



**Metro**

**FINANCE AND BUDGET COMMITTEE  
NOVEMBER 18, 2009**

**SUBJECT: PROP C BONDS**

**ACTION: ADOPT RESOLUTIONS AUTHORIZING ISSUANCE OF  
REFUNDING BONDS AND CLOSING PROP C FIRST SENIOR LIEN**

**RECOMMENDATIONS**

- A. Adopt a resolution, Attachment A, authorizing the issuance, by competitive sale, of refunding bonds in multiple transactions to refund various series of Prop C bonds, in whole or in part, certain amendments and approving documents on file with the Board Secretary.
- B. Adopt a resolution, Attachment B, authorizing the amendment of the Prop C bond indenture to close the Prop C First Senior Lien.

**(Requires separate, simple majority Board vote.)**

**RATIONALE**

Low interest rates observed in October would provide us the opportunity to refund \$150 million or more of outstanding Prop C bonds and lock in present value interest savings of as much as \$4 million. Signature authority is being clarified for Assistant Treasurers to make their current level of authority effective for prior transactions. Authority is being granted to correct an ambiguity in our Prop A and Prop C indentures regarding the valuation and possible replacement of surety policies held in the debt service reserve funds.

Closure of the Prop C First Senior Lien will eliminate the subordination of the Second Senior Lien which will reduce the cost of future borrowings and other credit transactions, improve the potential for credit ratings upgrades for the Second Senior Lien bonds and allow us access to certain providers that won't offer credit secured on a subordinated basis.

**DISCUSSION**

The Prop C refunding bonds are planned to be sold as fixed rate bonds using the competitive sales method where the bonds will be sold to underwriter bidding the lowest interest cost.

Currently the Prop C bond indenture provides a first tier lien, the First Senior Lien, requiring 400% revenue to debt service coverage intended to generate double-A credit

ratings. We have never issued any First Senior Lien bonds. Our next lower lien, the Second Senior Lien only requires a 130% coverage and has always effectively served as our senior lien. When created in 1990 the Second Senior Lien initially carried only single-A credit ratings. Over the years the rating agencies have increased the ratings and current ratings are A1/AA+/AA- from Moody's, Standard & Poor's and Fitch, respectively. Given that the Second Senior Lien now has mostly double-A ratings, there is little reason to retain the First Senior Lien for that purpose.

### **FINANCIAL IMPACT**

The costs of issuance for this refunding and the amendments were not budgeted in FY10 because of the uncertainty related to completing any refunding. If executed, the refundings will generate favorable variances in the Prop C Debt Service Interest project number 610307 and account number 51121 that will offset the costs of issuance.

### **Impact on Enterprise Fund Bus and Rail Operations Budget**

Prop C bonds were primarily issued for rail capital projects. Principal and interest payments are made from Prop C 40% Discretionary funds. Prop C 40% can be used for bus or rail operating or capital expenditures. The recommended action reduces the demand on Prop C 40% over the long term making more Prop C 40% available for new bus or rail capital borrowing, to subsidize our ongoing bus or rail operating costs or other regional transit uses. Allocations of Prop C 40% for our own bus programs require that we provide municipal bus operators a proportionate share.

### **ALTERNATIVES CONSIDERED**

Deferring the refunding to a later date is not recommended due to the risk that interest rates could rise and potential savings be lost.

Various bond structuring alternatives were considered, such as issuance of variable rate bonds, but a fixed rate bond issue is currently the best approach given considerations of cost, ongoing interest rate risk and the lack of available liquidity facilities.

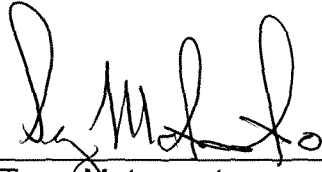
### **NEXT STEPS**

- Develop Bond Issuance Documentation and publish the sale notices
- Obtain Credit Ratings
- Distribute the preliminary official statement to underwriters and potential investors
- Initiate pre-marketing effort
- Receive electronic bids from underwriting syndicates to price the bonds.
- Finalize bond documentation and deliver the bonds

**ATTACHMENT**

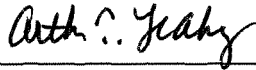
- A. Resolution Authorizing The Issuance And Sale Of Proposition C Sales Tax Revenue Bonds, Approving Amendments To The Proposition A Trust Agreement And The Proposition C Trust Agreement And Approving Other Related Matters
- B. Resolution Authorizing The Closure Of The Proposition C First Senior Lien And Approving Other Related Matters

Prepared by: Michael J. Smith, Assistant Treasurer



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Terry Matsumoto  
Chief Financial Services Officer and Treasurer



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Arthur T. Leahy  
Chief Executive Office

