent, executes any Supplemental Agreement subsequent to the First Supplemental Trust Agreement, there will have been delivered to the Authority an opinion of Bond Counsel stating that such Supplemental Agreement (i) is authorized or permitted by the Trust Agreement, the Act and other applicable law; (ii) complies with their respective terms; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and will not adversely affect the status of interest on Bonds which purport to bear interest which is excluded from gross income for federal income tax purposes.

With the Consent of Bondholders. Except for amendments described above or amendments affecting less than all of a Series of Bonds as described in the following paragraph, the holders of not less than 60% in aggregate principal amount of the Bonds then Outstanding will have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Agreement deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in a Supplemental Agreement; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding or unless such change affects less than all Series of Bonds and the following paragraph is applicable, no amendment may (a) change the times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds; or (b) reduce the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and no amendment will, unless approved in writing by the holders of all the Bonds then Outstanding, permit or be construed as permitting (x) the creation of a lien (except as expressly permitted by the Trust Agreement as originally executed) upon or pledge of the Pledged Revenues created by the Trust Agreement, ranking prior to or on a parity with any of the liens and pledges created by the Trust Agreement; (y) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided in the Trust Agreement; or (z) a reduction in the aggregate principal amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Agreement.

The Authority may, from time to time and at any time execute a Supplemental Agreement which amends the provisions of an earlier Supplemental Agreement under which a Series or multiple Series of Bonds were issued. If such Supplemental Agreement is executed for one of the purposes set forth under the caption “Amendments—Without Consent of Bondholders,” no notice to or consent of the Bondholders will be required. If such Supplemental Agreement contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding, then the holders of not less than 60% in

aggregate principal amount of the Bonds of all Series which are affected by such changes will have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Agreement deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Agreement and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Bonds of all the affected Series then Outstanding, no amendment may (i) change the times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds of such Series; or (ii) reduce the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon.

Rebate Fund

The Trust Agreement creates a Rebate Fund established for the purpose of complying with the terms and requirements of the Nonarbitrage Certificate. Subject to the transfer provisions provided in the following paragraph, all money at any time deposited in the Rebate Fund will be held by the Trustee for the account of the Authority in trust, to the extent required to satisfy the rebate requirement (as defined in each Nonarbitrage Certificate), for payment to the federal government of the United States of America, and neither the Trustee nor any Bondholder will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the Trust Agreement and by each Nonarbitrage Certificate. The Authority covenants to comply with the directions contained in each Nonarbitrage Certificate and the Trustee covenants to comply with all written instructions of the Authority delivered to the Trustee pursuant to a Nonarbitrage Certificate (which instructions will state the actual amounts to be deposited in or withdrawn from the Rebate Fund and will not require the Trustee to make any calculations with respect thereto).

Upon receipt of the rebate instructions required to be delivered to the Trustee by each Nonarbitrage Certificate, the Trustee will remit part or all of the balance in the Rebate Fund to the federal government of the United States of America, as so directed. In addition, if the rebate instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such Funds, Accounts or Subaccounts as directed by the rebate instructions. Any funds remaining in the Rebate Fund after payment and satisfaction of any rebate requirement will be withdrawn and remitted to the Authority in accordance with the written request of an Authorized Authority Representative.

Tax Covenants

In order to maintain the tax-exempt status of Bonds which purport to bear interest which is excluded from gross income for federal income tax purposes, the Authority will make all calculations relating to any rebate of excess investment earnings on the proceeds of such Bonds due to the United States Treasury in a reasonable and prudent fashion and will segregate and set aside the lawfully available amounts such calculations indicate may be required to be paid to the United States Treasury, and otherwise will at all times do and perform all acts and things within its power and authority necessary to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the Authority agrees to comply with each Nonarbitrage Certificate. The Trustee, by acceptance of its duties under the Trust Agreement, agrees to comply with any instructions received from the Authority which the Authority indicates must be followed in order to comply with a Nonarbitrage Certificate.

In the event that at any time the Authority is of the opinion that for purposes of maintaining the tax-exempt status of the Bonds it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority will so instruct the Trustee in writing, and the Trustee will take such action as may be directed in accordance with such instructions.

