



Metro

Metropolitan Transportation Authority

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SEPTEMBER 15, 2010

TO: BOARD OF DIRECTORS (Distributed by Email)

THROUGH: ARTHUR T. LEAHY *by [signature]*
CHIEF EXECUTIVE OFFICER

FROM: TERRY MATSUMOTO *[signature]*
CHIEF FINANCIAL SERVICES OFFICER AND TREASURER

SUBJECT: ISSUANCE OF MEASURE R BONDS

ISSUE

At the September 2010 meeting the Board will be asked to authorize the issuance of one or more series of Measure R bonds to fund project costs for the Gold Line Foothill Extension and Exposition Phase II projects. The financing will lock in currently low interest rates and further lower cost by using federally subsidized Build America Bonds. As part of that authorization, the Board will approve the form of the draft preliminary official statement (POS) and draft master trust agreement. Bond counsel requires that the POS be provided to Board members. The draft of the master indenture is being included here because it is a new agreement that will govern issuance of all Measure R bonds. The Board should review the draft POS to ensure it provides an accurate and complete description of the MTA and may additionally review the draft of the master trust agreement. Should you have questions or comments, please call Terry Matsumoto at 213-922-2473.

NEXT STEPS

- Receive Board authority to issue the Measure R bonds
- Complete development of the bond documentation
- Receive credit ratings
- Engage in pre-marketing activities to increase investor interest
- Price and deliver the bonds

ATTACHMENT

- A. Draft Preliminary Official Statement
- B. Draft Master Trust Agreement

Prepared by: Michael J. Smith, Assistant Treasurer

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER __, 2010

NEW ISSUE-BOOK-ENTRY-ONLY

**RATING: Moody's: “__”
S&P: “__”**

(See “RATINGS” herein)

In the opinion of Bond Counsel, under existing law, assuming compliance with the tax covenants described herein, interest on the Series 2010-B Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the “Code”) from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed under section 55(a) of the Code. MTA has taken no action to cause, and does not intend, interest on the Series 2010-A Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, under existing law, interest on the Series 2010 Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.

[MTA Logo]

\$ _____ *

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Measure R Senior Sales Tax Revenue Bonds**

\$ _____ *

Series 2010-A

(Taxable Build America Bonds)

\$ _____ *

Series 2010-B

(Tax-Exempt)

Dated: Date of Delivery

Due: As shown on inside cover

The Los Angeles County Metropolitan Transportation Authority (“MTA”) is issuing its Measure R Senior Sales Tax Revenue Bonds, Series 2010-A (Taxable Build America Bonds) (the “Series 2010-A Bonds”) and Measure R Senior Sales Tax Revenue Bonds, Series 2010-B (Tax-Exempt) (the “Series 2010-B Bonds”) and, together with the Series 2010-A Bonds, the “Series 2010 Bonds”) pursuant to the Trust Agreement, dated as of November 1, 2010 (the “Trust Agreement”), by and between MTA and [TRUSTEE], as trustee (the “Trustee”), and the First Supplemental Trust Agreement, dated as of November 1, 2010 (the “First Supplemental Trust Agreement” and, together with the Trust Agreement, the “Agreement”), by and between MTA and the Trustee. MTA will use the proceeds of the Series 2010 Bonds and other available funds to finance a portion of the costs of the Project (as defined herein) and to pay the costs associated with issuing the Series 2010 Bonds.

MTA expects to designate the Series 2010-A Bonds as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009 (the “Stimulus Act”), the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. MTA expects to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on such Series 2010-A Bonds. MTA is obligated to make all payments of principal of and interest on the Series 2010-A Bonds from the sources described herein whether or not it receives cash subsidy payments pursuant to the Stimulus Act.

The Series 2010 Bonds will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the inside front cover hereof. MTA will pay interest on each Series of the Series 2010 Bonds on [April] 1 and [October] 1, commencing on _____ 1, 2011. The Series 2010 Bonds will be issued in denominations of \$5,000 and integral multiples thereof. The Series 2010 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 2010 Bonds. Individual purchases and sales of the Series 2010 Bonds may be made in book-entry form only. See “APPENDIX E—BOOK—ENTRY SYSTEM.”

The Series 2010 Bonds are subject to redemption prior to maturity as described in this Official Statement. See “DESCRIPTION OF THE SERIES 2010 BONDS—Redemption of Series 2010-A Bonds” and “—Redemption of Series 2010-B Bonds.”