**Attachment A**

**RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF  
ONE OR MORE SERIES OF ITS PROPOSITION C SALES TAX REVENUE  
REFUNDING BONDS, SECOND SENIOR BONDS, APPROVING AMENDMENTS TO  
THE PROPOSITION A TRUST AGREEMENT AND THE PROPOSITION C TRUST  
AGREEMENT AND APPROVING OTHER RELATED MATTERS**

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "LACMTA"), as successor to the Los Angeles County Transportation Commission (the "Commission"), is authorized, under Chapter 5 of Division 12 of the California Public Utilities Code (the "Act"), to issue bonds to finance and refinance the acquisition, construction or rehabilitation of facilities to be used as part of a countywide transit system; and

WHEREAS, pursuant to the provisions of Section 130350 of the California Public Utilities Code, the Commission was authorized to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County of Los Angeles (the "County") subject to the approval of the voters of the County; and

WHEREAS, the Commission, by Ordinance No. 49 adopted August 28, 1990 ("Ordinance No. 49"), imposed a ½ of 1% retail transactions and use tax upon retail sales of tangible personal property and upon the storage, use or other consumption of tangible personal property in the County, the proceeds of the tax to be used for public transit purposes (the "Proposition C Tax"), and such tax was approved by the electors of the County on November 6, 1990; and

WHEREAS, the revenues received by the LACMTA from the imposition of the Proposition C Tax are, by statute, directed to be used for public transit purposes, which purposes include a pledge of such tax to secure any bonds issued pursuant to the Act and include the payments or provision for the payment of the principal of such bonds and any premium, interest on such bonds and the costs of issuance of such bonds; and

WHEREAS, the LACMTA is planning and engineering a Countywide rail, bus and highway transit system (the "Rail, Bus and Highway Transit System") to serve the County and has commenced construction of portions of the Rail, Bus and Highway Transit System; and

WHEREAS, to facilitate the development and construction of the Rail, Bus and Highway Transit System, as authorized by the Act, pursuant to the terms of a Trust Agreement, dated as of October 1, 1992, as amended and supplemented (the "Proposition C Trust Agreement"), by and between the Commission, as predecessor to the LACMTA, and Bank of America National Trust and Savings Association, the predecessor trustee to U.S. Bank Trust National Association, as succeeded by merger by U.S. Bank National Association (the "Proposition C Trustee"), the LACMTA has issued several series of bonds, including its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1998-A (the "Proposition C Series 1998-A Bonds"), its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 1999-A (the

“Proposition C Series 1999-A Bonds”), its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2000-A (the “Proposition C Series 2000-A Bonds”), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2003-A (the “Proposition C Series 2003-A Bonds”), its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2004-A (the “Proposition C Series 2004-A Bonds”), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2006-A (the “Proposition C Series 2006-A Bonds”), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2008-A (the “Proposition C Series 2008-A Bonds”), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-A (the “Proposition C Series 2009-A Bonds”), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-B (the “Proposition C Series 2009-B Bonds”), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-C (the “Proposition C Series 2009-C Bonds”), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-D (the “Proposition C Series 2009-D Bonds”) and its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-E (the “Proposition C Series 2009-E Bonds” and together with the Proposition C Series 1998-A Bonds, the Proposition C Series 1999-A Bonds, the Proposition C Series 2000-A Bonds, the Proposition C Series 2003-A Bonds, the Proposition C Series 2004-A Bonds, the Proposition C Series 2006-A Bonds, the Proposition C Series 2008-A Bonds, the Proposition C Series 2009-A Bonds, the Proposition C Series 2009-B Bonds, the Proposition C Series 2009-C Bonds and the Proposition C Series 2009-D Bonds, the “Proposition C Prior Second Senior Bonds”); and

WHEREAS, the Commission, by Ordinance No. 16 adopted August 20, 1980 (“Ordinance No. 16”), imposed a 1/2 of 1% retail transactions and use tax upon retail sales of tangible personal property and upon the storage, use or other consumption of tangible personal property in the County, the proceeds of the tax to be used for public transit purposes (the “Proposition A Tax”), and such tax was approved by the electors of the County on November 4, 1980; and

WHEREAS, the revenues received by the LACMTA from the imposition of the Proposition A Tax are, by statute, directed to be used for public transit purposes, which purposes include a pledge of such tax to secure any bonds issued pursuant to the Act and include the payments or provision for the payment of the principal of such bonds and any premium, interest on such bonds and the costs of issuance of such bonds; and

WHEREAS, the LACMTA is planning and engineering a countywide public transportation system (the “Public Transportation System”) to serve the County and has commenced construction of portions of the Public Transportation System; and

