

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2016

NEW ISSUE-BOOK-ENTRY-ONLY

[Insert DAC Bond Logo]

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 2016-A 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 2016-A 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.

[LACMTA
Logo]

\$_[_____]*

**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Proposition C Sales Tax Revenue Refunding Bonds
Senior Bonds, Series 2016-A**

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 2016-A (the "Series 2016-A 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 Twenty-Sixth Supplemental Trust Agreement, to be dated as of June 1, 2016 (the "Twenty-Sixth Supplemental Agreement," and together with the Trust Agreement, the "Agreement"), by and between LACMTA and the Trustee. The Series 2016-A Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and 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 2016-A BONDS" and "PROPOSITION C SALES TAX AND COLLECTIONS" herein. LACMTA will use the proceeds of the Series 2016-A Bonds and other available funds to (a) refund the Refunded Bonds (as defined herein), (b) make a deposit to the reserve fund as further described herein and (c) pay the costs of issuance of the Series 2016-A Bonds.

The Series 2016-A Bonds will be issued in denominations of \$5,000 and integral multiples thereof. The Series 2016-A 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 2016-A Bonds. Individual purchases and sales of the Series 2016-A Bonds may be made in book-entry form only. See "APPENDIX H—BOOK-ENTRY-ONLY SYSTEM." The Series 2016-A Bonds will bear interest at the rates set forth on the inside front cover. LACMTA will pay interest on the Series 2016-A Bonds on January 1 and July 1, commencing on January 1, 2017.

The Series 2016-A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "DESCRIPTION OF THE SERIES 2016-A 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 2016-A Bonds. 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 2016-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2016-A Bonds.

Purchasers of the Series 2016-A Bonds will be deemed to have consented to certain amendments to the Trust Agreement. See "INTRODUCTION – Proposed Amendments to Trust Agreement" herein.

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 2016-A 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 2016-A Bonds when, as and if it issues the Series 2016-A Bonds. The issuance of the Series 2016-A 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 2016-A Bonds will be available for delivery through the facilities of DTC on or about [_____], 2016.*

* Preliminary, subject to change.

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

Sealed bids and electronic bids for the purchase of the Series 2016-A Bonds will be received by LACMTA until [9:00 a.m.], California time, on [_____, 2016] unless postponed as set forth in the Notice Inviting Bids.

Date of Official Statement: [_____, 2016

MATURITY SCHEDULE*

\$[_____]*

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Proposition C Sales Tax Revenue Refunding Bonds
Senior Bonds, Series 2016-A

<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]

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board Members

Mark Ridley-Thomas, Chair
John Fasana, First Vice-Chair
Eric Garcetti, Second Vice-Chair
Michael D. Antonovich
Mike Bonin
James T. Butts, Jr.
Diane DuBois
Jacquelyn Dupont-Walker
Don Knabe
Paul Krekorian
Sheila Kuehl
Ara J. Najarian
Hilda L. Solis
Carrie Bowen, Non-Voting Member

LACMTA Officers

Phillip A. Washington, Chief Executive Officer
Nalini Ahuja, Executive Director, Finance and Budget
Donna R. Mills, Treasurer

LACMTA General Counsel

Office of the County Counsel
Los Angeles, California

FINANCIAL ADVISOR

KNN Public Finance, LLC
Oakland, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Nixon Peabody LLP

TRUSTEE AND ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, MN

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 2016-A 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 2016-A 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 2016-A 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 2016-A 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 2016-A Bonds, including the merits and risks involved. The Series 2016-A 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 2016-A Bonds or the accuracy or completeness of this Official Statement. The Series 2016-A 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 2016-A

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 2016-A (the “Series 2016-A 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 2016-A Bonds. LACMTA is only offering the Series 2016-A Bonds to potential investors by means of this entire Official Statement. Capitalized terms used but not defined herein have the meanings ascribed to them in “APPENDIX D—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, its other sources of revenues, the services it provides and the projects it is undertaking, see “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY.” For certain economic and demographic data about the County, see “APPENDIX C—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION.”

Purpose of the Series 2016-A Bonds

LACMTA will use the proceeds of the Series 2016-A Bonds, together with other available funds, to (a) refund, on a current basis, and defease, the Refunded Bonds (as defined herein), (b) make a deposit

* Preliminary, subject to change.

to the reserve fund as further described herein and (c) pay the costs of issuance of the Series 2016-A Bonds. For a more detailed description of LACMTA's proposed use of proceeds from the issuance of the Series 2016-A Bonds, see "PLAN OF REFUNDING AND APPLICATION OF SERIES 2016-A BOND PROCEEDS."

Description of the Series 2016-A Bonds

The Series 2016-A 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 2016-A Bonds, LACMTA will enter into the Twenty-Sixth Supplemental Trust Agreement, to be dated as of June 1, 2016 (the "Twenty-Sixth Supplemental Agreement"), by and between LACMTA and the Trustee, to provide for the issuance of the Series 2016-A Bonds and related matters. The Trust Agreement, as supplemented by the Twenty-Sixth Supplemental Agreement, is referred to in this Official Statement as the "Agreement."

The Series 2016-A Bonds will be issued in registered form, in denominations of \$5,000 or any integral multiple thereof. The Series 2016-A 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 2016-A 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 2016-A Bonds. See "APPENDIX H—BOOK-ENTRY-ONLY SYSTEM."

Security and Sources of Payment for the Series 2016-A Bonds

The Series 2016-A Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and 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 2016-A 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 2016-A BONDS" and "PROPOSITION C SALES TAX AND COLLECTIONS."

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 debt and other obligations payable on a parity with Senior Bonds ("Senior Parity Debt," described in greater detail in APPENDIX D), which are secured by a senior lien on the Pledged Revenues. The Series 2016-A Bonds are Senior Bonds and are payable on a parity with all other Senior Bonds and any 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 2016-A BONDS—Proposition C Sales Tax Obligations."

As of May 1, 2016, LACMTA had Senior Bonds outstanding in the aggregate principal amount of \$1,159,800,000, including the principal amount of the Refunded Bonds (as defined herein). See

“PROPOSITION C SALES TAX OBLIGATIONS.” LACMTA presently does not have any Senior Parity Debt outstanding.

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 2016-A BONDS—Proposition C Sales Tax Obligations.” The 2014 Short Range Transportation Plan (the “2014 SRTP”) approved by the Board assumes the issuance of an additional approximately \$1.4 billion in Senior Bonds through Fiscal Year 2020. For further discussion of the 2014 SRTP, see “FUTURE TRANSPORTATION IMPROVEMENTS—Short Range Transportation Plan” in APPENDIX A.

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 2016-A Bonds) and any 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 2016-A 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 2016-A 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 2016-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2016-A Bonds.

The Series 2016-A Bonds are limited obligations of LACMTA and are payable, as to both 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 2016-A Bonds.

Reserve Fund

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 2016-A 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. The Reserve Fund is required to be funded in an amount equal to the sum of such Reserve Fund Requirements.

Following the Amendment Effective Date (as defined under “—Proposed Amendments to Trust Agreement” below), LACMTA currently expects to elect that the Series 2016-A Bonds will no

longer be secured by the Reserve Fund or any other debt service reserve fund. See “—Proposed Amendments to Trust Agreement” below and “APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT.”

Proposed Amendments to Trust Agreement

[Pursuant to the Twenty-Sixth Supplemental Agreement, certain amendments will be made to the Trust Agreement (the “Proposed Amendments”), which are described in Appendix E hereto. The Proposed Amendments will not become effective until such time as the Bondholders of not less than 60% in aggregate principal amount of the Senior Bonds then Outstanding have consented to such Proposed Amendments and certain other consents are obtained as described under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016-A Bonds – Reserve Fund for Senior Bonds (the “Amendment Effective Date”). *By the purchase and acceptance of the Series 2016-A Bonds, the Bondholders and Beneficial Owners of the Series 2016-A Bonds will be deemed to have consented to the Proposed Amendments.* On the date of issuance of the Series 2016-A Bonds, only the Bondholders of the Series 2016-A Bonds (comprising approximately [7.8%] of the aggregate principal amount of the then-Outstanding Senior Bonds) will have consented to the Proposed Amendments. None of the Bondholders of the other Outstanding Senior Bonds have consented to the Proposed Amendments and, as of the date of this Official Statement, LACMTA has no plans to solicit the consent of the Bondholders of the other currently Outstanding Senior Bonds to the Proposed Amendments. LACMTA expects that any Bondholders and Beneficial Owners of Senior Bonds issued after the date of issuance of the Series 2016-A Bonds will be deemed to have consented to and will be subject to the Proposed Amendments. LACMTA anticipates that the Proposed Amendments could be effective as soon as 2019, but there can be no assurance that the Proposed Amendments will become effective within any definite time frame.

The Proposed Amendments include, among other amendments, changes to the requirement under the Trust Agreement that the Series 2016-A Bonds and any additional Senior Bonds issued after the date of issuance of the Series 2016-A Bonds participate in and be secured by the Reserve Fund or any other debt service reserve fund. The Proposed Amendments will allow the Series 2016-A Bonds and any additional Senior Bonds issued after the date of issuance of the Series 2016-A Bonds to (i) participate in and be secured by the Reserve Fund, (ii) participate in and be secured by a separate debt service reserve fund, or (iii) not participate in or be secured by the Reserve Fund or any other debt service reserve fund. See “APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT.” LACMTA currently expects that upon the Amendment Effective Date it will elect that the Series 2016-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. At the time the Series 2016-A Bonds are no longer secured by the Reserve Fund, LACMTA expects that the Reserve Requirement will be reduced and a portion of the moneys on deposit in the Reserve Fund will be released and applied by LACMTA for any lawful purpose. See “RISK FACTORS—After Amendment Effective Date Series 2016-A Bonds May Not be Secured by Reserve Fund.”]

Continuing Disclosure

In connection with the issuance of the Series 2016-A Bonds, for purposes of assisting the Winning Bidder in complying with 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 G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Additional Information

Brief descriptions of the Series 2016-A 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 2016-A Bonds. LACMTA maintains a website [and social media accounts], 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 2016-A Bonds.

Copies of the Agreement may be obtained from LACMTA at One Gateway Plaza, 21st Floor, Treasury Department, Los Angeles, California 90012, or by emailing TreasuryDept@metro.net, or by calling (213) 922-2554.

PLAN OF REFUNDING AND APPLICATION OF SERIES 2016-A BOND PROCEEDS

Use of Proceeds; Plan of Refunding

LACMTA will use the proceeds of the Series 2016-A Bonds, together with other available funds, to (a) refund the Refunded Bonds (as defined herein), (b) make a deposit to the reserve fund as further described herein and (c) pay the costs of issuance of the Series 2016-A Bonds. LACMTA will use a portion of the proceeds of the Series 2016-A Bonds, along with certain other available moneys, to defease its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2006-A (the “Refunded Bonds”) on the date of issuance of the Series 2016-A Bonds. The Refunded Bonds are Senior Bonds and are currently outstanding in the aggregate principal amount of \$112,740,000.

A portion of the proceeds of the Series 2016-A 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 invested in Federal Securities or held uninvested in cash. Amounts on deposit in the Escrow Fund will be used on July 1, 2016 (the “Redemption Date”) to pay principal and interest due on the Refunded Bonds and to pay the redemption price of the Refunded Bonds maturing after the Redemption Date at 100% of the principal amount thereof, plus accrued interest thereon.

Grant Thornton LLP will verify that the amounts deposited to the Escrow Fund will be sufficient to pay principal, interest and redemption price due on the Refunded Bonds through and including the Redemption Date. 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 2016-A Bonds.

Sources

Principal Amount	\$
Original Issue [Premium/(Discount)]	
Release of Funds from Series 2006-A Debt Service Fund	
Release of Funds from Reserve Fund	
Total Sources	\$ <u> </u>

Uses

Deposit to Escrow Fund	\$
Deposit to Reserve Fund	
Costs of Issuance ¹	
Total Uses	\$ <u> </u>

¹ Includes underwriters' discount, legal fees, rating agency fees, verification agent fees and other costs of issuance.

RISK FACTORS

Economic Factors May Cause Declines in Proposition C Sales Tax Revenues

The Series 2016-A 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 through 2015. 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 2016-A Bonds.