The Series 2010 Bonds are limited obligations of MTA and are payable, both as to principal and interest, solely from Pledged Revenues and certain other amounts held by the Trustee under the Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS” and “MEASURE R SALES TAX AND COLLECTIONS” herein. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of MTA is not liable, and neither the credit nor the taxing power of MTA is pledged to the payment of the principal of or interest on the Series 2010 Bonds.

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 MTA to the extent of Pledged Revenues and certain other amounts held by the

* Preliminary, subject to change.
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Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2010 Bonds. MTA has no power to levy property taxes to pay the principal of or interest on the Series 2010 Bonds.

This cover page contains certain information for general reference only. It is not intended to be a summary of the terms of, or the security for, the Series 2010 Bonds. Investors must read this Official Statement in its entirety to obtain information essential to making an informed investment decision. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Series 2010 Bonds are offered when, as and if issued and received by the Underwriters, and subject to the approval of legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to MTA, and certain other conditions. Certain legal matters will be passed on for MTA by the Los Angeles County Counsel, as General Counsel to MTA, Fulbright & Jaworski L.L.P., as Disclosure Counsel, and for the Underwriters by their counsel, Nixon Peabody LLP, Los Angeles, California. MTA anticipates that the Series 2010 Bonds will be available for delivery through the facilities of DTC on or about November __, 2010.

Barclays Capital

Citi

Goldman, Sachs & Co.

De La Rosa & Co.

Siebert Brandford Shank & Co., LLC

Stone & Youngberg

Jefferies & Company, Inc.

Loop Capital Markets LLC

Ramirez & Co., Inc.

Date of Official Statement: November __, 2010

MATURITY SCHEDULE

\$ _____*
Los Angeles County Metropolitan Transportation Authority
Measure R Senior Sales Tax Revenue Bonds
Series 2010-A
(Taxable Build America Bonds)

Maturity Date ([April] 1)	Principal Amount	Interest Rate	Yield	CUSIP No. †
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\$ _____ % [APRIL]1, 20__ Yield: _____% CUSIP: _____ †

\$ _____*
Los Angeles County Metropolitan Transportation Authority
Measure R Senior Sales Tax Revenue Bonds
Series 2010-B
(Tax-Exempt)

Maturity Date ([April] 1)	Principal Amount	Interest Rate	Yield	CUSIP No. †
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\$ _____ % [APRIL]1, 20__ Yield: _____% CUSIP: _____ †

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data on the cover hereof and herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. MTA, the Financial Advisor and the Underwriters are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

[INSERT MAP OF MTA SYSTEM]

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board Members

Don Knabe, Chair
Antonio R. Villaraigosa, First Vice-Chair
Michael D. Antonovich, Second Vice-Chair
Diane Dubois
John Fasana
José Huizar
Richard Katz
Gloria Molina
Ara Najarian
Pam C. O'Connor
Mark Ridley-Thomas
Rita Robinson
Zev Yaroslavsky
Vacant, Ex-Officio Member

MTA Officers

Arthur T. Leahy, Chief Executive Officer
Terry Matsumoto, Chief Financial Services Officer and Treasurer

MTA General Counsel

Office of the County Counsel
Los Angeles, California

Financial Advisor

Public Financial Management, Inc.
Los Angeles, California

Bond Counsel and Disclosure Counsel

Fulbright & Jaworski L.L.P.
Los Angeles, California

Trustee

[TRUSTEE]
_____, California

MTA 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 2010 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 2010 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 2010 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 MTA have not changed since the date hereof. MTA is circulating this Official Statement in connection with the sale of the Series 2010 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 2010 Bonds, including the merits and risks involved. The Series 2010 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 exceptions contained in such acts. Neither the 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 2010 Bonds or the accuracy or completeness of this Official Statement.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of MTA in any way, regardless of the level of optimism communicated in the information. MTA is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	3
MTA	3
Purpose of the Series 2010 Bonds	4
Description of the Series 2010 Bonds	4
Designation of Series 2010-A Bonds as “Build America Bonds”	4
Security and Sources of Payment for the Series 2010 Bonds.....	4
Measure R Sales Tax Obligations	5
The Series 2010 Bonds are Limited Obligations of MTA Only.....	5
Continuing Disclosure.....	5
Reference to Documents and Definitions.....	5
DESCRIPTION OF THE SERIES 2010 BONDS	6
General	
Designation of Series 2010-A Bonds as “Build America Bonds”	6
Redemption of Series 2010-A Bonds	7
Redemption of Series 2010-B Bonds	10
Notice of Redemption	11
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS	12
Security for the Series 2010 Bonds	12
Measure R Sales Tax Obligations	12
Revenue Fund; Allocation of Pledged Tax Revenues	14
No Reserve Fund for Series 2010 Bonds	15
DEBT SERVICE SCHEDULE	16
MEASURE R SALES TAX AND COLLECTIONS	17
The Measure R Sales Tax.....	17
Proposition 218.....	18
Historical Proposition A and Proposition C Sales Tax Collections	19
THE MEASURE R EXPENDITURE PLAN.....	21
LONG RANGE TRANSPORTATION PLAN	21
MTA “30/10” INITIATIVE	22
PLAN OF FINANCE	22
ESTIMATED SOURCES AND USES OF FUNDS	23
RISK FACTORS.....	23
Economic Factors	23
California State Legislature or Electorate May Change Items Subject to Measure R Sales Tax.....	23
Increases in Sales Tax Rate May Cause Declines in Measure R Sales Tax Revenues.....	24
Increased Internet Use May Reduce Measure R Sales Tax.....	24
Impact of Bankruptcy of MTA.....	24
Voter Initiatives and California State Legislative Action May Impair Measure R Sales Tax.....	25