Notwithstanding the two foregoing paragraphs, if the Authority will receive an opinion of Bond Counsel to the effect that any action required under the Trust Agreement is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on such Bonds pursuant to Section 103 of the Code, the Authority and the Trustee may rely conclusively on such opinion in complying with the provisions the Trust Agreement, and the covenants thereunder will be deemed to be modified to that extent.

_____ SUPPLEMENTAL AGREEMENT

The below summary of the _____ Supplemental Agreement contains a brief summary of certain basic provisions of the _____ Supplemental Agreement.

Terms of the Series [2013-__] Bonds

The _____ Supplemental Agreement sets forth the terms of the Series [2013-__] Bonds, most of which terms are described earlier in this Official Statement under the caption “DESCRIPTION OF THE SERIES [2013-__] BONDS.”

Series [2013-__] Rebate Fund

The Authority has agreed that it will instruct the Trustee to establish and maintain the Series [2013-__] Rebate Fund for the purpose of complying with certain provisions of the Code which require that the Authority pay to the United States of America the excess, if any, of the amounts earned on certain funds held with respect to the Series [2013-__] Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Series [2013-__] Bonds all as set forth in the Tax Certificate. In accordance with the Tax Certificate, such excess is to be deposited into the Series [2013-__] Rebate Fund and periodically paid to the United States of America. The Series [2013-__] Rebate Fund to be held by the Trustee under the terms of the _____ Supplemental Agreement will be held in trust to the extent required to satisfy the Rebate Requirement, for the account of the Authority, and will not be pledged as security for nor be available to make payment on the Series [2013-__] Bonds.

Separate Funds and Accounts

The _____ Supplemental Agreement creates, among other funds and accounts, the Series [2013-__] Costs of Issuance Fund, the Series [2013-__] Account of the Reserve Fund, the Series [2013-__] Subaccount of the Senior Bond Interest Account and the Series [2013-__] Subaccount of the Senior Bond Principal Account.

Investments

Notwithstanding anything to the contrary in the Trust Agreement, any moneys held by the Trustee in the funds and accounts created under the _____ Supplemental Agreement may be invested (a) in any investments permitted by the California Government Code; and (b) in any investment agreement, deposit agreement or any such other similar agreement as approved by any Authorized Authority Representative.

Tax Covenants

The Authority has agreed at all times to do and perform all acts and things permitted by law and the _____ Supplemental Agreement which are necessary or desirable in order to assure that interest

paid on the Series [2013-___] Bonds will be exempt from federal income taxes and that the Authority will take no action that would result in such interest not being exempt from federal income taxes.

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APPENDIX D

PROPOSED RESERVE FUND AMENDMENTS TO TRUST AGREEMENT

(Additions to the Trust Agreement are show in **bold and double underline** and deletions are shown in ~~strikethrough~~)

The Proposed Reserve Fund Amendments may not take effect until the Consent Requirement is met. See “INTRODUCTION—Proposed Amendments to Trust Agreement Relating to Reserve Fund.”

ARTICLE I – DEFINITIONS; INTERPRETATIONS

The definition of “Reserve Fund Insurance Policy” will be amended to read as follows:

“Reserve Fund Insurance Policy” shall mean an insurance policy or surety bond provided by a bond insurer, or a letter of credit, deposited in the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Insurance Policy shall be rated, **at the time such policy is delivered,** in one of the two highest Rating Categories by Moody’s and S&P.

Section 4.06. Withdrawals From Debt Service Funds and Reserve Fund; Valuation of the Reserve Fund.

Section 4.06 of the Trust Agreement will be amended to read as follows:

Section 4.06. Withdrawals From Debt Service Funds and Reserve Fund; Valuation of the Reserve Fund.

(a) In addition to the amounts deposited into the Accounts described in clause (i) through (iv) of Section 4.05(a) hereof, the Trustee may accept and deposit into the Senior Debt Service Fund other amounts from the Authority or from other sources to be used for regularly scheduled principal and interest payments or for the redemption of Bonds or Parity Debt. There shall be withdrawn from the Senior Bond Interest Account and the Senior Bond Principal Account from time to time and set aside or deposited with the applicable Paying Agent or Paying Agents sufficient money for paying the interest on the Senior Bonds and Senior Parity Debt and the principal of and premium on the Senior Bonds and Senior Parity Debt as the same shall fall due, or if such interest, principal or premium is paid by or through a form of liquidity support, credit enhancement, interest rate swap agreement or other arrangement provided therefor, amounts in the Senior Bond Interest Account and Senior Bond Principal Account may, if so provided by Supplemental Agreement, be used to reimburse such amounts to the party providing such credit enhancement, liquidity support, interest rate swap agreement or other arrangement. For purposes of complying with the allocation requirements of Ordinance No. 49, the payment of principal and interest with respect to any Bonds and Parity Debt shall be deemed to be an expenditure of Proposition C Sales Tax receipts corresponding to the allocation of the proceeds of such Bonds and Parity Debt.