WHEREAS, to facilitate the development and construction of the Public Transportation System, as authorized by the Act, pursuant to the terms of a Trust Agreement dated as of July 1, 1986, as amended and supplemented (the “Proposition A Trust Agreement”) between the Commission, as predecessor to the LACMTA, and First Interstate Bank of California, the predecessor trustee to The Bank of New York Mellon Trust Company, N.A. (the “Proposition A Trustee”), the LACMTA has issued several series of bonds; and

WHEREAS, the LACMTA now desires to provide for the issuance of one or more Series from time to time of its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds (the “Proposition C Bonds”) (a) to refund all or a portion of its Proposition C Series 1998-A Bonds, Proposition C Series 1999-A Bonds, Proposition C Series 2000-A Bonds, Proposition C Series 2004-A Bonds and Proposition C Series 2006-A Bonds (the Proposition C Second Senior Bonds so refunded, the “Refunded Proposition C Bonds”), provided that the refunding of Refunded Proposition C Bonds is consistent with the LACMTA’s Debt Policy as in effect at the time of pricing of the applicable Proposition C Bonds, (b) to fund or make provision for one or more reserve funds or accounts and (c) to pay certain costs related thereto (as described below); and

WHEREAS, the LACMTA has determined that it best serves the public transportation needs of the County to provide for the issuance and sale of the Proposition C Bonds, from time to time, for the purposes set forth above; and

WHEREAS, there have been presented to the Board forms of the following documents:

- (a) a Supplemental Trust Agreement (the “Proposition C Supplement”), by and between the LACMTA and the Proposition C Trustee, the form of which will be used in connection with each issuance of the Proposition C Bonds;
- (b) an Escrow Agreement (the “Escrow Agreement”) among the LACMTA and the Proposition C Trustee, acting as escrow agent, the form of which will be used in connection with each refunding of all or a portion of the Proposition C Refunded Bonds;
- (c) a Preliminary Official Statement (the “Preliminary Official Statement”), the form of which will be used in connection with each offer and sale of the Proposition C Bonds;
- (d) a Notice Inviting Bids (the “Notice Inviting Bids”), the form of which will be used in connection with each sale of the Proposition C Bonds, describing the terms of the sale of the Proposition C Bonds;
- (e) a Notice of Intention to Sell Bonds (the “Notice of Intention to Sell Bonds”), the form of which will be used in connection with each sale of the Proposition C Bonds; and
- (f) a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) to be executed by the LACMTA, the form of which will be used in connection with each issuance of the Proposition C Bonds to assist the underwriter(s) in complying with Rule 15c2-12(b)(5) promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended; and

WHEREAS, the LACMTA has pledged the Proposition C Tax, less the 20% allocated to local jurisdictions and less the State Board of Equalization’s costs of administering such tax (the

“Proposition C Pledged Taxes”) to secure the Prior Proposition C Second Senior Bonds and certain other obligations of the LACMTA; and

WHEREAS, the LACMTA desires to designate each Assistant Treasurer of the LACMTA as an “Authorized Commission Representative” and an “Authorized Authority Representative” for all purposes under the Proposition A Trust Agreement and as an “Authorized Authority Representative” and an “Authorized Commission Representative” for all purposes under the Proposition C Trust Agreement; and

WHEREAS, the LACMTA desires to authorize the modification of the provisions of the Proposition A Trust Agreement and the Proposition C Trust Agreement relating to the valuation and qualification of Reserve Fund Insurance Policies (as defined in the Proposition A Trust Agreement or the Proposition C Trust Agreement, as applicable) on deposit in the applicable Reserve Fund; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Proposition C Trust Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

**Section 1. Findings.** The LACMTA hereby finds and determines that:

- (a) The issuance of the Proposition C Bonds to refund all or a portion of the Refunded Proposition C Bonds (provided that the refunding of the Refunded Proposition C Bonds is consistent with the LACMTA’s Debt Policy as in effect at the time of pricing of the applicable Proposition C Bonds), to fund or make provision for one or more reserve funds or accounts and to pay certain costs related to the issuance of the Proposition C Bonds is in the public interest due to the terms or conditions of the Proposition C Bonds.
- (b) Under the provisions of Ordinance No. 49, all of the Proposition C Pledged Taxes are revenues of the LACMTA available for rail, bus and highway transit purposes and are available to be and are, by the terms of the resolutions and the Trust Agreement under which the Prior Proposition C Second Senior Bonds were issued, pledged to secure the Prior Proposition C Second Senior Bonds and are pledged to secure the Proposition C Bonds, and, by this Resolution, such pledge is reaffirmed.
- (c) The provisions contained in the Proposition C Trust Agreement, as previously amended and supplemented, and to be set forth in one or more Proposition C Supplements and as such provisions may be modified in accordance with Section 14 hereof are reasonable and proper for the security of the holders of the Proposition C Bonds.
- (d) The modifications to the Proposition A Trust Agreement and the Proposition C Trust Agreement described in Section 14 hereof are in the public interest.