To project future Proposition C Sales Tax revenues for budgetary purposes, LACMTA incorporates actual long-term experience combined with forecasts 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. In addition, the County is located in a seismically active region. A major earthquake or other natural disaster could adversely affect the economy of the County and the amount 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 2016-A 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

Increases in sales tax rates, whether by the electorate of a municipality within the County, the County or the State or by the State Legislature, may affect consumer spending decisions and as a result adversely impact sales transactions in the County and, thereby, reduce Proposition C Sales Tax revenues. Several increases in sales tax rates have occurred in recent years. 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 2016-A 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 (June 30, 2039). The proposed extension failed to receive the required 2/3 approval of the voters of the County at the November 2012 election. In November 2012, 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. New legislation has been enacted, effective January 1, 2016, allowing LACMTA, subject to the adoption of an expenditure plan and voter approval, to impose an additional transportation transactions and use tax, at a maximum rate of 0.5% for as long as the Measure R sales tax is in effect, and at a maximum rate of 1% thereafter, for a period of time determined by LACMTA. LACMTA has released a Draft Potential Ballot Measure Expenditure Plan for public review and is considering a ballot measure for November 2016. LACMTA is unable to predict the likelihood of whether such a tax would be approved by the voters. Additional increases in sales tax rates, while not currently pending, are likely to be proposed and imposed, from time to time, in the County.

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. Legislation passed as part of the California Budget Act of 2011 imposes a use tax collection responsibility for certain out-of-state, and particularly Internet, retailers who meet certain

criteria. The new responsibility took effect in September 2012. However, LACMTA believes that some Internet transactions still may avoid taxation either through error or deliberate non-reporting, and this potentially reduces the amount of Proposition C Sales Tax revenues.

Project Costs; Capital Needs

LACMTA is currently undertaking three major transit projects and has identified a number of future transit projects that require significant capital investment. See “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—TRANSPORTATION SERVICES” and “—FUTURE TRANSPORTATION IMPROVEMENTS.” Each of these projects is large and complex and involves budgets of hundreds of millions to billions of dollars. There can be no assurances that these projects will be completed on the budgets or on the schedules described in this Official Statement. Whether or not the projects can be completed on budget or on schedule depends on a large number of factors, many of which are beyond the control of LACMTA, including a delay in receipt of federal and State grants or loans. See “FUTURE TRANSPORTATION IMPROVEMENTS—State Transportation Improvement Program” and “LITIGATION AND OTHER REGULATORY ACTIONS—California Public Employees’ Pension Reform Act of 2013” in Appendix A. The costs for these projects may require additional use of Proposition C Sales Tax revenues or issuance of additional Senior Bonds, Senior Parity Debt or Subordinate Lien Obligations secured by Proposition C Sales Tax revenues beyond that currently contemplated by LACMTA.

After Amendment Effective Date Series 2016-A Bonds May Not be Secured by Reserve Fund

At the time of issuance of the Series 2016-A Bonds, the Series 2016-A Bonds will be secured by the Reserve Fund. However, LACMTA currently expects that upon the Amendment Effective Date it will elect that the Series 2016-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. See “INTRODUCTION—Proposed Amendments to Trust Agreement,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016-A BONDS—Reserve Fund” and APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT.”

Transit System Operations Dependent on Non-Farebox Revenues

As described in “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY,” LACMTA is a multi-faceted transportation agency that owns and operates a transit system within the greater Los Angeles region that includes bus, light rail and heavy rail. As is generally true with large transit systems, LACMTA does not generate sufficient fare box or other revenues from the operation of its bus and rail systems and other programs to pay for the operation of such systems. Thus, the operational costs of LACMTA’s transit system are subsidized from other sources, primarily from the Proposition A, Proposition C and Measure R sales tax revenues. LACMTA anticipates that transit operations will require increasing amounts of substantial subsidies for the foreseeable future. See “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY” for a discussion of short-range forecasts that have identified increasing operational deficits in future years, due primarily to the operating costs that will be required as new improvements to the transit system are completed.

Impact of Bankruptcy of LACMTA

As a municipal entity, LACMTA may be authorized to file a petition for relief under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”) under certain circumstances. Should LACMTA file for bankruptcy relief, there could be adverse effects on the holders of the Series 2016-A Bonds.

If the Proposition C Sales Tax revenues are “special revenues” under the Bankruptcy Code, then Proposition C Sales Tax revenues collected after the date of the bankruptcy filing should be subject to the lien of the Agreement. “Special revenues” are defined to include taxes specifically levied to finance one or more projects or systems, and also 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, but the Bankruptcy Code excludes receipts from general property, sales, or income taxes levied to finance the general purposes of the governmental entity.

The results of Chapter 9 bankruptcy proceedings are difficult to predict. If a court determined that the Proposition C Sales Tax was levied to finance the general purposes of LACMTA rather than specific projects, then the Proposition C Sale Tax revenues would not be special revenues. No assurance can be given that a court would hold that the Proposition C Sales Tax revenues are special revenues or that the Series 2016-A Bonds are of a type protected by the “special revenues” provisions of the Bankruptcy Code. If a bankruptcy court were to determine that the Proposition C Sales Tax revenues were not “special revenues,” then Proposition C Sales Tax revenues collected after the commencement of the bankruptcy case would likely not be subject to the lien of the Agreement. If a bankruptcy court were to so hold, the owners of the Senior Bonds (including the Series 2016-A Bonds) would no longer be entitled to any special priority to the Proposition C Sales Tax revenues and could be treated as general unsecured creditors of LACMTA without a lien as to the Proposition C Sales Tax revenues.

If the revenues pledged under the Agreement are determined to be special revenues, the Bankruptcy Code provides (in order to maintain the revenue-generating capacity of the municipal entity) that a special revenues lien is subject to the necessary operating expenses of the project or system from which the special revenues are derived, which expenses are to be paid before other obligations (including to bondholders). This rule applies regardless of the provisions of the transaction documents. The law is not clear, however, (i) as to whether, or to what extent, the Proposition C Sales Tax revenues would be considered to be “derived” from a project or system, or (ii) precisely which expenses would constitute necessary operating expenses. To the extent that the Proposition C Sales Tax revenues are determined to be derived from a project or system, LACMTA may be able to use Proposition C Sales Tax revenues to pay necessary operating expenses, before the remaining Proposition C Sales Tax revenues are turned over to the Trustee to pay amounts owed to the holders of the Series 2016-A Bonds.

If LACMTA files for relief under Chapter 9, the parties (including the Trustee and the holders of the Series 2016-A Bonds) may be prohibited from taking any action to collect any amount from LACMTA or to enforce any obligation of LACMTA, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Series 2016-A Bonds from funds in the Trustee’s possession. In addition, the procedure pursuant to which the Proposition C Sales Tax revenues are paid directly to the Trustee by the California State Board of Equalization may no longer be enforceable, and LACMTA may be able to require that the Proposition C Sales Tax revenues be paid directly to it by the Board of Equalization.

If LACMTA has possession of Proposition C Sales Tax revenues (whether collected before or after commencement of the bankruptcy case) and if LACMTA does not voluntarily pay such moneys to the Trustee, it is not entirely clear what procedures the Trustee or the holders of the Series 2016-A Bonds would have to follow to attempt to obtain possession of such Proposition C Sales Tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

The obligations of LACMTA under the Agreement, including its obligations to pay principal of and interest on the Series 2016-A Bonds, are limited obligations and are payable solely from the Pledged

Revenues and certain other amounts held by the Trustee under the Agreement. Accordingly, if LACMTA filed for relief under Chapter 9, the owners of the Series 2016-A Bonds may not have any recourse to any assets or revenues of LACMTA other than the Proposition C Sales Tax revenues.

In the event of an LACMTA bankruptcy filing, LACMTA may be able to borrow additional money that is secured by a lien on any of its property (including the Proposition C Sales Tax revenues), which lien could have priority over the lien of the Agreement, as long as the bankruptcy court determines that the rights of the owners of the Series 2016-A Bonds will be adequately protected. LACMTA may also be able to cause some of the Proposition C Sales Tax revenues to be released to it, free and clear of lien of the Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Series 2016-A Bonds will be adequately protected.

Through a Chapter 9 proceeding LACMTA may also be able, without the consent and over the objection of the Trustee and the owners of the Series 2016-A Bonds, to alter the priority, principal amount, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Agreement and the Series 2016-A Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

As noted (see “Note III—DETAILED NOTES ON ALL FUNDS—J. Employees’ Retirement Plans” in the Notes to the Financial Statements and Required Supplementary Schedules “Schedule of Funding Progress—Pension Plans” and “Schedule of Funding Progress—OPEB” in “APPENDIX B – LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015”), LACMTA is informed that it has unfunded pension plan actuarial accrued liabilities. In a bankruptcy of LACMTA, the amounts of current and, if any, accrued (unpaid) contributions owed to the California Public Employees’ Retirement System (“CalPERS”), the LACMTA-administered plans, or to any other pension system (collectively the “Pension Systems”), as well as future material increases in required contributions, could create additional uncertainty as to LACMTA’s ability to pay debt service on the Series 2016-A Bonds. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or municipal law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems are instrumentalities of the State of California and have the right to enforce payment by injunction or other proceedings outside of an LACMTA bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a bankruptcy of LACMTA would rule on these matters. In addition, this area of law is presently very unsettled. This is because, though the issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) have been the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino, the relevant disputes have not been litigated to decision in the Federal circuit appellate courts, and thus there are no rulings from which definitive guidance can be taken on pension matters in Chapter 9.

There may be delays in payments on the Series 2016-A Bonds while the court considers any of these issues, and any of these issues could result in delays or reductions in payments on the Series 2016-A Bonds. There may be other possible effects of a bankruptcy of LACMTA that could result in delays or reductions in payments on the Series 2016-A Bonds, or result in losses to the holders of the Series 2016-A Bonds. Regardless of any specific adverse determinations in an LACMTA bankruptcy proceeding, the fact of an LACMTA bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Series 2016-A 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 2016-A Bonds. See “PROPOSITION C SALES TAX AND COLLECTIONS—Initiatives and Changes to Proposition C Sales Tax.”

DESCRIPTION OF THE SERIES 2016-A BONDS

General

The Series 2016-A Bonds are limited obligations of LACMTA to be issued pursuant to and secured under the Agreement. In connection with the issuance of the Series 2016-A Bonds, LACMTA will enter into the Twenty-Sixth Supplemental Agreement to provide for the issuance of the Series 2016-A Bonds and related matters.

The Series 2016-A 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, 2017. Interest on the Series 2016-A Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2016-A Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Upon initial issuance, the Series 2016-A Bonds will be registered in the name of Cede & Co. as registered owner and nominee of DTC. As long as the Series 2016-A Bonds are registered in such name or in the name of a successor nominee, the ownership of the Series 2016-A Bonds will be evidenced by book-entry as described in “APPENDIX H—BOOK-ENTRY-ONLY SYSTEM.” Purchasers will not receive certificated Series 2016-A Bonds. So long as Cede & Co. is the registered owner of the Series 2016-A 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 2016-A Bonds.

So long as Cede & Co. is the registered owner of the Series 2016-A Bonds, principal and redemption price of and interest on the Series 2016-A 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 2016-A Bonds cease to be held by DTC or by a successor securities depository, the principal and redemption price of the Series 2016-A Bonds will be payable at maturity or earlier redemption upon presentation and surrender of the Series 2016-A Bonds at the corporate trust office or agency of the Trustee, and interest on the Series 2016-A Bonds will be payable by check mailed by first-class mail on each Interest Payment Date to the Owners of the Series 2016-A Bonds as of the Record Date; provided, that Owners of \$1,000,000 or more in aggregate principal amount of Series 2016-A 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 2016-A Bonds maturing on or before July 1, 20__ are not subject to redemption prior to their stated maturities at the option of LACMTA. The Series 2016-A

*Preliminary, subject to change.

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 2016-A Bonds to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2016-A 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.

Year	Sinking Fund Installment
	\$

† 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 2016-A Bonds subject to such redemption, an aggregate principal amount of such Series 2016-A Bonds equal to the amount for such year as set forth in the table above and will call such Series 2016-A 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 2016-A 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 2016-A 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 2016-A 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.