(b) If amounts in the Senior Debt Service Fund are insufficient to pay such interest, principal or premium with respect to any Senior Bonds as the same shall fall due, or on any

earlier day as provided in any Reserve Fund Insurance Policy, the Trustee shall immediately transfer amounts available in the Reserve Fund to the Senior Debt Service Fund to pay such deficiency, and shall immediately notify the Authority of such transfer. If amounts in the Reserve Fund consist of both cash and one or more Reserve Fund Insurance Policies, the Trustee shall first transfer all of such cash prior to making a draw on any Reserve Fund Insurance Policy, and thereafter shall make pro rata draws upon each of such Reserve Fund Insurance Policies.

(c) Moneys held in the Reserve Fund shall be used for the purpose of paying principal and/or interest on the Senior Bonds if the amounts in either of the Accounts mentioned in clauses (iii) and (iv) of Section 4.05(a) shall on any date be insufficient to pay in full the interest and principal due on such date. Investments in the Reserve Fund may not have maturities extending beyond five years. On or about July 1 of each year, commencing July 1, 1993, the Trustee shall value the Reserve Fund at the then current market value in a manner satisfactory to the Trustee. If, on any valuation of the Reserve Fund, the value of the Reserve Fund shall exceed the Reserve Fund Requirement for all Senior Bonds Outstanding, such excess shall be withdrawn and transferred to the Authority to be used for any lawful purpose. In addition, at such time as any Senior Bonds shall be paid in full or deemed to have been paid in full, or are otherwise no longer Outstanding, the Trustee shall value the Reserve Fund, and if the amount on deposit in the Reserve Fund after such Senior Bonds are paid in full or deemed to have been paid in full, or are otherwise no longer Outstanding, exceeds the Reserve Fund Requirement for all Senior Bonds Outstanding, such excess shall be withdrawn and transferred to the Authority to be used for any lawful purpose. **Except as otherwise provided in paragraph (d) below,** if, on any valuation of the Reserve Fund, the value is less than the Reserve Fund Requirement for all Senior Bonds Outstanding, deposits shall be made into the Reserve Fund from and to the extent of Pledge Revenues as provided in Section 4.05(a)(v) **hereof** (after deposits provided in clauses (i) through (iv) of Section 4.05(a) hereof have been made) until the Reserve Fund Requirement for all Senior Bonds Outstanding is met.

(d) Notwithstanding the last sentence of paragraph (c) above, if a Reserve Fund Insurance Policy has been deposited to the Reserve Fund, the Authority hereby agrees that, if, at the time of valuation of the Reserve Fund, the entity providing such Reserve Fund Insurance Policy is not rated in one of the three highest Rating Categories by Moody's and S&P, deposits shall be made into the Reserve Fund from and to the extent of Pledge Revenues (after deposits provided in clauses (i) through (iv) of Section 4.05(a) hereof have been made), at such times and in such amounts as directed by the Authority, until (but in no event later than thirty-six (36) months following such valuation date) an amount equal to the face value of such Reserve Fund Insurance Policy has been deposited to the Reserve Fund.

APPENDIX E

FORM OF BOND COUNSEL APPROVING OPINION

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the Los Angeles County Metropolitan Transportation Authority (the “Authority”) in connection with the issuance of its \$_____ Proposition C Sales Tax Revenue [Refunding] Bonds, Senior Bonds, Series [2013-__] (the “Series [2013-__] Bonds”) pursuant to the terms of the Agreement (as defined herein). The Authority covenants and agrees as follows:

Section 1. Definitions.

“*Agreement*” collectively, the Amended and Restated Trust Agreement, dated as of January 1, 2010, by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), and the _____ Supplemental Trust Agreement, dated as of _____, 201__, by and between the Authority and the Trustee.

“*Annual Information*” means the information specified in Section 4 hereof.