Build America Bonds	25
LITIGATION	25
LEGAL MATTERS	25
TAX MATTERS	25
Series 2010-A Bonds	25
Series 2010-B Bonds	28
FINANCIAL ADVISOR.....	30
FINANCIAL STATEMENTS.....	30
CONTINUING DISCLOSURE	31
UNDERWRITING	31
RATINGS.....	31
ADDITIONAL INFORMATION	32
APPENDIX A – LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY.....	A-1
APPENDIX B – LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009.....	B-1
APPENDIX C – SUMMARY OF LEGAL DOCUMENTS	C-1
APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	D-1
APPENDIX E – BOOK-ENTRY SYSTEM	E-1
APPENDIX F – FORM OF BOND COUNSEL APPROVING OPINION.....	F-1

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OFFICIAL STATEMENT

\$ _____ *	\$ _____ *
Los Angeles County Metropolitan Transportation Authority	Los Angeles County Metropolitan Transportation Authority
Measure R Senior Sales Tax Revenue Bonds	Measure R Senior Sales Tax Revenue Bonds
Series 2010-A	Series 2010-B
(Taxable Build America Bonds)	(Tax-Exempt)

INTRODUCTION

This Official Statement sets forth information in connection with the offering by the Los Angeles County Metropolitan Transportation Authority (“MTA”) of \$ _____ * aggregate principal amount of its Measure R Senior Sales Tax Revenue Bonds, Series 2010-A (Taxable Build America Bonds) (the “Series 2010-A Bonds”) and \$ _____ * aggregate principal amount of its Measure R Senior Sales Tax Revenue Bonds, Series 2010-B (Tax-Exempt) (the “Series 2010-B Bonds” and, together with the Series 2010-A Bonds, the “Series 2010 Bonds”). This Introduction is not a summary of this Official Statement. This Introduction is qualified by the more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. Prospective investors must read the entire Official Statement, including the cover page and appendices, before they make an investment decision to purchase the Series 2010 Bonds. MTA is only offering the Series 2010 Bonds to potential investors by means of the entire Official Statement.

MTA

MTA was established in 1993 pursuant to the provisions of Section 130050.2 *et seq.*, including Sections 130350.4 and 130350.5, of the California Public Utilities Code (the “MTA Act”). MTA 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, MTA 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. MTA 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. Pursuant to such authorization, on July 24, 2008 MTA adopted its Ordinance No. 08-01 (the “Ordinance”), which provides for the levy of a Countywide retail and transactions and use tax of one-half of 1% for transportation purposes, known as the “Measure R Sales Tax.”

At an election held on November 4, 2008, the voters of the County approved the Measure R Sales Tax. Collection of the Measure R Sales Tax commenced on July 1, 2009 and terminates on June 30, 2039. For more information regarding the Measure R Sales Tax, see “MEASURE R SALES TAX AND COLLECTIONS—The Measure R Sales Tax.”

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

* Preliminary, subject to change.

Purpose of the Series 2010 Bonds

MTA will use the proceeds of the Series 2010-A Bonds to pay a portion of the costs of the Project (as defined herein) and to pay the costs associated with issuing the Series 2010-A Bonds. MTA will use the proceeds of the Series 2010-B Bonds to pay a portion of the costs of the Project (as defined herein) and to pay the costs associated with issuing the Series 2010-B Bonds. For a more detailed description of MTA's proposed use of proceeds from the issuance of the Series 2010 Bonds, see "PLAN OF FINANCE."