Selection of Series 2016-A Bonds to Be Redeemed; Notice of Redemption. If the Series 2016-A Bonds are redeemed at the option of LACMTA, it will select the maturities of the Series 2016-A Bonds to be redeemed. If less than all of the Series 2016-A Bonds of a maturity are to be redeemed, and the Series 2016-A Bonds are not held by DTC, the Trustee will select by lot, in such manner as the Trustee deems appropriate, the particular Series 2016-A Bonds or portions thereof to be redeemed. See also APPENDIX H—“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 2016-A 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 2016-A Bonds to be redeemed; the redemption date; the CUSIP numbers of the Series 2016-A 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 2016-A Bonds are to be redeemed, the numbers of the Series 2016-A Bonds and the portions of Series 2016-A 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 2016-A 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 2016-A 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 2016-A 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 2016-A 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 2016-A Bonds to be Redeemed; Notice of Redemption” and the moneys for payment of the redemption price are on deposit with the Trustee, the Series 2016-A Bonds called for redemption will be due and payable on the redemption date, interest on such Series 2016-A Bonds will cease to accrue after such date, such Series 2016-A Bonds will cease to be entitled to any lien, benefit or security under the Agreement, and the registered owners of the redeemed Series 2016-A Bonds will have no rights under the Agreement after the redemption date other than the right to receive the redemption price for such Series 2016-A Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016-A BONDS

Security for the Series 2016-A Bonds

The Series 2016-A Bonds are limited obligations of LACMTA payable from and secured by a first lien on and 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 2016-A 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 2016-A Bonds, plus such additional sources of revenue, if any, which are hereafter pledged to pay the Series 2016-A 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 2016-A 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); (b) LACMTA for the payment, if necessary, of the General Revenue Bonds (as defined herein); or (c) LACMTA for 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 2016-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2016-A Bonds.

The Series 2016-A Bonds are limited obligations of LACMTA and are payable, as to both 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 2016-A 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 2016-A 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 2016-A Bonds) or any 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 2016-A 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 D—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. LACMTA does not presently have any such swap

agreements relating to any Senior Bonds. For the full definition of Maximum Annual Debt Service, see “APPENDIX D—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. The Trustee immediately transfers to LACMTA the Local Allocation (20% of net Proposition C Sales Tax cash receipts) for disbursement. 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 (which, in general, is equal to 1/12 of the principal maturing in the next year (see “APPENDIX D—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS”)) 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

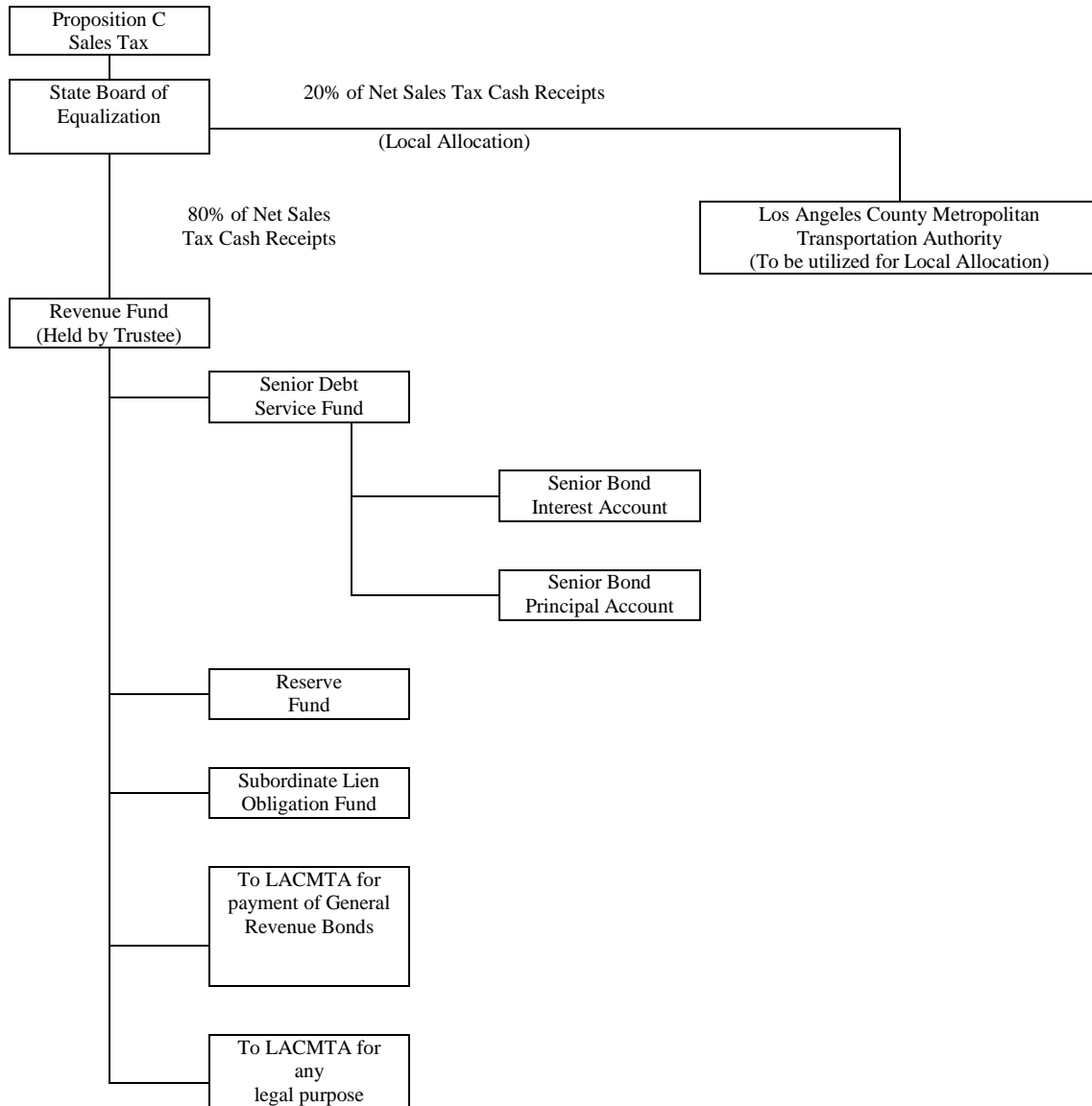
Obligation Fund by the Trustee pursuant to the Agreement for the deposit of funds to pay Subordinate Lien Obligations. The credit of Pledged Revenues to such accounts will be made in accordance with the rank of the pledge created by such Subordinate Lien Obligations. Notwithstanding the foregoing, however, 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 will no longer be pledged to pay debt service on the Senior Bonds.

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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

Currently, the Agreement requires the Trustee to establish and hold the Reserve Fund to make payments of principal and interest with respect to all Senior Bonds, including the Series 2016-A Bonds. Amounts on deposit in the Reserve Fund are to be used to pay principal of and interest on Senior Bonds, including the Series 2016-A Bonds, 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, an amount is required to

be deposited into the Reserve Fund 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 is required to be funded in an amount equal to the sum of such Reserve Fund Requirements. The Reserve Fund Requirement for the Series 2016-A Bonds as of their date of issuance 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 D—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS."

As of the date of issuance of the Series 2016-A 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 2016-A Bonds and the refunding of the Refunded Bonds.

LACMTA has proposed the Proposed Amendments, which would allow the Series 2016-A Bonds and additional Senior Bonds issued after the date of issuance of the Series 2016-A Bonds to not be secured by the Reserve Fund or any other debt service reserve fund. *LACMTA currently expects that upon the Amendment Effective Date it will elect that the Series 2016-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. At the time the Series 2016-A Bonds are no longer secured by the Reserve Fund, LACMTA expects that the Reserve Requirement will be reduced and a portion of the moneys on deposit in the Reserve Fund will be released and applied by LACMTA for any lawful purpose.* See "INTRODUCTION – Proposed Amendments to Trust Agreement" and "APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT." The Proposed 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. On the date of issuance of the Series 2016-A Bonds, only the Bondholders of the Series 2016-A Bonds (comprising approximately [____%] of the aggregate principal amount of the then-Outstanding Senior Bonds) will have consented to the Proposed Amendments. None of the Bondholders of the other Outstanding Senior Bonds have consented to the Proposed Amendments and, as of the date of this Official Statement, LACMTA has no plans to solicit the consent of the Bondholders of the other currently Outstanding Senior Bonds to the Proposed Amendments. [LACMTA expects that any Bondholders and Beneficial Owners of Senior Bonds issued after the date of issuance of the Series 2016-A Bonds will be deemed to have consented to and will be subject to the Proposed Amendments.] LACMTA has not 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. [LACMTA anticipates that the Proposed

Amendments could be effective as soon as 2019, but there can be no assurance that the Proposed Amendments will become effective within any definite time frame.]

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. LACMTA has three of such tax ordinances. 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." See also "APPENDIX A—THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—LITIGATION AND OTHER REGULATORY ACTIONS."

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

Uses	Percentage
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 2016-A BONDS—Flow of Funds” above.

Source: LACMTA

As described below, the State Board of Equalization has agreed to remit directly on a monthly basis the remaining Proposition C Sales Tax Revenues to the Trustee, after deducting the costs of administering the Proposition C Sales Tax and disbursing the Local Allocation to LACMTA. 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 2011 through 2015, 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
2011	\$6.9	1.2%
2012	6.2	1.0
2013	6.4	0.9
2014	8.3	1.2
2015	8.6	1.2

The State Board of Equalization has advised LACMTA that its fee for Fiscal Year 2016 is estimated to be \$9.1 million. LACMTA assumes that State Board of Equalization fees may continue to increase over time. 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 2016-A Bonds; and (b) it will be unconditionally and irrevocably obligated, so long as any of the Senior Bonds, including the Series 2016-A 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 ½ 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 ½ 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 ½ 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. Some tax rates may change, or additional sales taxes may be imposed. 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 XIIID 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 impact 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 (but not the use of Measure R 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 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 2016-A 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 2016-A 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 2015, 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, 2006 through June 30, 2015.

TABLE 3
Historic Net Proposition C Sales Tax Receipts,
Local Allocations, Pledged Revenues and Debt Service Coverage
(Dollars in Millions)¹

Fiscal Year Ended June 30	Net Sales Tax Revenue	Annual Percentage Change	Allocations to Local Governments²	Pledged Revenues³	Senior Bonds Debt Service Coverage⁴
2006	\$669.0	7.98%	\$133.8	\$535.2	5.47x
2007	686.3	2.58	137.2	549.0	5.85
2008	683.5	(0.40)	136.7	546.8	5.30
2009	620.9	(9.17)	124.2	496.7	4.22
2010	565.8	(8.87)	113.2	452.6	4.29
2011	601.9	6.39	120.4	481.5	4.28
2012	648.8	7.78	129.8	519.0	4.62
2013	687.3	5.94	137.5	549.9	4.81
2014 ⁵	717.2	4.34	143.4	573.7	4.46
2015	745.6	3.96	149.1	596.5	4.40

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 Based on Senior Bonds debt service for the 12 months ending the immediately following July 1.

5 LACMTA's Fiscal Year 2014 audited financial statements include an increase in Proposition C Sales Tax revenues of \$61.4 million due to an accounting accrual adjustment resulting in a one-time increase to the reported amount. Amounts shown for Fiscal Year 2014 are reported and calculated excluding the \$61.4 million accounting accrual adjustment.

Source: LACMTA

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
March 31, 2016	\$192.5	2.1%	\$756.1	2.7%
December 31, 2015	193.2	1.9	752.2	3.0
September 30, 2015	191.4	3.7	748.6	4.4
June 30, 2015	179.0	3.1	741.9	4.2
March 31, 2015	188.6	3.2	736.4	3.9
December 31, 2014	189.6	7.6	730.6	5.1
September 30, 2014	184.6	3.0	717.3	3.9
June 30, 2014	173.6	1.9	711.9	4.6
March 31, 2014	182.8	8.0	708.7	5.8

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 March 31, 2016, reported according to cash basis accounting, Proposition C Sales Tax receipts were approximately \$192.5 million, which receipts generally represented sales activity occurring in November 2015, December 2015 and January 2016. Total Proposition C Sales Tax receipts on a cash basis for Fiscal Year 2015 were approximately \$741.9 million, compared to \$711.9 million in Fiscal Year 2014. LACMTA’s Fiscal Year 2016 budget assumes total Proposition C Sales Tax revenues of \$763.5 million (net of State Board of Equalization administrative fee).

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

LACMTA has two priority levels of obligations secured by the Proposition C Sales Tax: its Senior Bonds (which includes the Series 2016-A 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.

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Senior Bonds

LACMTA had the following Senior Bonds outstanding as of May 1, 2016:

TABLE 5
Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Bonds, Senior Bonds
(Outstanding as of May 1, 2016)

Senior Bonds	Principal Amount
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2014-A	\$61,180,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-A	116,065,000
Sales Tax Revenue Bonds, Series 2013-B	302,730,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-C	59,770,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-A	14,635,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-B	74,885,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2010-A	37,150,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-B	165,460,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-D	54,155,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-E	90,995,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2008-A	70,035,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2006-A ¹	112,740,000
Total	<u>\$1,159,800,000</u>

¹ The Refunded Bonds shall no longer be outstanding after the date of issuance of the Series 2016-A Bonds.
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 2016-A BONDS—Proposition C Sales Tax Obligations—Senior Obligations.” The 2014 SRTP assumes the issuance of an additional approximately \$1.4 billion in Senior Bonds through Fiscal Year 2020. For further discussion of the 2014 SRTP, see “FUTURE TRANSPORTATION IMPROVEMENTS—Short Range Transportation Plan” in APPENDIX A.