“*EMMA System*” means the MSRB’s Electronic Municipal Market Access system or any successor nationally recognized municipal securities information repositories recognized by the Securities and Exchange Commission for the purposes referred to in Rule 15c2-12.

“*Holder*” means any registered owner of Series [2013-__] Bonds and any beneficial owner of Series [2013-__] Bonds within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

“*Listed Events*” means any of the events listed in Section 5 hereof.

“*MSRB*” means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“*Official Statement*” means the Official Statement, dated _____, 201__, prepared and distributed in connection with the initial sale of the Series [2013-__] Bonds.

“*Rule 15c2-12*” means Rule 15c2-12, as amended through the date of this Certificate, as promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

Section 2. Purpose of the Certificate. This Certificate is being executed and delivered by the Authority pursuant to Rule 15c2-12 for the benefit of the Holders of the Series [2013-__] Bonds in order to assist the participating underwriters in complying with Rule 15c2-12.

Section 3. Provision of Annual Information.

(a) The Authority shall, not later than 195 days following the end of each Fiscal Year of the Authority (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year 2013, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, the Annual Information relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which

Annual Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that any audited financial statements may be submitted separately from the balance of the Annual Information and later than the date required above for the filing of the Annual Information if they are not available by that date. If the Fiscal Year for the Authority changes, the Authority shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If in any year, the Authority does not provide the Annual Information to the MSRB by the time specified above, the Authority shall instead file a notice to the MSRB through the EMMA System stating that the Annual Information has not been timely completed and, if known, stating the date by which the Authority expects to file the Annual Information.

Section 4. Content of Annual Information. The Annual Information shall contain or incorporate by reference the following:

(a) The audited financial statements of the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as in effect from time to time and as applied to governmental units. If the Authority's audited financial statements are not available by the time the Annual Information is required to be filed pursuant to Section 3(a) hereof, the Annual Information shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Information when they become available.

(b) updated historical information of the type set forth in "TABLE 3—Historic Net Proposition C Sales Tax Receipts, Local Allocations, Pledged Revenues and Debt Service Coverage" of the Official Statement; and

(c) updated information of the type set forth in "TABLE 6—Los Angeles County Metropolitan Transportation Authority, Combined Debt Service Schedule Senior Bonds" of the Official Statement, but only the information in the columns under the heading "Series [2013-__] Bonds Debt Service" and the information under the column entitled "Combined Total Debt Service Senior Bonds" and only to the extent the information in these columns has changed.

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 Authority or related public entities, that have been submitted to the MSRB through the EMMA System.

Section 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series [2013-__] Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions with respect to the tax status of the Series [2013-__] Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Series [2013-__] Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series [2013-__] Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series [2013-__] Bonds or other material events affecting the tax status of the Series [2013-__] Bonds;
2. Modifications to rights of the Owners of the Series [2013-__] Bonds;
3. Optional, unscheduled or contingent bond calls;
4. Release, substitution or sale of property securing repayment of the Series [2013-__] Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Authority shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Authority shall determine if such event would be material under applicable federal securities laws.

(e) If the Authority learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Authority shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series [2013-__] Bonds pursuant to the Agreement.

Section 6. Remedies. If the Authority shall fail to comply with any provision of this Certificate, then any Holder may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding in law or in equity, this Certificate against the Authority and any of the officers, agents and employees of the Authority, and may compel the Authority or any such officers, agents or employees to perform and carry out their duties under this Certificate; provided that the sole and exclusive remedy for breach of this Certificate shall be an action to compel specific performance of the obligations of the Authority hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and, provided further, that any challenge to the adequacy of any information provided pursuant to Section 4 or 5 hereof may be brought only by the Holders of 25% in aggregate principal amount of the Series [2013-__] Bonds at the time outstanding. A failure by the Authority to comply with the provisions of this Certificate shall not constitute an Event of Default under the Agreement.

Section 7. Parties in Interest. This Certificate is executed and delivered solely for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 8. Amendment. Without the consent of any Holders of Series [2013-__] Bonds, the Authority at any time and from time to time may enter into any amendments or changes to this Certificate for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 or any authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Authority and the assumption by any such successor of the covenants of the Authority hereunder;

(d) to add to the covenants of the Authority for the benefit of the Holders, or to surrender any right or power herein conferred upon the Authority; or

(e) to modify the contents, presentation and format of the Annual Information from time to time as a result of a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority, or type of business conducted; provided that (i) the certificate, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the offering of the Series [2013-__] Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances; and (ii) the amendment or change does not materially impair the interests of Holders, as determined either by a party unaffiliated with the Authority (such as bond counsel), or by the vote or consent of Holders of a majority in outstanding principal amount of the Series [2013-__] Bonds on or prior to the time of such amendment or change.