**Section 2. Issuance of Proposition C Bonds.** For the purposes of refunding all or a portion of the Refunded Proposition C Bonds (provided that the refunding of the Proposition C Refunded Bonds is consistent with the LACMTA's Debt Policy as in effect at the time of pricing of the applicable Proposition C Bonds), to fund or make provision for one or more reserve funds or accounts and to pay certain costs related to the issuance of the Proposition C Bonds, the LACMTA hereby authorizes the issuance of one or more Series of its Proposition C Bonds, from time to time or at the same time. The LACMTA hereby specifies that the aggregate principal amount of the Proposition C Bonds shall be an amount sufficient, but not in excess of, the amount required (taking into account any original issue discount), to refund the Refunded Proposition C Bonds, to fund or make provision for one or more reserve funds or accounts and to provide for the underwriters' discount and payment of costs of issuance, all in accordance with the LACMTA's Debt Policy. The LACMTA hereby specifies that the Proposition C Bonds shall not mature later than July 1, 2035. The Chair of the LACMTA, any Vice Chair of the LACMTA, any Chief Executive Officer ("CEO") of the LACMTA, any Chief Financial Services Officer of the LACMTA, any Treasurer of LACMTA, any Assistant Treasurer of the LACMTA, or any such officer serving in an acting or interim capacity, and any written designee of any of them (each a "Designated Officer"), acting in accordance with this Section 2, are each hereby authorized to determine the actual aggregate principal amount of Proposition C Bonds to be issued from time to time (not in excess of the maximum amount set forth above) and to direct the execution and authentication of the Proposition C Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized. The Proposition C Bonds shall be in fully registered form and shall be issued as Book-Entry Bonds as provided in the applicable Proposition C Supplement. Payment of principal of, interest on and premium, if any, on the Proposition C Bonds shall be made at the place or places and in the manner provided in the applicable Proposition C Supplement.

**Section 3. Terms of Bonds.** The Proposition C Bonds may be issued as current interest bonds or capital appreciation bonds or as a combination thereof. The Proposition C Bonds issued as current interest bonds, if any, shall be available in denominations of not less than \$5,000. The Proposition C Bonds issued as capital appreciation bonds, if any, shall be available in denominations of not less than \$5,000 final maturity amount. The Proposition C Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the final form of the applicable Proposition C Supplement. The Proposition C Bonds may be issued as serial bonds or as term bonds or as both serial bonds and term bonds, all as set forth in the applicable Proposition C Supplement. Interest on the Proposition C Bonds shall be paid at the rates and on the dates set forth in the applicable Proposition C Supplement. The Proposition C Bonds shall be subject to redemption at the option of the LACMTA on such terms and conditions as shall be set forth in the applicable Proposition C Supplement. The Proposition C Bonds shall also be subject to mandatory sinking fund redemption as shall be set forth in the applicable Proposition C Supplement.

Execution and delivery of one or more Proposition C Supplements, which documents contains the maturities, interest rates and the fixed or variable interest payment obligations of the LACMTA within parameters set forth in this Resolution, shall constitute conclusive evidence of the LACMTA's approval of such maturities, interest rates and payment obligations.

**Section 4. Pledge of Proposition C Pledged Taxes.** The Proposition C Pledged Taxes are hereby irrevocably pledged in accordance with the terms of the Proposition C Trust Agreement to secure the Prior Proposition C Second Senior Bonds, the Proposition C Bonds and any additional bonds which may subsequently be issued under and secured by the terms of the Proposition C Trust Agreement. Except for the Prior Proposition C Second Senior Bonds and the Second Senior Parity Debt (as defined in the Proposition C Trust Agreement), the LACMTA hereby confirms that it has not previously granted any prior or parity interest in such Proposition C Pledged Taxes to secure any debt that remains outstanding, and the LACMTA hereby agrees that, except as permitted by the Proposition C Trust Agreement (as amended in accordance with its terms), it will not, as long as any of the Proposition C Bonds remain outstanding, grant or attempt to grant any prior or parity pledge, lien or other interest in the Proposition C Pledged Taxes to secure any other obligations of the LACMTA.

**Section 5. Special Obligations.** The Proposition C Bonds shall be special obligations of the LACMTA secured by and payable from the Proposition C Pledged Taxes and from the funds and accounts held by the Proposition C Trustee under the Proposition C Trust Agreement. All or a portion of the Proposition C Bonds shall also be secured by and be paid from such other sources as the LACMTA may hereafter provide.

**Section 6. Form of Proposition C Bonds.** The Proposition C Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the form set forth in the applicable Proposition C Supplement, with such necessary or appropriate variations, omissions and insertions as permitted or required by the Proposition C Trust Agreement or the applicable Proposition C Supplement or as appropriate to adequately reflect the terms of such Proposition C Bonds and the obligation represented thereby.