Senior Parity Debt. “Senior Parity Debt” would consist of indebtedness, installment sale obligations, lease obligations or other obligations for borrowed money, or payment obligations under interest swaps or other arrangements having an equal lien and charge upon Pledged Revenues and payable on parity with the Senior Bonds. LACMTA currently has no Senior Parity Debt outstanding. LACMTA may incur Senior Parity Debt upon the satisfaction of certain additional bonds tests. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016-A 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. 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 2016-A Bonds, and any Senior Parity Debt. As of May 1, 2016, the Proposition C Commercial Paper Notes were outstanding with a maturity value of \$14,624,000. The Proposition C Commercial Paper Notes are supported by a letter of credit (the

“Proposition C CP Letter of Credit”) issued by Bank of America, N.A. LACMTA’s reimbursement obligations with respect to the Proposition C CP Letter of Credit are payable from Proposition C Sales Tax Revenues on a parity with the Proposition C Commercial Paper Notes.

In addition, 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”), which are payable from Proposition C Sales Tax Revenues on a parity with the Proposition C Commercial Paper Notes and which are considered part of the \$150,000,000 authorization for Proposition C Commercial Paper. As of May 1, 2016, LACMTA has \$45,000,000 Proposition C Revolving Obligations outstanding. All Proposition C Revolving Obligations issued by LACMTA are purchased by the Wells Fargo Bank, National Association, in accordance with the terms of a revolving credit agreement (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 March 28, 2019. However, subject to the terms of the Proposition C Revolving Credit Agreement, on March 28, 2019, LACMTA can convert any outstanding Proposition C Revolving Obligations to a term loan that will be payable in twelve equal quarterly installments following March 28, 2019.

The following table sets forth certain terms of Proposition C Commercial Paper Notes, including the Proposition C CP Letter of Credit and the Proposition C Revolving Obligations.

Proposition C CP Letter of Credit		Proposition C Revolving Obligations	
Letter of Credit Provider	Bank of America, N.A.	Revolving Obligations Bank	Wells Fargo Bank, National Association
Principal Amount	\$68,885,000 ¹	Principal Amount	\$75,000,000
Expiration Date	April 5, 2019	Expiration Date	March 28, 2019 ¹

¹ Plus \$6,114,724 of interest.
Source: LACMTA

¹ [Can be converted to term loan payable in twelve equal quarterly installments.]

Other Obligations

General Revenue Bonds. As of May 1, 2016, there was \$64,770,000 aggregate principal amount of LACMTA’s General Revenue Refunding Bonds (Union Station Gateway Project), Series 2015 (the “Series 2015 General Revenue Bonds”) outstanding, and \$48,635,000 aggregate principal amount of LACMTA’s General Revenue Refunding Bonds (Union Station Gateway Project), Series 2010-A (the “Series 2010-A General Revenue Bonds,” and together with the Series 2015 General Revenue Bonds, the “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 2016-A Bonds), any 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 2016-A

Bonds), any 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.

Policy Limits on Additional Bonds

Besides the limitations of the additional bonds test noted above under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016-A BONDS – Proposition C Sales Tax Obligations – Senior Bonds,” the Board-adopted debt policy sets additional limits on the amount of debt secured by the Proposition C Sales Tax it can issue. This debt policy is reviewed periodically, and sets limits on debt service as a percentage of the use of sales tax revenues for certain allocations of expenditures as set forth in Ordinance No. 49, which levied the tax. These limits are intended to ensure that LACMTA will be able to continue providing essential operational services while planning for replacement, rehabilitation and expansion of capital investments. Under its current debt policy, debt service on LACMTA obligations is limited to 43.75% of its share of Proposition C Sales Tax revenues, which would require a minimum of 2.28 times coverage of debt service. LACMTA annually monitors its compliance with its debt policy limits. LACMTA’s Board is not obligated to maintain its current debt policy and may modify it to allow the issuance of a greater amount of debt secured by the Proposition C Sales Tax in the future.

COMBINED SENIOR BONDS DEBT SERVICE SCHEDULE

The following table shows the combined debt service requirements on LACMTA’s Senior 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 2016-A Bonds Debt Service ³			Combined Total Debt Service Senior Bonds ³
		Principal	Interest	Total Debt Service	
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
Total					

¹ Totals may not add due to rounding.

² Previously issued debt includes the debt service for the Refunded Bonds, which will be defeased on the date of issuance of the Series 2016-A Bonds.

³ Intentionally left blank.

Source: LACMTA and KNN Public Finance, LLC.

LITIGATION

There is no litigation pending or, to the knowledge of LACMTA, threatened, against LACMTA in any way questioning or affecting the validity of the Series 2016-A 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 2016-A 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 F. 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 2016-A 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 2016-A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2016-A Bonds. Pursuant to the Agreement and the Tax and Nonarbitrage Certificate executed by LACMTA in connection with the issuance of the Series 2016-A Bonds (the “Tax Certificate”), LACMTA has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2016-A 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 and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

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 described above, interest on the Series 2016-A 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 2016-A 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 2016-A 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 2016-A Bonds nor as to the taxability of the Series 2016-A 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 excess of the principal amount of any maturity of the Series 2016-A Bonds over the price at which a substantial amount of such maturity of the Series 2016-A Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively, the “Discount Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2016-A 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

Series 2016-A Bonds sold at prices in excess of their principal amounts are “Premium Bonds.” 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 2016-A 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 2016-A 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 2016-A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2016-A 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 2016-A 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 F. 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 2016-A 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 2016-A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2016-A 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 2016-A Bonds from gross income for federal or state income

tax purposes, or otherwise. We note that each year since 2011, 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 2016-A 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 2016-A Bonds may occur. Prospective purchasers of the Series 2016-A Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2016-A Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2016-A Bonds may affect the tax status of interest on the Series 2016-A Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2016-A Bonds, or the interest thereon, if any action is taken with respect to the Series 2016-A Bonds or the proceeds thereof upon the advice or approval of other counsel.

FINANCIAL ADVISOR

LACMTA has retained KNN Public Finance LLC, as Financial Advisor (the “Financial Advisor”) for the sale of the Series 2016-A 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.

FINANCIAL STATEMENTS

The financial statements of LACMTA for the Fiscal Year ended June 30, 2015 and the Management’s Discussion and Analysis and certain supplementary information, and the Independent Auditors’ Report of Crowe Horwath LLP, independent accountants, dated December 22, 2015 (collectively, the “2015 Financial Statements”) are included as “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015.” LACMTA’s financial statements as of June 30, 2015 and for the year then ended, included in this Official Statement, have been audited by Crowe Horwath LLP, independent accountants, as stated in their Report appearing in Appendix B. LACMTA has not requested, nor has Crowe Horwath LLP given, Crowe Horwath LLP’s consent to the inclusion in Appendix B of its Report on such financial statements. In addition, Crowe Horwath LLP has not performed any post-audit review of the financial condition of LACMTA and has not reviewed this Official Statement.

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION

Certain economic and demographic information about the County is included in “APPENDIX C—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION.” The economic and demographic information provided has been collected from sources that LACMTA considers to be reliable. Because it is difficult to obtain timely economic and demographic information, the economic condition of the County may not be fully apparent in all of the publicly available local and regional economic statistics provided herein. In particular, the economic statistics provided herein may not fully capture the impact of current economic conditions.

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 principal, interest and redemption price due on the Refunded Bonds through and including the Redemption Date. 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 2016-A Bonds.

CONTINUING DISCLOSURE

At the time of issuance of the Series 2016-A 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 2016-A 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. See “APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” LACMTA has become aware that some information that was made available in a timely manner on the EMMA System pursuant to LACMTA’s continuing disclosure obligations was not linked to the CUSIP numbers for all affected series of bonds. LACMTA has corrected this issue. In addition, LACMTA has become aware that in a few instances, notices of changes in ratings on some of its bonds were not filed in a timely manner. LACMTA has made corrective filings regarding these ratings changes.

SALE OF BONDS

The Series 2016-A Bonds were sold at competitive sale on _____, 2016 and awarded to _____ (the “Winning Bidder”) at a purchase price of \$_____ (consisting of the par amount of the Series 2016-A Bonds, [plus/less] a net original issue [premium/discount] of \$_____, and less an underwriter’s discount of \$_____). The Winning Bidder will purchase all of the Series 2016-A Bonds, subject to certain terms and conditions set forth in the Notice Inviting Bids, dated [_____, 2016], the approval of certain legal matters by counsel, and certain other conditions.

RATINGS

Moody’s and S&P have assigned the Series 2016-A Bonds ratings of “___” (_____ outlook) and “___” (_____ outlook), respectively. In addition to Moody’s and S&P, Fitch has assigned ratings to other Senior Bonds. 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, 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 2016-A Bonds any announcement regarding the outlook of any rating agency with respect to the Series 2016-A Bonds. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series 2016-A 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, Email: TreasuryDept@metro.net, Telephone: (213) 922-2554, or from LACMTA's Financial Advisor, KNN Public Finance, LLC, 1300 Clay Street, Suite 1000, Oakland, California 94612, Telephone: (510) 208-8205. 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 2016-A Bonds.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Treasurer

[APPENDIX A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

GENERAL

Establishment; Jurisdiction

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 1.0 million passengers per day on buses and nearly 345,000 passengers on rail. LACMTA operates four light rail lines, serving 80 stations along 80 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 provides funding to 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 (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 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 appointed by the Mayor 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 (comprised of individuals appointed by the Mayors of each city in the County), 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.

Mark Ridley-Thomas, 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.

John Fasana, First Vice-Chair. 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 was selected by the Los Angeles County City Selection Committee and has represented the San Gabriel Valley Sector 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.

Eric Garcetti, Second 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.

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 received a Bachelor of Arts and master's degree from California State University, Los Angeles.

Mike Bonin. Mr. Bonin was elected to Los Angeles City Council in July 2013 to represent the Eleventh District. He was appointed to the Board by Mayor Garcetti in July 2013 and acts as Chair of the City Council's Transportation Committee and as 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.

James T. Butts, Jr. Mr. Butts was elected as Mayor of the City of Inglewood on January 11, 2011 and reelected on November 4, 2014. Mr. Butts has more than 42 years of public safety and municipal government experience. He has held the rank of general manager or assistant general manager of large and complex municipal organizations for the past 28 years. He served 19 years in the Inglewood Police Department rising to the rank of Deputy Chief, 15 years as the Chief of Police for the City of Santa Monica, and 5 years as an Assistant General Manager for the Los Angeles World Airport system in charge of Public Safety and Counter-Terrorism. Mr. Butts received a Bachelor of Science degree in Business Administration from California State University, Los Angeles and a master's degree in Business Administration from California Polytechnic University in Pomona.

Diane DuBois. In January 2009, the California League of Cities Los Angeles County Division appointed Lakewood City Councilmember Diane DuBois to the Board representing the Southeast Long Beach Sector. 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.

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 was appointed to the Board by Mayor Garcetti in July 2013 and is involved in numerous other civic organizations. She serves as the AME Church International Social Action Officer and as the Social Action Chair of Delta Sigma Theta–Century City.

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. Alongside a successful career as a small business owner, Mr. Knabe was elected to the Cerritos City Council in 1980 and served for eight years, including two terms as Mayor. Mr. Knabe was appointed to the President's Homeland Security Advisory Council and was Chair of the State and Local Officials Senior Advisory Committee. He received 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 and was re-elected in 2013 and 2015. He was appointed to the Board by Mayor Garcetti in July 2013. 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 received his Juris Doctor from the University of California, Berkeley, School of Law.

Sheila Kuehl. Ms. Kuehl was elected to the Board representing the Third Supervisorial District in 2014. Ms. Kuehl served eight years in the State Senate and six years in the State Assembly, and, in 2008, left the legislature under California's term limits statute. She served as Founding Director of the Public Policy Institute at Santa Monica College. In 2012, she was appointed Regents' Professor of Public Policy at UCLA. Prior to her election to the Legislature, Ms. Kuehl was a law professor at Loyola, UCLA and USC Law Schools and co-founded and served as managing attorney of the California Women's Law Center. She graduated from Harvard Law School in 1978. She served on the Harvard University Board of Overseers from 1998 to 2005.