Section 9. Termination of Obligation. This Certificate shall remain in full force and effect until such time as all principal of and interest on the Series [2013-__] Bonds shall have been paid in full or legally defeased pursuant to the Agreement. Upon any such legal defeasance, the Authority shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Series [2013-__] Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 10. Governing Law. THIS CERTIFICATE SHALL BE GOVERNED BY THE LAWS OF CALIFORNIA DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

IN WITNESS WHEREOF, the undersigned has executed this Continuing Disclosure Certificate this ____ day of _____, 201__.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Name: _____
Title: _____

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APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the subcaption “—General” below has been provided by DTC. LACMTA makes no representations as to the accuracy or completeness of such information. Further, LACMTA undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC’s websites as described under “—General,” including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites. The beneficial owners of the Series [2013-__] Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER LACMTA NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES [2013-__] BONDS UNDER THE AGREEMENT; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES [2013-__] BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES [2013-__] BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES [2013-__] BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series [2013-__] Bonds. The Series [2013-__] 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 Series [2013-__] Bond certificate will be issued for each maturity of the Series [2013-__] Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing

agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of: “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series [2013-__] Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series [2013-__] Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series [2013-__] Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series [2013-__] 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 [2013-__] Bonds, except in the event that use of the book-entry system for the Series [2013-__] Bonds is discontinued.

To facilitate subsequent transfers, all Series [2013-__] 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 [2013-__] Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series [2013-__] Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series [2013-__] 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.

While the Series [2013-__] Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series [2013-__] 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series [2013-__] Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to LACMTA 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 [2013-__] Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series [2013-__] 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 LACMTA 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, LACMTA, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of LACMTA 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.

DTC may discontinue providing its services as depository with respect to the Series [2013-__] Bonds at any time by giving reasonable notice to LACMTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series [2013-__] Bond certificates are required to be printed and delivered.

LACMTA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series [2013-__] Bond certificates will be printed and delivered to DTC.

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

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES [2013-__] BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

In the event that the book-entry-only system is discontinued, payments of principal of and interest on the Series [2013-__] Bonds will be payable as described in the front part of this Official Statement under the caption “DESCRIPTION OF THE SERIES [2013-__] BONDS—General.”

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APPENDIX H

**FORM OF CONSENT OF INITIAL PURCHASER
TO PROPOSED RESERVE FUND AMENDMENTS**

Los Angeles County Metropolitan
Transportation Authority
One Gateway Plaza
Los Angeles, California 90012

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071

Ladies and Gentlemen:

_____, the initial purchaser of \$_____ principal amount of the Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-A (the "Series 2013-A Bonds") hereby (i) represents to the Los Angeles County Metropolitan Transportation Authority (the "Authority") that it is authorized to execute this Consent of Initial Purchaser to Proposed Reserve Fund Amendments, and (ii) irrevocably consents to the proposed amendments to the Amended and Restated Trust Agreement, dated as of January 1, 2010 (the "Trust Agreement"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), which appear in Article IX of the Twenty-First Supplemental Trust Agreement, dated as of January 1, 2010, by and between the Authority and the Trustee, and appear in Exhibit A attached hereto.

IN WITNESS WHEREOF, the undersigned has signed and executed this Consent on this ____ day of May, 2013.

By _____
Name _____
Title _____

EXHIBIT A

PROPOSED AMENDMENTS TO TRUST AGREEMENT

(Additions to the Trust Agreement are show in bold and double underline and deletions are shown in ~~strike through~~.)

Amend definition of “Reserve Fund Insurance Policy” as follows:

“Reserve Fund Insurance Policy” shall mean an insurance policy or surety bond provided by a bond insurer, or a letter of credit, deposited in the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Insurance Policy shall be rated, at the time such policy is delivered, in one of the two highest Rating Categories by Moody’s and S&P.

Amend Section 4.06 of the Trust Agreement as follows:

Section 4.06. Withdrawals From Debt Service Funds and Reserve Fund; Valuation of the Reserve Fund.