**Section 7. Execution of Proposition C Bonds.** Each of the Proposition C Bonds shall be executed on behalf of the LACMTA by any Designated Officer and any such execution may be by manual or facsimile signature, and each bond shall be authenticated by the endorsement of the Proposition C Trustee or an agent of the Proposition C Trustee. Any facsimile signature of such Designated Officer(s) shall have the same force and effect as if such officer(s) had manually signed each of such Proposition C Bonds.

**Section 8. Approval of Documents, Authorization for Execution.** The form, terms and provisions of the Proposition C Supplement, Escrow Agreement and Continuing Disclosure Certificate within the parameters set forth in this Resolution are in all respects approved, and each Designated Officer is hereby severally authorized and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA one or more Proposition C Supplements, one or more Escrow Agreements and one or more Continuing Disclosure Certificates (any Proposition C Supplements, any Escrow Agreements and any Continuing Disclosure Certificates shall be collectively referred to as the "Related Documents" and each a "Related Document"), in each case, in substantially the forms now before this meeting and hereby approved, or with such changes as the Designated Officer executing the same shall approve (said approval to be conclusively evidenced by the execution and delivery of such Related Document), including any amendments to the Proposition C Trust Agreement that such Designated Officer determines to be necessary or desirable (including, but not limited to, amendments to the valuation and qualification of Reserve Fund Insurance Policies on deposit in the Reserve Fund established

under the Proposition C Trust Agreement as described in Section 14 hereof)(such determination to be conclusively evidenced by the execution and delivery of the applicable Related Document).

### **Section 9. Sale of Proposition C Bonds.**

- (a) Each Designated Officer is hereby authorized from time to time to choose such times and dates as such Designated Officer shall, in his or her discretion, deem to be necessary or desirable to provide for the sale for the sale of the Proposition C Bonds, to receive proposals for the purchase of the applicable Proposition C Bonds to be received from qualified bidders (through the receipt of sealed written bids and/or the receipt of bids through the use of computerized bidding systems) upon the terms and in the matter set forth in the applicable Notice Inviting Bids.
- (b) The form of the Notice Inviting Bids presented to this meeting is hereby approved for publication and distribution from time to time (including, without limitation, via electronic methods) in connection with each offering and sale of the Proposition C Bonds in substantially the form presented at this meeting or with such changes as the Designated Officer executing the same shall approve (said approval to be conclusively evidenced by the execution and delivery of such Notice Inviting Bids). Each Designated Officer is hereby authorized and directed to execute each such Notice Inviting Bids substantially in the form presented at this meeting with such changes as the Designated Officer executing the same shall approve and call for bids for the sale of some or all of the Proposition C Bonds from qualified bidders in accordance with such Notice Inviting Bids.
- (c) Each Designated Officer is authorized and directed to cause each Notice Inviting Bids to be published at least once in the *Los Angeles Daily Journal* (or such other publication as may be selected by a Designated Officer) not less than five days prior to the sale of the applicable Proposition C Bonds and to print and distribute (including via electronic methods) each Notice Inviting Bids to such municipal broker-dealers, banking and financial institutions and other persons as the Designated Officer deems necessary or desirable, and any such action previously taken is hereby confirmed, ratified and approved.
- (d) The form of the Notice of Intention to Sell Bonds presented at this meeting is hereby approved. Each Designated Officer is hereby authorized and directed to cause each such Notice of Intention to Sell Bonds to be published from time to time (after completion, modification or correction thereof reflecting the terms of the applicable Proposition C Bonds, as approved by a Designated Officer, such approval to be conclusively evidenced by such publication) in *The Bond Buyer* (or such other publication as may be selected by a Designated Officer), a financial publication generally circulated throughout the State of California, at least 15 days prior to the sale of the applicable Proposition C Bonds in accordance with Section 53692 of the Government Code of the State of California.

- (e) Each Designated Officer is hereby authorized and directed to accept the best bid for the applicable Proposition C Bonds received from qualified bidders pursuant to and subject to the terms and conditions set forth in this Resolution and the applicable Notice Inviting Bids herein approved and to award the applicable Proposition C Bonds, from time to time, to such respective best bidder(s).
- (f) Each Designated Officer is hereby authorized and directed to take any other action such Designated Officer determines is necessary or desirable to cause any such competitive sale to comply with the Debt Policy or applicable law.
- (g) Each Designated Officer, on behalf of the LACMTA, is further authorized and directed to cause written notice to be provided to the California Debt and Investment Advisory Commission (“CDIAC”) of the proposed sale of the Proposition C Bonds, said notice to be provided in accordance with Section 8855 et seq. of the California Government Code, to file the notice of final sale with CDIAC, to file the rebates and notices required under section 148(f) and 149(e) of the Internal Revenue Code of 1986, as amended, and to file such additional notices and reports as are deemed necessary or desirable by such Designated Officer in connection with the Proposition C Bonds, and any prior such notices are hereby ratified, confirmed and approved.
- (h) A Designated Officer’s authority to approve the final terms of the sale of the Proposition C Bonds, to accept bids for the Proposition C Bonds and to execute or direct the execution of a Notice Inviting Bids shall commence on the date of adoption of this Resolution and shall continue for twelve calendar months thereafter unless rescinded or modified by subsequent action of the LACMTA prior to the time that a Notice Inviting Bids has been executed.