Ara Najarian. Mr. Najarian was elected to the Glendale City Council in April of 2005 and re-elected in 2009 and 2013; he 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 to represent the North County/San Fernando Valley Sector. He served as LACMTA 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.

Hilda L. Solis. Ms. Solis was elected to the Board representing the First Supervisorial District in 2014. Prior to her election to the Board, Ms. Solis was confirmed as Secretary of Labor on February 24, 2009, becoming the first Latina to serve in the United States Cabinet. Prior to confirmation as Secretary of Labor, Secretary Solis represented the 32nd Congressional District in California, a position she held from 2001 to 2009. Solis graduated from California State Polytechnic University, Pomona, and earned a Master of Public Administration from the University of Southern California. A former federal employee, she worked in the Carter White House Office of Hispanic Affairs and was later appointed as a management analyst with the Office of Management and Budget in the Civil Rights Division.

Carrie Bowen, Ex Officio Member. Ms. Bowen became the Acting Director of the California Department of Transportation District 7 in August 2013. She was appointed to the Board by Governor Brown in August 2013 and 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. Phillip A. Washington became Chief Executive Officer in May 2015. Prior to his appointment as Chief Executive Officer, Mr. Washington served as General Manager of the Denver Regional Transportation District ("RTD"). Mr. Washington served in that position since December 2009, with previous service as Interim General Manager since June 2009 and Assistant General Manager, Administration since 2000. Mr. Washington is credited with completing the Eagle P3 project, a \$2.2 billion public-private partnership that built RTD's East Rail Line, a commuter rail from Denver International Airport to downtown Denver. Mr. Washington was a highly decorated 24-year military professional, having attained the highest military noncommissioned officer rank, that of Command Sergeant Major, E-9, before retiring from service in June 2000. He began his military career in Air Defense Artillery units and served in virtually every noncommissioned officer leadership role. He has also been a distinguished project manager, strategic planner, contract representative, human resource director, trainer and budget technician. Mr. Washington received a Bachelor of Arts degree in Business Administration from Columbia College and a master's degree in Management from Webster University.

Executive Director, Finance and Budget. Nalini Ahuja was appointed as Executive Director, Finance and Budget in February 2014. Prior to her appointment as Executive Director, Finance and Budget, Ms. Ahuja served as LACMTA’s Executive Director, Office of Management, Budget & Local Programming from 2010 to 2012, at which point her duties were expanded to include oversight of LACMTA’s Transit Access Pass (“TAP”) operations. As the Executive Director, Finance and Budget, she is responsible for oversight of LACMTA’s Office of Management, Budget, Local Programming & TAP operations and the agency’s Financial Services including accounting and treasury functions. She has also served LACMTA as Director, Countywide Planning; Transportation Manager V, Local Programming; Acting Budget Director, Office of Management & Budget; and Project Manager, South Bay Area Team. Ms. Ahuja began her career with LACMTA’s predecessor, the Los Angeles County Transportation Commission, in 1986, as a technical and administrative analyst which led to her position as Project Manager with the South Bay Area Team in 1990. Ms. Ahuja earned a bachelor’s degree in Economics from Miranda House, University of Delhi as well as a master’s degree in Economics from Delhi School of Economics and a master’s degree in Urban Planning from 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 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 received 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 over 170 routes and serves approximately 16,000 bus stops, including two premium bus rapid transit dedicated busways. Systemwide, LACMTA buses provide approximately [7.1] million revenue service hours annually with an average of approximately 1.0 million weekday boardings on a system-wide basis for the fiscal quarter ended March 31, 2016 and total boardings of approximately 78.2 million for the fiscal quarter ended March 31, 2016, including Orange Line busway ridership. In addition, LACMTA contracts with outside service providers, with approximately 47,000 average weekday boardings for the fiscal quarter ended March 31, 2016. Virtually all of LACMTA's bus fleet is composed of compressed-natural gas ("CNG") powered buses. As of April 1, 2016, the average age of LACMTA's bus fleet was approximately 7.83 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. All of the 25 Metro Rapid corridors are now operating, covering approximately 400 miles in the City of Los Angeles, the County and 34 other cities. In addition to LACMTA, Santa Monica's Big Blue Bus, Culver CityBus and Torrance Transit operate Metro Rapid. 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 to 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 Amtrak/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, Roscoe Boulevard, Nordhoff Street, and the Chatsworth Metrolink Station, and added an additional 800 parking spaces. The original budget was \$215.6 million, which was subsequently reduced to an estimated total cost for the MOL Extension of \$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. As part of a congestion reduction demonstration program, LACMTA has converted I-10 and I-110 High Occupancy Vehicle ("HOV") Lanes to High Occupancy Toll Lanes and provide the choice for drivers of single occupant vehicles to pay to travel in a high occupancy lane, based on congestion pricing. The general purpose lanes on these highways are not tolled. This program also includes improvements to the transit service along the freeways, transit facility improvements and increased funding for vanpools. 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 6.0 million for the fiscal quarter ended March 31, 2016.

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. 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.

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 2.8 million for the fiscal quarter ended March 31, 2016. The Metro Green Line Project budget was \$712.3 million.

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 was built by the Pasadena Metro Blue Line Construction Authority and had a budget of \$725 million, with \$451 million contributed through the Pasadena Metro Blue Line Construction Authority and \$274 million contributed 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 was \$898.8 million. Estimated ridership for the Metro Gold Line, including the Eastside Extension, was approximately 3.9 million for the fiscal quarter ended March 31, 2016.

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 extension consists of two phases. Phase One continues 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 completed and began revenue operations in March 2016. Funding is currently being sought for the second phase, which would continue east from Azusa to Montclair.

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. When completed, 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 2.4 million for the fiscal quarter ended March 31, 2016.

Since April 2005, the Board approved several increases to the original full funding plan for Phase One of the Exposition Project of \$640 million, and the current approved budget is \$978.9 million. Pursuant to the current full funding plan for Phase One, approximately 79% of the projected total costs are paid from State and federal sources, and the remaining costs are paid from Proposition A Sales Tax revenues, Proposition C Sales Tax revenues and other local sources.

Phase Two of the Exposition Project, which is currently being completed, extends 6.6 miles 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. Phase Two adds seven new stations to the Exposition Line. In February 2011, the Board approved a budget of \$1.5 billion for Phase Two of the Exposition Project, of which approximately 61% of the costs are paid from Measure R Sales Tax revenues, 9.5% from Proposition A Sales Tax and Proposition C Sales Tax revenues, and the remainder from federal and State and local sources. Revenue operations are forecasted for May 2016.

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 were significantly 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 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 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 and in excess of the approximately \$1.74 original Board approved budget. The project was ultimately completed within the revised Board approved budget and schedule.

Segment 3 of the Metro Red Line 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 was 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 11.4 million for the fiscal quarter ended March 31, 2016. 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 from its current terminus at Wilshire and Western 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 and is expected to be constructed in three sections. See “FUTURE TRANSPORTATION IMPROVEMENTS—Transit Projects” below.

Proposition A Sales Tax and Proposition C Sales Tax revenues have funded and will fund portions of some of the projects described above and those described below under the caption “FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan.” Whether or not such projects were or can be completed on budget or on schedule as initially contemplated and approved by the Board depends on a large number of factors, many of which are beyond the control of LACMTA. LACMTA expects to complete each unfinished phase and component of such projects consistent with its Board approved original or amended budget, to secure all necessary Board approvals and to seek other local, federal and State sources where included in budget expectations and where appropriate. LACMTA expects with respect to these projects remaining to be completed that, subject to revisions in scope, the projects will be delivered substantially on time and on budget. However, there can be no assurances that such unfinished projects will be completed within the budgets or on the schedules, including as described in this Official Statement, and particularly within original Board approved budget amounts and timelines. The costs for these projects may require additional use of Proposition A Sales Tax and Proposition C Sales Tax revenues or issuance of additional bonds secured by Proposition A Sales Tax or Proposition C Sales Tax revenues, subject to the restrictions of the Act of 1998, beyond that currently contemplated by LACMTA. See “RISK FACTORS—Project Costs; Capital Needs” in the front part of this Official Statement.

Commuter Rail. The Southern California Regional Rail Authority (“SCRRA”) oversees commuter rail services in the region that includes Los Angeles, Riverside, Ventura, Orange, San Bernardino and San Diego Counties. SCRRA operates the Metrolink system, which consists of seven

lines totaling 512 miles and 55 stations and is primarily geared toward providing commuter rail service from outlying communities to downtown Los Angeles. Average weekday boardings were approximately 40,000 for the second quarter of Fiscal Year 2016. LACMTA is the Los Angeles County participant in SCRRA and contributes funds to 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.

Transit System Enterprise Fund

LACMTA accounts for the revenues and expenses of its transit system as an enterprise fund, separate from accounting of its governmental funds, such as the Proposition A, Proposition C and Measure R sales tax revenues. See “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015.” As indicated in Appendix B and as is generally true with large transit systems, the operating expenses for LACMTA’s transit system greatly exceed operating revenues. As a result, LACMTA relies heavily on a variety of local, State and federal sources to pay for operating expenses and capital improvements. A primary source of this funding is Proposition A, Proposition C and Measure R sales tax revenues. Short range forecasts have identified potential situations where operating deficits in this enterprise fund may substantially increase in coming years due to project costs exceeding budget and/or expenses increasing at a greater rate than revenues, primarily due to operating costs that will be required as new improvements to the transit system are completed and become operational. Management of LACMTA intends during the timeframe of the short range forecast to look for additional revenue sources, re-prioritize existing and new programs, right-size transportation service and realize organizational efficiencies to close anticipated shortfalls. At its January 2016 meeting the Board approved the Risk Allocation Matrix (“RAM”) concept, where departments within LACMTA identify initiatives that increase revenues or decrease expenditures, and assign a risk level, dollar impact, and timeframe for implementing each initiative. Dollar amounts realized from the RAM will be deposited to an internal savings account, and these funds can be used to mitigate a projected operating deficit. LACMTA anticipates making the initial deposits to the internal savings account in Fiscal Year 2017. See “TRANSPORTATION SERVICES” and “FUTURE TRANSPORTATION IMPROVEMENTS” in this Appendix A for a description of the three major transit projects LACMTA is currently undertaking and the future transit improvements expected to LACMTA’s transit system, all of which require substantial investment and increase operating costs.

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. See “RISK FACTORS – Project Costs; Capital Needs” in the front part of this Official Statement.

Long Range Transportation Plan

General. In October 2009, the Board approved a 2009 Long Range Transportation Plan (“2009 LRTP”), which updated the prior long range transportation plan. The 2009 LRTP identifies projected costs of planning, constructing and 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 countywide 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.

The 2009 LRTP, and subsequent Board approved updated financial forecasts, includes projections of debt financing by LACMTA, composed of a combination of Proposition A, Proposition C and Measure R-secured debt. 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.

Short Range Transportation Plan

In June 2015, the Board approved a financial update of the 2014 Short Range Transportation Plan ("2014 SRTP"), which identifies the ten-year plan through 2024, based on the long-term goals identified in the 2009 LRTP. The June 2015 financial forecast of the 2014 SRTP updates the assumptions about debt issuance and assumes approximately \$2.8 billion (excluding commercial paper notes) in new debt financing from Fiscal Year 2016 through Fiscal Year 2020, not including the Transportation Infrastructure Finance and Innovation Act ("TIFIA") loans described under "—Transit Projects" below. The June 2015 update of the 2014 SRTP assumes the funding of \$310 million, \$1.395 billion, and \$1.120 billion through the issuance of additional Proposition A First Tier Senior Lien Bonds, Proposition C Senior Bonds, and Measure R Senior Bonds, respectively, through Fiscal Year 2020. Based on historical practice, LACMTA expects that actual bond issuance during this period will be less. The June 2015 financial update also forecasted debt issuance from Fiscal Year 2016 through Fiscal Year 2040 of \$12.4 billion.

Transit Projects

The June 2013 updated financial forecast of the 2009 LRTP included the Crenshaw/LAX Transit Corridor, the Regional Connector and the Westside Purple Line Extension Section 1 as major transit projects planned to be under construction in the first decade of the LRTP. These are in addition to the Gold Line Foothill Extension and Phase Two of the Exposition Project discussed above under "TRANSPORTATION SERVICES—Rail System—Gold Line Foothill Extension" and "—Exposition Light Rail Transit Project."