(a) In addition to the amounts deposited into the Accounts described in clause (i) through (iv) of Section 4.05(a) hereof, the Trustee may accept and deposit into the Senior Debt Service Fund other amounts from the Authority or from other sources to be used for regularly scheduled principal and interest payments or for the redemption of Bonds or Parity Debt. There shall be withdrawn from the Senior Bond Interest Account and the Senior Bond Principal Account from time to time and set aside or deposited with the applicable Paying Agent or Paying Agents sufficient money for paying the interest on the Senior Bonds and Senior Parity Debt and the principal of and premium on the Senior Bonds and Senior Parity Debt as the same shall fall due, or if such interest, principal or premium is paid by or through a form of liquidity support, credit enhancement, interest rate swap agreement or other arrangement provided therefor, amounts in the Senior Bond Interest Account and Senior Bond Principal Account may, if so provided by Supplemental Agreement, be used to reimburse such amounts to the party providing such credit enhancement, liquidity support, interest rate swap agreement or other arrangement. For purposes of complying with the allocation requirements of Ordinance No. 49, the payment of principal and interest with respect to any Bonds and Parity Debt shall be deemed to be an expenditure of Proposition C Sales Tax receipts corresponding to the allocation of the proceeds of such Bonds and Parity Debt.

(b) If amounts in the Senior Debt Service Fund are insufficient to pay such interest, principal or premium with respect to any Senior Bonds as the same shall fall due, or on any earlier day as provided in any Reserve Fund Insurance Policy, the Trustee shall immediately transfer amounts available in the Reserve Fund to the Senior Debt Service Fund to pay such deficiency, and shall immediately notify the Authority of such transfer. If amounts in the Reserve Fund consist of both cash and one or more Reserve Fund Insurance Policies, the Trustee shall first transfer all of such cash prior to making a draw on any Reserve Fund Insurance Policy, and thereafter shall make pro rata draws upon each of such Reserve Fund Insurance Policies.

(c) Moneys held in the Reserve Fund shall be used for the purpose of paying principal and/or interest on the Senior Bonds if the amounts in either of the Accounts mentioned in clauses (iii) and (iv) of Section 4.05(a) shall on any date be insufficient to pay in full the interest and principal due on such date. Investments in the Reserve Fund may not have maturities extending beyond five years. On or about July 1 of each year, commencing July 1, 1993, the Trustee shall value the Reserve Fund at the then current market value in a manner satisfactory to the Trustee. If, on any valuation of the Reserve Fund, the value of the Reserve Fund shall exceed the Reserve Fund Requirement for all Senior Bonds Outstanding, such excess shall be withdrawn and transferred to the Authority to be used for any lawful purpose. In addition, at such time as any Senior Bonds shall be paid in full or deemed to have been paid in full, or are otherwise no longer Outstanding, the Trustee shall value the Reserve Fund, and if the amount on deposit in the Reserve Fund after such Senior Bonds are paid in full or deemed to have been paid in full, or are otherwise no longer Outstanding, exceeds the Reserve Fund Requirement for all Senior Bonds Outstanding, such excess shall be withdrawn and transferred to the Authority to be used for any lawful purpose. **Except as otherwise provided in paragraph (d) below,** if, on any valuation of the Reserve Fund, the value is less than the Reserve Fund Requirement for all Senior Bonds Outstanding, deposits shall be made into the Reserve Fund from and to the extent of Pledge Revenues as provided in Section 4.05(a)(v) **hereof** (after deposits provided in clauses (i) through (iv) of Section 4.05(a) hereof have been made) until the Reserve Fund Requirement for all Senior Bonds Outstanding is met.

(d) Notwithstanding the last sentence of paragraph (c) above, if a Reserve Fund Insurance Policy has been deposited to the Reserve Fund, the Authority hereby agrees that, if, at the time of valuation of the Reserve Fund, the entity providing such Reserve Fund Insurance Policy is not rated in one of the three highest Rating Categories by Moody's and S&P, deposits shall be made into the Reserve Fund from and to the extent of Pledge Revenues (after deposits provided in clauses (i) through (iv) of Section 4.05(a) hereof have been made), at such times and in such amounts as directed by the Authority, until (but in no event later than thirty-six (36) months following such valuation date) an amount equal to the face value of such Reserve Fund Insurance Policy has been deposited to the Reserve Fund.

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