**Section 10. Preliminary Official Statement and Official Statement.** The form of Preliminary Official Statement presented at this meeting is hereby approved. In connection with each issuance of the Proposition C Bonds, the LACMTA hereby authorizes the circulation from time to time of one or more Preliminary Official Statements. The Preliminary Official Statement(s) shall be substantially in the form of the Preliminary Official Statement presented at this meeting of the Board with such changes as a Designated Officer approves (such approval to be conclusively evidenced by the execution and delivery of the certificate referenced in the following sentence). Each Preliminary Official Statement shall be circulated for use in selling all or a portion of the Proposition C Bonds at such time or times as a Designated Officer (after consultation with the underwriter(s), the LACMTA’s Financial Advisor and Bond Counsel and such other advisors as the Designated Officer believes to be useful) shall deem such Preliminary Official Statement to be final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, said determination to be conclusively evidenced by a certificate signed by said Designated Officer to said effect.

Upon each sale of the Proposition C Bonds, from time to time, the Designated Officers shall provide for the preparation, publication, execution and delivery of one or more final Official Statements in substantially the form of the Preliminary Official Statement deemed final by a Designated Officer with such changes as any Designated Officer approves, such approval to

be conclusively evidenced by the execution of such final Official Statement. Any Designated Officer is hereby authorized and directed to execute and deliver one or more final Official Statements in the name and on behalf of the LACMTA. One or more supplements to the final Official Statement(s) or revised final Official Statement(s) may be prepared and delivered to the underwriter(s) reflecting updated and revised information as shall be acceptable to the underwriter(s) and as the Designated Officers, or any of them, approve. Each Official Statement shall be circulated for use in selling all or a portion of the Proposition C Bonds at such time or times as a Designated Officer deems appropriate after consultation with the underwriter(s), the LACMTA's Financial Advisor and Bond Counsel and such other advisors as the Designated Officer believes to be useful, said determination to be conclusively evidenced by the execution and delivery of such final Official Statement.

**Section 11. Proposition C Paying Agent, Registrar and Escrow Agent.** The LACMTA hereby appoints the Proposition C Trustee as Paying Agent for the Proposition C Bonds, appoints the Proposition C Trustee as Registrar for the Proposition C Bonds, and appoints the Proposition C Trustee as Escrow Agent under any Escrow Agreement relating to Refunded Proposition C Bonds. Such appointments shall be effective upon the issuance of the applicable Proposition C Bonds and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

**Section 12. Bond Insurance and Reserve Fund Surety Bond.** In connection with the sale of some or all of the Proposition C Bonds, the Designated Officers are hereby authorized on behalf of the LACMTA to purchase or otherwise arrange for the provision of (including the payment of such premiums, fees and other costs and expenses as such Designated Officer determines is acceptable), one or more policies of municipal bond insurance to support the timely payment of principal and interest on some or all of the Proposition C Bonds and/or one or more reserve fund surety bonds, said insurance or surety to contain such terms and conditions as such Designated Officer(s) shall determine is appropriate or necessary for the issuance of the applicable Proposition C Bonds. Notwithstanding the Debt Policy of the LACMTA, each of the Designated Officers is hereby authorized and directed to determine the process of procuring the provider of municipal bond insurance or reserve fund surety and such process may be, at the determination of such Designated Officer, either a competitive bidding process or a privately negotiated process, even if such process does not comply with the Debt Policy.

**Section 13. Authorized Commission Representative/Authorized Board Representative.** The Board hereby designates each Assistant Treasurer of the LACMTA (a) as an Authorized Commission Representative and an Authorized Authority Representative for all purposes under the Proposition A Trust Agreement and with respect to all bonds outstanding under the Proposition A Trust Agreement and (b) as an Authorized Commission Representative and an Authorized Board Representative for all purposes under the Proposition C Trust Agreement and with respect to all Proposition C Second Senior Bonds and all Proposition C Bonds. Such appointment shall remain in effect until modified by resolution.