The Crenshaw/LAX Transit Corridor Project is a north/south corridor that serves the cities of Los Angeles, Inglewood, Hawthorne and El Segundo as well as portions of unincorporated Los Angeles County. The alignment extends 8.5 miles, from the intersection of Crenshaw and Exposition Boulevards to a connection with the Metro Green Line at the Aviation/LAX Station. The total project budget is \$2.058 billion of which approximately 32% of the costs are expected to be paid from Measure R Sales Tax revenues, 20% from Proposition A Sales Tax revenues, Proposition C Sales Tax revenues and other local sources, and the remainder from federal and State sources. In addition to the sources above, the project has received a \$545.9 million TIFIA loan, which is to be repaid from Measure R revenues and is expected to pay for approximately 27% of project costs. LACMTA has drawn \$480.1 million loan proceeds as of May 1, 2016.

The Regional Connector is a 1.9-mile light rail line with three underground stations in downtown Los Angeles. The Project will provide a direct connection from the 7th/Metro Center Station to the existing Metro Gold Line tracks to the north and east of 1st and Alameda. This connection will provide through service between the Metro Blue Line, Metro Gold Line and Metro Exposition Line corridors, enhancing regional connectivity. The total project budget is [\$1.551 billion], excluding any potential cost increases. LACMTA has been awarded a \$669.9 million Full Funding Grant Agreement in Federal New Starts funds for the Regional Connector project which is expected to pay for approximately 43% of project costs. Additionally, LACMTA entered into an agreement for a \$160 million TIFIA loan for the project, which is expected to pay for approximately 10% of project costs. As of May 1, 2016, LACMTA had not drawn down any of the TIFIA loan proceeds. The loan is to be repaid from Measure R revenues. The remaining project costs are expected to be paid from other Federal, State and local sources. The Regional Connector project is currently the subject of active cases under the California Environmental Quality Act (“CEQA”) and the National Environmental Policy Act (“NEPA”) where the federal district court found one instance of non-compliance with NEPA that resulted in a limited cancellation of the related record of decision (the “ROD”) issued by the Federal Transit Administration (the “FTA”) and a temporary injunction against the cut and cover construction planned for lower Flower Street. The FTA issued a Final Supplemental EIS/Amended ROD on December 16, 2015 and the federal district court subsequently confirmed that its injunction for the cut-and-cover construction on lower Flower Street is no longer in effect. LACMTA does not anticipate a delay in the project.

The Westside Purple Line Extension is an extension of the Purple Line from its current terminus at Wilshire and Western. The Board has certified the Final Environmental Impact Report and has adopted the project definition for the nine-mile Westside Purple Line Extension Project (the “Purple Line Extension Project”). The Purple Line Extension Project currently is planned to be constructed in three sections. Section 1 is planned to extend 3.92 miles from the existing Wilshire/Western Station to a terminus station at the intersection of Wilshire/La Cienega. The total budget for Section 1 of the Purple Line Extension Project is \$2.77 billion, excluding finance charges and any potential cost increases. LACMTA has been awarded a \$1.25 billion Full Funding Grant Agreement in Federal New Starts funds and has entered into an agreement for an \$856 million TIFIA loan, to be repaid from Measure R revenues, with respect to Section 1 of the Purple Line Extension Project. As of May 1, 2016, LACMTA had not drawn down any of the TIFIA loan proceeds. Approximately 45% of project costs are expected to be paid from the Federal New Starts funds, 31% from the TIFIA loan, 21% from additional Measure R Sales Tax revenues, and the remainder from other Federal, State and local sources.

Section 2 of the Purple Line Extension Project is planned to extend 2.55 miles from the Section 1 terminus at Wilshire/La Cienega to a terminus station at Constellation Boulevard at Avenue of the Stars in Century City. The estimated total project cost is \$2.378 billion, excluding finance charges. LACMTA has applied for a \$1.187 billion Full Funding Grant Agreement in Federal New Starts funds and has submitted a Letter of Interest for a TIFIA loan for \$307 million to be repaid from Measure R revenues. Both the Full Funding Grant Agreement and the TIFIA loan are expected to be executed in early September 2016. Approximately 50% of the project costs are expected to be paid from Federal New Starts funds, 13% from the TIFIA loan, 21% from additional Measure R Sales Tax revenues, and the remainder from other Federal, State and local sources.

The Purple Line Extension Project, Section 2, is currently the subject of lawsuits brought by the City of Beverly Hills and the Beverly Hills Unified School District against the FTA on the adequacy of the Environmental Impact Statement for the project (the “Purple Line Extension EIS”). On February 2, 2016, the federal district court issued a tentative ruling identifying four areas in which the Purple Line Extension EIS failed to comply with statutory requirements. The court asked for a brief regarding remedies and continued the hearing to May 16, 2016. The parties are conducting discovery in response to declarations filed with the opening remedy briefs. Reply briefs are due on May 9, 2016. Following a

voluntary mediation on April 11, 2016, the parties are continuing to explore potential settlement options. LACMTA cannot predict the ultimate outcome of these lawsuits or if any changes to the Purple Line Extension Project will be required.

State Transportation Improvement Program

The California State Transportation Improvement Program (“STIP”) is a five-year State regional and interregional capital improvement program funded from the State Highway Account and other State sources. Every two years, the California Transportation Commission (“CTC”) estimates available funding and adopts the STIP. The 2016 STIP covers the period from Fiscal Year 2017 through Fiscal Year 2021. LACMTA is statutorily entitled to program the County regional share of the STIP. In August 2015, the CTC adopted a zero Fund Estimate for the 2016 STIP, which provided no additional funding for new projects and required deferral of existing projects within the 2016 STIP period. In December 2015, the Board adopted a \$222 million 2016 Regional Transportation Improvement Program (“2016 RTIP”) of STIP projects consistent with the Fund Estimate and submitted it to the CTC. In January 2016, the CTC adopted a Fiscal Year 2016 allocation plan to manage allocation requests throughout the fiscal year. In January 2016, the CTC also adopted a revised 2016 STIP Fund Estimate, in response to continued declines in gasoline prices and the resulting decrease in gasoline-related taxes which constitute a significant funding source for the State Highway Account. This revised 2016 STIP Fund Estimate reduced STIP funding statewide by approximately \$754 million over the five-year 2016 STIP period. The CTC has the choice of (a) implementing statewide priorities consistent with the Fiscal Year 2016 allocation plan for reprogramming or deprogramming projects, or (b) imposing a decrease in STIP funds by formula. A formula reduction would result in a \$118 million reduction in funding for the County from the regional portion of the STIP. There would also be a \$188.4 million reduction statewide from the interregional portion which is programmed by the State and includes \$70.5 million for two projects in the County. LACMTA plans to resubmit the 2016 RTIP with the same projects, dollar amounts, and program years as submitted originally with the expectation that the CTC will implement statewide priorities in May 2016. The status of the 2016 RTIP projects should qualify them for high priority in a statewide prioritization process. However, any short-fall of expected STIP funding could result in the use of additional Proposition A, Proposition C and Measure R Sales Tax revenues or issuance of additional bonds or commercial paper secured by Proposition A, Proposition C and Measure R Sales Tax revenues to pay for LACMTA’s transit projects.

LABOR RELATIONS

General

As of April 1, 2016, LACMTA had approximately 9,896 employees, of which approximately 86% are covered by labor agreements. Full and part-time LACMTA bus and train operators are represented by the Sheet Metal, Air, Rail, Transportation, Transportation Division (formerly “UTU”) (“SMART-TD”); 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 the labor agreements of LACMTA with each of its employee bargaining units as of April 1, 2016 and the current expiration dates of the labor agreements.

Employee Bargaining Unit	Number of Employees	Contract Expiration Date
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Sheet Metal, Air, Rail, Transportation, Transportation Division	4,484	06/30/17
Amalgamated Transit Union	2,396	06/30/17
Transportation Communications Union	857	06/30/17
Am. Fed. of State, County and Municipal Employees	736	06/30/17
Teamsters Union	86	06/30/17

LACMTA has experienced two strikes since September 2000. 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—J. Employees’ Retirement Plans” 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, 2015.”

Other Post-Employment Benefits

LACMTA provides post-employment health care and life insurance benefits for retired employees and their 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—K. 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, 2015.”

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 trust agreements governing such debt. See “FUTURE

TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan” above. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016-A 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 April 2015, 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 sets forth allowable uses of debt and debt policy maximums. It requires LACMTA to develop a capital improvement plan which includes the capital projects LACMTA plans to undertake in future years. 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 April 2015, 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. On July 1, 2015, LACMTA terminated its two remaining interest rate swaps at no cost.

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 other 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 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.

First Tier Senior Lien Bonds. LACMTA had the following Proposition A First Tier Senior Lien Bonds outstanding as of May 1, 2016.

**Los Angeles County Metropolitan Transportation Authority
Proposition A First Tier Senior Sales Tax Revenue Bonds
(Outstanding as of May 1, 2016)**

Proposition A First Tier Senior Sales Tax Revenue Bonds¹	Outstanding Principal Amount
Senior Sales Tax Revenue Refunding Bonds, Series 2016A	\$185,605,000
Senior Sales Tax Revenue Refunding Bonds, Series 2015-A	26,480,000
Senior Sales Tax Revenue Refunding Bonds, Series 2014-A	135,715,000
Senior Sales Tax Revenue Refunding Bonds, Series 2013-A	248,395,000
Senior Sales Tax Revenue Refunding Bonds, Series 2012-A	51,380,000
Senior Sales Tax Revenue Refunding Bonds, Series 2011-A	61,725,000
Senior Sales Tax Revenue Refunding Bonds, Series 2011-B	91,110,000
Senior Sales Tax Revenue Refunding Bonds, Series 2009-A	165,745,000
Senior Sales Tax Revenue Refunding Bonds, Series 2008-B	20,615,000
Senior Sales Tax Revenue Refunding Bonds, Series 2007-A	<u>12,450,000</u>
Total	\$999,220,000

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.

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 would reimburse LACMTA to the extent of its payment from such funds. As of May 1, 2016, \$18,145,000 aggregate principal amount of the 2007 Series B Refunding Housing Bonds and the Refunding Redevelopment Bonds were outstanding.

LACMTA’s payment obligations with respect to 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 May 1, 2016, \$62,500,000 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.

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 MUFG Union Bank, N.A. LACMTA’s reimbursement obligations 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	\$124,999,176 ¹	March 8, 2016	March 7, 2019
MUFG Union Bank, N.A.	74,999,724 ²	March 8, 2016	March 7, 2019

¹ Supports \$114,808,000 of principal and \$10,191,176 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 additional letter of credit support for the Proposition A Commercial Paper Notes, which would in turn allow it to issue and have outstanding Proposition A Commercial Paper Notes in a combined amount of principal of and interest thereon equal to a total of \$350,000,000.

Measure R

General. LACMTA has three priority levels of obligations secured by the Measure R Sales Tax: the senior lien (which currently secures its Measure R Senior Sales Tax Revenue Bonds), the subordinate lien (which currently secures its Measure R Subordinate Obligations), and the junior subordinate lien (which currently secures three TIFIA loans).

Measure R Senior Sales Tax Revenue Bonds. 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 “Series 2010 Measure R Senior Bonds”) to finance certain transportation projects. These bonds are payable from the Measure R Sales Tax. As of May 1, 2016, there was \$669,420,000 aggregate principal amount of the Series 2010 Measure R Senior Bonds outstanding. LACMTA may incur additional debt secured by and payable from the Measure R Sales Tax.

Measure R Subordinate Obligations. LACMTA is authorized to issue and have outstanding, from time to time, up to \$150,000,000 in aggregate principal amount of its Subordinate Measure R Sales Tax Revenue Revolving Obligations (the “Measure R Subordinate Revolving Obligations”), which are payable from Measure R Sales Tax revenues on a subordinate basis to the Series 2010 Measure R Senior Bonds, on a parity basis with the Measure R Subordinate Series C Bonds (defined below), and on a senior basis to the TIFIA Loans. As of May 1, 2016, LACMTA had \$122,000,000 aggregate principal amount of Measure R Subordinate Revolving Obligations outstanding. The Measure R Subordinate Revolving Obligations issued by LACMTA are purchased by (i) State Street Public Lending Corporation, in a principal amount not to exceed \$100 million, in accordance with the terms of a revolving credit agreement (the “State Street Revolving Credit Agreement”), and (ii) Bank of the West, in a principal amount not to exceed \$50 million, in accordance with the terms of a revolving credit agreement (the “Bank of the West Revolving Credit Agreement,” and together with the State Street Revolving Credit Agreement, the “Measure R Subordinate Revolving Credit Agreements”). The Measure R Subordinate Revolving Obligations bear interest at variable rates determined pursuant to the terms of the Measure R Subordinate Revolving Credit Agreements. Except as otherwise provided in the Measure R Subordinate Revolving Credit Agreements, the principal of all Measure R Subordinate Revolving Obligations outstanding are due and payable on November 20, 2020. However, subject to the terms of the Measure R Subordinate Revolving Credit Agreements, on November 20, 2020, LACMTA can convert any outstanding Measure R Subordinate Revolving Obligations to a term loan that will be payable in twelve equal quarterly installments following November 20, 2020.

The following table sets forth certain terms of the Measure R Subordinate Revolving Obligations.

Measure R Subordinate Revolving Obligations

Revolving Obligations Bank	State Street Public Lending Corporation	Bank of the West
Principal Amount	\$100,000,000 ¹	\$50,000,000 ²
Expiration Date	November 20, 2020 ³	November 20, 2020 ³

¹ As of May 1, 2016, \$72,000,000 aggregate principal amount of State Street Measure R Revolving Obligations were outstanding.

² As of May 1, 2016, \$50,000,000 aggregate principal amount of Bank of the West Measure R Revolving Obligations were outstanding.

³ Can be converted to term loan payable in twelve equal quarterly installments

Source: LACMTA

In addition to the Measure R Subordinate Revolving Obligations, LACMTA entered into a bond purchase agreement dated November 23, 2015 with RBC Capital Markets LLC (the “Series C Measure R Underwriter”) to sell, from time to time, up to \$150 million aggregate principal amount of its Subordinate Measure R Sales Tax Revenue Drawdown Bonds, Subseries C-1 (Tax-Exempt) and Subseries C-2 (Taxable) (the “Measure R Subordinate Series C Bonds,” and together with the Measure R Subordinate Revolving Obligations, the “Measure R Subordinate Obligations”) to the Series C Measure R Underwriter. The Series C Measure R Underwriter in turn sells the Measure R Subordinate Series C Bonds to RBC Municipal Products, LLC. The Measure R Subordinate Series C Bonds are payable from Measure R Sales Tax revenues on a subordinate basis to the Series 2010 Measure R Senior Bonds, on a parity basis with the Measure R Subordinate Revolving Obligations, and on a senior basis to the TIFIA Loans. As of May 1, 2016, LACMTA had \$47,570,000 aggregate principal amount of Measure R Subordinate Series C Bonds outstanding. The Measure R Subordinate Series C Bonds bear interest at variable rates. Except as otherwise provided in the Third Supplemental Subordinate Trust Agreement, dated as of November 1, 2015, by and between LACMTA and U.S. Bank National Association, as trustee, and the Bondholder’s Agreement, dated as of November 1, 2015, by and between LACMTA and

RBC Municipal Products, LLC, the principal of all Measure R Subordinate Series C Bonds outstanding are due and payable on November 20, 2020.

Measure R Junior Subordinate Obligations (TIFIA Loans). LACMTA has entered into agreements for three TIFIA loans in the aggregate principal amount of \$1.561 billion, which will be repaid from Measure R revenues. As of May 1, 2016, LACMTA had drawn \$480.065 million in proceeds under one of the TIFIA loans. All three TIFIA loans are payable from Measure R Sales Tax revenues on a subordinate basis to the Series 2010 Measure R Senior Bonds and the Measure R Subordinate Obligations. See “FUTURE TRANSPORTATION IMPROVEMENTS—Transit Projects” above for additional information on the TIFIA loans.

Lease/Leaseback and Lease-to-Service Obligations

From January 1997 through July 2003, LACMTA entered into ten “defeased 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, would be sufficient to fund all scheduled sublease payments through exercise of an early buyout option. LACMTA has realized \$64.7 million in net benefit after funding of fixed income investments and payment of transaction expenses. LACMTA purchased a surety and entered into several payment undertaking agreements in connection with this transaction, as further described below.

American International Group Inc. or its affiliates (“AIG”) provided a fixed income investment product known as a “payment undertaking agreement” (“PUA”) 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, LACMTA obtained credit enhancement from AIG and Assured Guaranty Municipal Corp. (as successor to Financial Security Assurance Inc.) (“AGM”) for several of the transactions. As a result of declines in AIG’s and AGM’s credit ratings, LACMTA was contractually obligated to replace the PUAs or provide credit enhancement for eight of the ten transactions. The remaining two were unaffected.

LACMTA terminated three of the eight affected leases and has entered into collateral posting agreements for three others. Of the two remaining affected leases, neither lessor has required changes to date. If an early termination of both affected leases were to occur, LACMTA could be required to pay up to \$40.42 million, plus legal costs. Any such termination costs would be offset in part from amounts received under the existing surety.

See “Note III—DETAILED NOTES ON ALL FUNDS—M. 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, 2015.”

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, 2015.”

Investment Balances

As of March 31, 2016 (based on unaudited financial information), LACMTA had approximately \$688.7 million in market value deposited in non-discretionary bond proceeds and debt service trust accounts, primarily invested in U.S. Treasury securities, Federal Agencies, money market funds, forward purchase agreements and the County of Los Angeles Pooled Surplus Investments maintained by the County of Los Angeles Treasurer and Tax Collector. LACMTA had an additional approximately \$1.77 billion in non-discretionary trust accounts, primarily for pension and OPEB.

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Additionally, as of March 31, 2016, LACMTA had approximately \$1.215 billion (book value) deposited in discretionary/operating accounts. Such discretionary/operating accounts were invested in the investments summarized in the following table:

Discretionary/Operating Accounts Investments	Percentage of Total Book Value as of December 31, 2015
Local Agency Investment Fund	9.5%
Bank Deposits	<u>2.6</u>
Managed Investments	
U.S. Treasuries	18.2
Federal Agencies	33.7
Corporate Notes	18.3
Commercial Paper	5.3
Municipal securities	1.9
Money Market Funds	5.9
Asset Backed Securities	<u>4.4</u>
Sub Total Managed Investments	88.0
Total Cash and Investments *	100.0%

* Numbers may not add due to rounding.
Source: LACMTA

As of March 31, 2016, the liquid reserve of the discretionary accounts, which totaled approximately \$300.5 million in both book value and market value, was managed internally by LACMTA and had an average maturity of 23 days. LACMTA's Investment Policy prohibits investing in reverse repurchase agreements.

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, 2015."

LITIGATION AND OTHER REGULATORY ACTIONS

[to be updated]

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 joint venture 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. The case was remanded to the trial court, where LACMTA received a jury verdict in its favor on two of its false claim allegations and entered into a stipulated judgment in favor of TSP on certain of its undisputed claims. Final judgment in the case was entered and appeals were filed. In June 2014, the appellate court issued an opinion which upheld the jury verdict in favor of LACMTA. The opinion remanded the sureties’ request for \$21,000,000 in attorneys’ fees from LACMTA to the trial court. The trial court agreed with LACMTA’s argument that the request for attorney’s fees was overstated and awarded the sureties \$2,143,403. The sureties have 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.

Kiewit Infrastructure West Co., f/k/a Kiewit Pacific Company, a Delaware corporation, in connection with a design/build contract for the I-405 Sepulveda Pass Widening Project, claimed damages in the \$650 million range. As a result of the recent settlement of a portion of the Kiewit claim, the outstanding claim amount is now approximately \$500 million. The parties have entered into a binding arbitration agreement to resolve the disputes. 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, Cal. Gov’t Code §7522, et seq. (“PEPRA”), which establishes limits on California public employee defined benefit pension plans. Several unions representing certain public transit employees in the State (including employees of LACMTA) have asserted to the U.S. Department of Labor (“USDOL”) 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 Department of Labor before Federal transit funds can be released to a mass transit provider. PEPRA’s application to LACMTA’s Plans (see “LABOR RELATIONS—Defined Benefit Pension Plan”) is addressed in California Government Code §7522.02(3)(A), which states that PEPRA does not apply to employees whose interests are protected under Section 5333(b) of Title 49 of the United States Code, until a federal district court rules that USDOL erred in determining that the application of PEPRA precludes certification under Section 5333(b) of Title 49 of the United States Code, or until January 1, 2016, whichever is sooner.

On December 30, 2014, the United States District Court ruled that USDOL’s determination that PEPRA discontinued collective bargaining rights was arbitrary and capricious, and that USDOL acted in excess of its statutory authority in denying a federal grant application based on PEPRA. With this ruling, the PEPRA exemption for public transit employers under Cal. Gov’t Code Section 7522.02(3)(A) expired. USDOL subsequently issued its decision on remand from the Court restating its original opinion that PEPRA and Section 13(c) are in conflict. On September 10, 2015, the State and Sacramento Regional Transit District (“Sacramento RTD”) filed motions to enforce the District Court order and for leave to file a supplemental complaint. LACMTA anticipates the litigation between the State, Sacramento RTD and USDOL will ultimately determine whether PEPRA conflicts with Section 13(c).

Although USDOL had refused to certify \$99.2 million of LACMTA federal grants, it is now certifying the grants subject to new conditions requiring grantees to restore pre-PEPRA pension benefits

or refund the amount of the grants received since January 1, 2015 in the event the PEPRA issue is not resolved. LACMTA agreed to the conditions and is receiving its federal grants.

Local Taxes on Aviation Fuel

Under federal law, local taxes on aviation fuel (except taxes in effect on December 30, 1987) must be used for airport-related purposes, as a condition for receiving federal funding for airports. On November 7, 2014, the Federal Aviation Administration (the “FAA”) adopted an amendment to its “Policy and Procedures Concerning the Use of Airport Revenue,” which clarifies that local sales taxes derived from aviation fuel are subject to the airport use restriction, and further requires local governments to develop an “action plan” if they are not in compliance with federal law that includes a tracking system for the collection and use of the sales tax revenues. The FAA definition of local sales tax includes the Proposition C Sales Tax and the Measure R Sales Tax, but not the Proposition A Sales Tax, which was approved in November 1980.

LACMTA does not currently segregate Proposition C and Measure R Sales Tax revenues collected on aviation fuel sales or allocate these revenues for airport-related purposes. LACMTA estimates that it receives approximately \$18 million per year from Proposition C and Measure R Sales Taxes on aviation fuel. However, LACMTA expends Proposition C and Measure R Sales Tax revenues on a wide-range of highway and transit purposes, some of which support the airports in the County and these expenditures may exceed the amount of Proposition C and Measure R Sales Taxes on aviation fuel that are received by LACMTA. LACMTA filed an action plan with the FAA in December 2015, which includes LACMTA’s plan to refine its estimates of Proposition C and Measure R Sales Taxes collected on aviation fuel sales and expenditures on public use airports. At this time, LACMTA cannot predict if the FAA will accept its action plan or if there will be any impact on the types of allowable expenditures made with Proposition C and Measure R Sales Tax revenues collected from aviation fuel sales.

Other Litigation

In addition to the matters described herein, 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.

APPENDIX B

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL
STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

APPENDIX C

LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

The Proposition C Sales Tax derives from a retail transaction and use tax applicable to all taxable sales throughout Los Angeles County. As such, sales tax revenues reflect a number of economic factors that influence taxable transactions, including population, employment and income. Some of those factors are described below.

The economic and demographic information provided below has been collected from sources that LACMTA considers to be reliable. Because it is difficult to obtain timely economic and demographic information, the economic condition of Los Angeles County may not be fully apparent in all of the publicly available local and regional economic statistics provided herein. In particular, the economic statistics provided herein may not fully capture the impact of current economic conditions.

Los Angeles County

The County has a population of over 10 million in 2015. Los Angeles County is the largest County in the country, and includes over a quarter of the State of California’s population. The County covers 4,084 square miles, and includes 88 incorporated cities as well as unincorporated communities with over one million residents.

Population

The table below summarizes the populations of the County and State of California (the “State”), estimated as of January 1 of each year. The population estimates for 2010 and later incorporate 2010 Census counts as the benchmark. **[to be updated as needed before printing]**

**Table C-1
COUNTY AND STATE POPULATION STATISTICS**

	<u>County of Los Angeles</u>	<u>Annual Growth Rate¹</u>	<u>State of California</u>	<u>Annual Growth Rate¹</u>
1980	7,477,421	–	23,667,836	–
1985	8,121,000	1.67%	26,113,000	1.99%
1990	8,832,500	1.69	29,558,000	2.31
1995	9,103,896	0.61	31,617,770	1.36
2000	9,477,651	0.81	33,721,583	1.30
2005	9,816,153	0.70	35,869,173	1.24
2010	9,818,605	0.00	37,253,956	0.76
2011	9,847,712	0.30	37,427,946	0.47
2012	9,908,030	0.60	37,680,593	0.67
2013	9,980,432	0.73	38,030,609	0.92
2014	10,054,852	0.74	38,357,121	0.85
2015	10,136,559	0.81	38,714,725	0.92

¹ For five-year time series, figures represent average annual growth rate for each of the five years.
Source: State of California, Department of Finance, Report 84 E-4 Population Estimates for California Counties and Cities, January 1, 1976 through January 1, 1980; Report 90 E-4 Population Estimates for California State and Counties January 1, 1981 to January 1, 1990; E-4 Historical Population Estimates for City, County and the State, 1991-2000, with 1990 and 2000 Census Counts. E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts. September 2011. State of California, Department of Finance, E-4

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the County, based on the annual “benchmark,” an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records.