**Section 14. Modifications of Trust Agreements.** The LACMTA hereby authorizes each Designated Officer to execute, acknowledge and deliver any documentation (including any supplemental trust agreement) and take all other actions such Designated Officer determines are appropriate or necessary to modify the provisions of the Proposition A Trust Agreement and/or

the Proposition C Trust Agreement relating to the valuation and qualification of Reserve Fund Insurance Policies (as defined in the Proposition A Trust Agreement or the Proposition C Trust Agreement, as applicable) in the Reserve Fund (as defined in the Proposition A Trust Agreement or the Proposition C Trust Agreement, as applicable) in a manner determined by such Designated Officer to be beneficial to the LACMTA, such determinations to be conclusively evidenced by the execution and delivery of such documentation or the taking of such actions.

**Section 15. Additional Authorization.** The Designated Officers and all officers, agents and employees of the LACMTA, for and on behalf of the LACMTA, be and they hereby are authorized and directed to do any and all things necessary to effect the execution and delivery of the Proposition C Bonds, the Notice(s) Inviting Bids and the Related Documents. The Designated Officers and all other officers, agents and employees of the LACMTA are further authorized and directed, for and on behalf of the LACMTA, to execute all papers, documents, certificates and other instruments and take all other actions that may be required in order to carry out the authority conferred by this Resolution or the provisions of the Proposition A Trust Agreement, the Notice(s) Inviting Bids, the Proposition C Trust Agreement, each Proposition C Supplement and the other Related Documents or to evidence said authority and its exercise. The foregoing authorization includes, but is in no way limited to, the direction (from time to time) by a Designated Officer of the investments in Permitted Investments (defined in the Proposition C Trust Agreement) of the proceeds of the Proposition C Bonds and of the Proposition C Pledged Taxes, including the execution and delivery of investment agreements related thereto, the execution by a Designated Officer and the delivery of the Tax Certificate for the purpose of complying with the rebate requirements of the Internal Revenue Code of 1986, as amended; and the execution and delivery of documents required by The Depository Trust Company in connection with the Book-Entry Bonds. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of this Resolution are hereby confirmed, ratified and approved.

**Section 16. Continuing Authority of Designated Officers.** The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by the Chair of the LACMTA, any Vice Chair of the LACMTA, any CEO, any Chief Financial Services Officer, any Treasurer of the LACMTA, or any Assistant Treasurer of the LACMTA shall remain valid notwithstanding the fact that the individual officer of the LACMTA signing such designation ceases to be an officer of the LACMTA, unless such designation specifically provides otherwise.

**Section 17. Further Actions.** From and after the delivery of the Proposition C Bonds, the Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify any Related Document at any time and from time to time and in any manner determined to be necessary or desirable by the Designated Officer executing such amendment, supplement or modification, upon consultation with the Financial Advisor and Bond Counsel, the execution of such amendment, supplement or other modification being conclusive evidence of LACMTA's approval thereof. Further, the Designated Officers and each of them are hereby authorized and directed to terminate any municipal bond insurance policy, reserve fund surety or investment agreement and enter into one or more municipal bond insurance policies, reserve fund sureties or investment agreements as any such Designated Officer shall determine is appropriate or necessary.

**Section 18. Costs of Issuance.** The LACMTA authorizes funds of the LACMTA together with the proceeds of the Proposition C Bonds to be used to pay costs of issuance of the Proposition C Bonds, including but not limited to costs of attorneys, accountants, verification agents, financial advisors, the costs associated with rating agencies, bond insurance and surety bonds, printing, publication and mailing expenses and any related filing fees and underwriter's discount.

**Section 19. Investment Agreements.** In connection with the issuance of the Proposition C Bonds, each of the Designated Officers is hereby authorized and directed to terminate, amend, assign or otherwise dispose of any investment agreement relating to any of the Proposition C Refunded Bonds in such manner and on such terms and provisions as any such Designated Officer shall determine is appropriate or necessary.

**Section 20. Severability.** The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

**Section 21. Effective Date.** This Resolution shall be effective upon adoption.

**Section 22. Contract.** This Resolution and the pledge of the Proposition C Pledged Taxes contained herein shall constitute a contract between the LACMTA and the holders of the Proposition C Bonds.

**Attachment B**

**RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY AUTHORIZING THE CLOSURE OF THE  
PROPOSITION C FIRST SENIOR LIEN  
AND APPROVING OTHER RELATED MATTERS**

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "LACMTA"), as successor to the Los Angeles County Transportation Commission (the "Commission"), is authorized, under Chapter 5 of Division 12 of the California Public Utilities Code (the "Act"), to issue bonds to finance and refinance the acquisition, construction or rehabilitation of facilities to be used as part of a countywide transit system; and

WHEREAS, pursuant to the provisions of Section 130350 of the California Public Utilities Code, the Commission was authorized to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County of Los Angeles (the "County") subject to the approval of the voters of the County; and