The California Employment Development Department has reported preliminary unemployment figures for March 2016 of 5.6% statewide and 5.0% for Los Angeles County (not seasonally adjusted).

Table C-2
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE¹

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Civilian Labor Force					
County of Los Angeles					
Employed	4,326,100	4,378,800	4,495,700	4,610,800	4,674,800
Unemployed	603,400	535,800	486,600	415,100	336,900
Total	<u>4,929,500</u>	<u>4,914,500</u>	<u>4,982,300</u>	<u>5,025,900</u>	<u>5,011,700</u>
Unemployment Rates					
County	12.2%	10.9%	9.8%	8.3%	6.7%
State	11.7	10.5	8.5	7.5	6.2
United States	8.9	8.1	7.4	6.2	5.3

¹ March 2015 Benchmark report; not seasonally adjusted.

Source: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S. Items may not add to totals due to rounding.

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The table below summarizes the California Employment Development Department's estimated average annual employment for the County, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment in kind, or piece rates. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

**Table C-3
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE¹**

	County		State of California	
	2015	% of Total	2015	% of Total
Total Farm	5,000	0.1%	423,300	2.6%
Mining and Logging	3,900	0.1	29,100	0.2
Construction	126,100	2.9	727,400	4.4
Manufacturing	360,800	8.4	1,291,900	7.8
Trade, Transportation and Utilities	817,800	19.1	2,938,300	17.8
Information	202,700	4.7	483,000	2.9
Financial Activities	214,200	5.0	797,400	4.8
Professional and Business Services	600,300	14.0	2,493,800	15.1
Educational and Health Services	742,200	17.3	2,456,200	14.9
Leisure and Hospitality	488,100	11.4	1,830,000	11.1
Other Services	151,700	3.5	545,700	3.3
Government	<u>566,400</u>	<u>13.2</u>	<u>2,458,800</u>	<u>14.9</u>
Total ²	4,279,200	100.0%	16,474,800	100.0%

¹ The California Economic Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.

² Total may not equal sum of parts due to independent rounding.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table C-2.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2015 Benchmark report released April 15, 2016.

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Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of “net earnings,” rental income, dividend income, interest income, and transfer receipts. “Net earnings” is defined as wages and salaries, supplements to wages and salaries, and proprietors’ income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table sets forth the estimate of personal income for the County, State and United States from 2010 to 2015.

**Table C-4
COUNTY, STATE AND U.S.
PERSONAL INCOME**

Year and Area	Personal Income¹ (thousands of dollars)	Per Capita Personal Income¹ (dollars)
2010		
County ²	\$ 418,046,367	\$42,540
State ³	1,583,446,730	42,411
United States ³	12,459,613,000	40,277
2011		
County ²	\$ 441,724,254	\$44,627
State ³	1,691,002,503	44,852
United States ³	13,233,436,000	42,453
2012		
County ²	\$ 475,931,985	\$47,713
State ³	1,812,314,643	47,614
United States ³	13,904,485,000	44,266
2013		
County ²	\$ 478,371,346	\$47,580
State ³	1,849,505,496	48,125
United States ³	14,064,468,000	44,438
2014		
County ²	\$ 499,767,889	\$49,400
State ³	1,939,527,656	49,985
United States ³	14,683,147,000	46,049
2015		
County	n/a	n/a
State ³	\$ 2,061,337,141	\$52,651
United States ³	15,324,108,725	47,669

¹ Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population.

² Last updated: November 19, 2015—new estimates for 2014; revised estimates for 2010 - 2013 for the County. Estimates for 2010-2014 reflect county population estimates available as of March 2015. Source: U.S. Bureau of Economic Analysis, “Table CA1 - Personal Income Summary,” (accessed January 5, 2016).

³ Last updated: March 24, 2016—new estimates for 2015 for the State and United States. Estimates for 2010-2014 reflect Census Bureau midyear state population estimates available as of December 2014. Estimates for 2015 are derived from the quarterly state

population estimates produced by BEA based on unpublished Census Bureau data.
 Source: U.S. Bureau of Economic Analysis, "Table SA1 - Personal Income Summary,"
 (accessed April 21, 2016).

Retail Sales

The following table sets forth taxable sales for the County for calendar years 2009 through 2013, with 2013 being the last full year for which data are currently available. **[to be updated as needed before printing]**

Table C-5
COUNTY OF LOS ANGELES
TAXABLE SALES
 (in thousands)

	2009	2010	2011	2012	2013
Motor Vehicle and Parts Dealers	\$ 10,801,444	\$ 11,285,457	\$ 12,686,384	\$ 14,479,392	\$ 15,543,657
Furniture and Home Furnishings Stores	2,058,460	2,158,334	2,321,830	2,441,922	2,568,630
Electronics and Appliance Stores	3,406,513	3,454,412	3,416,744	3,570,668	3,576,308
Bldg, Materials & Garden Equipment & Supplies	5,754,600	6,129,586	6,306,814	6,510,966	6,558,312
Food and Beverage Stores	5,410,953	5,405,254	5,591,250	5,824,815	6,051,754
Health and Personal Care Stores	2,735,112	2,773,004	2,998,946	3,163,312	3,306,274
Gasoline Stations	9,629,797	11,012,642	13,394,467	14,037,507	13,817,056
Clothing and Clothing Accessories Stores	7,145,713	7,607,711	8,356,612	9,166,549	9,926,558
Sporting Goods, Hobby, Book, and Music Stores	2,434,950	2,448,246	2,478,020	2,454,806	2,487,061
General Merchandise Stores	10,059,028	10,369,383	10,866,531	11,157,997	11,463,750
Miscellaneous Store Retailers	4,319,761	4,449,560	4,649,598	4,798,211	4,953,245
Nonstore Retailers	810,972	790,565	897,596	1,200,322	1,906,573
Food Services and Drinking Places	13,876,812	14,291,264	15,286,655	16,512,136	17,481,996
Total Retail and Food Services	78,444,115	82,175,416	89,251,447	95,318,603	99,641,174
All other outlets ¹	34,300,613	34,766,918	37,189,291	39,976,979	40,438,534
TOTAL ALL OUTLETS²	\$112,744,727	\$116,942,334	\$126,440,737	\$135,295,582	\$140,079,708

¹ Primarily manufacturing and wholesale businesses.

² Items may not add to totals due to rounding.

Source: California State Board of Equalization, Research and Statistics Division.

APPENDIX D

SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS

The following is a brief summary of certain provisions of the principal documents relating to the Series 2016-A 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 Twenty-Sixth 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 Twenty-Sixth 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 2016-A Bond, the person in whose name such Series 2016-A Bond is recorded as the beneficial owner of such Series 2016-A 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 2016-A Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of the Twenty-Sixth 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 _____, 2014, entered into by the Authority in order to assist the underwriters of the Series 2016-A 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 2016-A Bonds, including, but not limited to, costs and expenses of printing and copying documents and the Series 2016-A 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 2016-A 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, 2015, the dates upon which interest on the Series 2016-A 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 2016-A 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 (i) above meeting the requirements of subparagraphs ii. through v. of paragraph (i) 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, the Twenty-Second Supplemental Trust Agreement, dated as of July 1, 2012, the Twenty-Third Supplemental Trust Agreement, dated as of May 1, 2013, and the Twenty-Fourth Supplemental Trust Agreement, dated as of December 1, 2013, 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 2016-A Account of the Reserve Fund*” means the account of that name established under and pursuant to the Twenty-Sixth Supplemental Agreement.

“*Series 2016-A Bonds*” means the \$_____ original principal amount of Senior Bonds issued under the Trust Agreement and the Twenty-Sixth Supplemental Agreement and designated as “Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2016-A.”

“*Series 2016-A 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 Twenty-Sixth Supplemental Agreement.

“*Series 2016-A 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 Twenty-Sixth Supplemental Agreement.

“*Series 2016-A Costs of Issuance Fund*” means the fund of that name established under and pursuant to the Twenty-Sixth Supplemental Agreement.

“*Series 2016-A Rebate Fund*” means the fund of that name established under and pursuant to the Twenty-Sixth Supplemental Agreement.

“*S&P*” means Standard & Poor’s Ratings Services, a division of McGraw-Hill Financial, Inc., 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 and Nonarbitrage Certificate executed and delivered by the Authority at the time of issuance and delivery of the Series 2016-A 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.

“*Twenty-Sixth Supplemental Agreement*” means the Twenty-Sixth Supplemental Trust Agreement, dated as of June 1, 2016, 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 2016-A Bonds, these provisions are supplemented by, and also may in certain instances be modified by, the provisions of the Twenty-Sixth 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.

TWENTY-SIXTH SUPPLEMENTAL AGREEMENT

The below summary of the Twenty-Sixth Supplemental Agreement contains a brief summary of certain basic provisions of the Twenty-Sixth Supplemental Agreement.

Terms of the Series 2016-A Bonds

The Twenty-Sixth Supplemental Agreement sets forth the terms of the Series 2016-A Bonds, most of which terms are described earlier in this Official Statement under the caption “DESCRIPTION OF THE SERIES 2016-A BONDS.”

Series 2016-A Rebate Fund

The Authority has agreed that it will instruct the Trustee to establish and maintain the Series 2016-A 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 2016-A 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 2016-A Bonds, all as set forth in the Tax Certificate. In accordance with the Tax Certificate, such excess is to be deposited into the Series 2016-A Rebate Fund and periodically paid to the United States of America. The Series 2016-A Rebate Fund to be held by the Trustee under the terms of the Twenty-Sixth 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 2016-A Bonds.

Separate Funds and Accounts

The Twenty-Sixth Supplemental Agreement creates, among other funds and accounts, the Series 2016-A Costs of Issuance Fund, the Series 2016-A Account of the Reserve Fund, the Series 2016-A Subaccount of the Senior Bond Interest Account, and the Series 2016-A 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 Twenty-Sixth 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 Twenty-Sixth Supplemental Agreement which are necessary or desirable in order to assure that

interest paid on the Series 2016-A 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.

APPENDIX E

PROPOSED AMENDMENTS TO TRUST AGREEMENT

*Pursuant to the Twenty-Sixth Supplemental Agreement, certain amendments will be made to the Trust Agreement (the “Proposed Amendments”). By the purchase and acceptance of the Series 2016-A Bonds, the Bondholders and Beneficial Owners of the Series 2016-A Bonds will be deemed to have consented to the Proposed Amendments. The Proposed Amendments will not become effective until such time as the Bondholders of not less than 60% in aggregate principal amount of the Senior Bonds then Outstanding have consented to such Proposed Amendments and other required consents have been obtained (the “Amendment Effective Date”). **By the purchase and acceptance of the Series 2016-A Bonds, the Bondholders and Beneficial Owners of the Series 2016-A Bonds will be deemed to have consented to the Proposed Amendments.***

The Proposed Amendments are set forth in this Appendix H. Additions to the Trust Agreement are shown in **bold and double underline** and deletions are shown in ~~striketrough~~.

[to come]

APPENDIX F

FORM OF BOND COUNSEL APPROVING OPINION

[to come]

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[to come]

APPENDIX H

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 2016-A 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 2016-A 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 2016-A BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES 2016-A BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2016-A 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 2016-A Bonds. The Series 2016-A 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 2016-A Bond certificate will be issued for each maturity of the Series 2016-A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

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

banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has 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.

Purchases of the Series 2016-A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016-A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016-A 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 2016-A 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 2016-A Bonds, except in the event that use of the book-entry system for the Series 2016-A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016-A 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 2016-A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016-A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2016-A 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 2016-A Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2016-A 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 2016-A 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 2016-A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2016-A 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 2016-A 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 2016-A 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 2016-A 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 2016-A 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 2016-A Bonds will be payable as described in the front part of this Official Statement under the caption "DESCRIPTION OF THE SERIES 2016-A BONDS—General."