WHEREAS, the Commission, by Ordinance No. 49 adopted August 28, 1990 ("Ordinance No. 49"), imposed a ½ of 1% retail transactions and use tax upon retail sales of tangible personal property and upon the storage, use or other consumption of tangible personal property in the County, the proceeds of the tax to be used for public transit purposes (the "Proposition C Tax"), and such tax was approved by the electors of the County on November 6, 1990; and

WHEREAS, the revenues received by the LACMTA from the imposition of the Proposition C Tax are, by statute, directed to be used for public transit purposes, which purposes include a pledge of such tax to secure any bonds issued pursuant to the Act and include the payments or provision for the payment of the principal of the bonds and any premium, interest on the bonds and the costs of issuance of the bonds; and

WHEREAS, the LACMTA is planning and engineering a Countywide rail, bus and highway transit system (the "Rail, Bus and Highway Transit System") to serve the County and has commenced construction of portions of the Rail, Bus and Highway Transit System; and

WHEREAS, to facilitate the development and construction of the Rail, Bus and Highway Transit System, as authorized by the Act, the LACMTA has entered into a Trust Agreement, dated as of October 1, 1992, as amended and supplemented (the "Trust Agreement"), by and between the Commission, as predecessor to the LACMTA, and Bank of America National Trust and Savings Association, the predecessor trustee to U.S. Bank Trust National Association, as succeeded by merger by U.S. Bank National Association; and

WHEREAS, the Trust Agreement provides for the issuance by the LACMTA of First Senior Bonds, First Senior Parity Debt, Second Senior Bonds, Second Senior Parity Debt (all as defined in the Trust Agreement) and debt subordinate to the Second Senior Bonds and the Second Senior Parity Debt; and



WHEREAS, the LACMTA has no First Senior Bonds or First Senior Parity Debt outstanding and has no intentions to issue First Senior Bonds or incur First Senior Parity Debt in the future; and

WHEREAS, the LACMTA has determined in consultation with its financial advisor that as a result of the subordination of the Second Senior Bonds and Second Senior Parity Debt to the First Senior Bonds and First Senior Parity Debt, the pricing of Second Senior Bonds and Second Senior Parity Debt (such as liquidity facilities and interest rate swaps) have been and are anticipated to continue to be negatively affected by the ability of the LACMTA to issue First Senior Bonds and incur First Senior Parity Debt; and

WHEREAS, the LACMTA has determined that it best serves the public transportation needs of the County to commit that no First Senior Bonds or First Senior Parity Debt will be issued in the future; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Trust Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

**Section 1. Findings.** The LACMTA hereby finds and determines that committing that no First Senior Bonds or First Senior Parity Debt will be issued in the future is in the public interest.

**Section 2. Approval of Documents, Authorization for Execution.** The LACMTA hereby commits that no First Senior Bonds or First Senior Parity Debt will be issued in the future. The Chair of the LACMTA, any Vice Chair of the LACMTA, any Chief Executive Officer (“CEO”) of the LACMTA, any Chief Financial Services Officer of the LACMTA, any Treasurer of the LACMTA, any Assistant Treasurer of the LACMTA, or any such officer serving in an acting or interim capacity, and any written designee of any of them (each a “Designated Officer”) are each hereby authorized and directed to have prepared and to execute, acknowledge and deliver in the name of and on behalf of the LACMTA any documents necessary to give effect to this Section 2, in each case to the extent, in the form, and with the terms and provisions as the Designated Officer executing the same shall determine is appropriate (said determination to be conclusively evidenced by the execution and delivery of such documents). Such documents may include (but shall not be limited to) supplemental trust agreements that include a covenant not to issue any First Senior Bonds or incur First Senior Parity Debt or that amend the Trust Agreement to remove all references to First Senior Bonds and First Senior Parity Debt or prohibit the future issuance thereof.

**Section 3. Additional Authorization.** The Designated Officers and all other officers, agents and employees of the LACMTA are further authorized and directed, for and on behalf of the LACMTA, to execute all papers, documents, certificates and other instruments and take all other actions that may be required in order to carry out the authority conferred by this Resolution or to evidence said authority and its exercise.

**Section 4. Continuing Authority of Designated Officers.** The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by the Chair of the LACMTA, any Vice Chair of the LACMTA, any CEO, any Chief Financial Services Officer of the LACMTA, any Treasurer of the LACMTA, or any Assistant Treasurer of the LACMTA shall remain valid notwithstanding the fact that the individual officer of the LACMTA signing such designation ceases to be an officer of the LACMTA, unless such designation specifically provides otherwise.

**Section 5. Severability.** The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

**Section 6. Effective Date.** This Resolution shall be effective upon adoption.

**Section 7. Contract.** This Resolution shall constitute a contract between the LACMTA and the holders of the Second Senior Bonds, Second Senior Parity Debt.