Description of the Series 2010 Bonds

The Series 2010 Bonds are limited obligations of MTA to be issued pursuant to and secured under the Trust Agreement, dated as of November 1, 2010 (the "Trust Agreement"), by and between MTA and [TRUSTEE], as trustee (the "Trustee"), and the First Supplemental Trust Agreement, dated as of November 1, 2010 (the "First Supplemental Trust Agreement" and, together with the Trust Agreement, the "Agreement"), by and between MTA and the Trustee.

The Series 2010 Bonds will be issued in registered form, in denominations of \$5,000 or any integral multiple thereof. The Series 2010 Bonds will be dated their initial date of delivery and will mature on the dates and in the principal amounts and will bear interest at the rates per annum as shown on the inside front cover of this Official Statement, computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2010 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 2010 Bonds. See "APPENDIX E—BOOK-ENTRY SYSTEM."

Designation of Series 2010-A Bonds as "Build America Bonds"

MTA expects to designate the Series 2010-A Bonds as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Stimulus Act"), the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California (the "State") personal income taxes. MTA expects to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the Series 2010-A Bonds. [MTA has not undertaken or made any covenant for the benefit of the Holders of the Series 2010-A Bonds to comply with any conditions to receive the cash subsidy or to maintain its right to retain or receive future subsidy payments in respect of the Series 2010-A Bonds.]MTA is obligated to make all payments of principal of and interest on the Series 2010-A Bonds from Pledged Revenues (as defined below) whether or not it receives cash subsidy payments pursuant to the Stimulus Act.

Security and Sources of Payment for the Series 2010 Bonds

The Series 2010 Bonds are limited obligations of MTA payable solely from and secured by a pledge of the "Pledged Revenues," which essentially consist of Pledged Tax Revenues. "Pledged Tax Revenues" means the amounts collected on account of the Measure R Sales Tax, less any refunds and the administrative fee paid to the California State Board of Equalization (the "State Board of Equalization") in connection with the collection and disbursement of the Measure R Sales Tax, and less 15% thereof which constitutes the Local Return allocated to local jurisdictions pursuant to the Ordinance. In addition, the Series 2010 Bonds are secured by all other amounts held by the Trustee under the Agreement (except for amounts held in the Rebate Fund and any Letter of Credit Account and any Purchase Fund created under a supplement to the Trust Agreement). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS."

Measure R Sales Tax Obligations

Under the Agreement, MTA may issue Bonds, which are secured by a senior lien on Pledged Revenues on a parity with the Series 2010 Bonds, or Subordinate Obligations, which are secured by a lien on Pledged Revenues on a basis subordinate to the Series 2010 Bonds. The Series 2010-A Bonds and the Series 2010-B Bonds constitute the initial series of Bonds issued under the Agreement and there are no Subordinate Obligations currently outstanding. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Measure R Sales Tax Obligations.”

MTA may issue additional Bonds or incur Subordinate Obligations upon the satisfaction of certain conditions contained in the Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Measure R Sales Tax Obligations.”

MTA will covenant 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 Bonds (including the Series 2010 Bonds).

The Series 2010 Bonds are Limited Obligations of MTA Only

Neither the faith and credit nor the taxing power of the County, the State or any political subdivision or agency thereof, other than MTA to the extent of 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 2010 Bonds. MTA has no power to levy property taxes to pay the principal of or interest on the Series 2010 Bonds.

The Series 2010 Bonds are limited obligations of MTA and are payable, both as to principal and interest, solely from 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 MTA is not liable, and neither the credit nor the taxing power of MTA is pledged, to the payment of the principal of or interest on the Series 2010 Bonds.

Continuing Disclosure

MTA will provide, or cause to be provided, with respect to the Series 2010 Bonds, to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (the “EMMA System”), for purposes of Rule 15c2-12 (the “Rule”) adopted by the U.S. Securities and Exchange Commission (“SEC”), certain annual financial information and operating data relating to MTA and, in a timely manner, notice of certain material events. See “CONTINUING DISCLOSURE” and “APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” MTA has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

Reference to Documents and Definitions

The descriptions and summaries of the Agreement and various other documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference is made to each document for the complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined have the same meanings as in the Agreement. Copies of the Agreement may be obtained from MTA at One Gateway Plaza, 25th Floor, Treasury Department, Los Angeles, California 90012, Attention: Chief Financial Services Officer and Treasurer, or by calling (213) 922-4042.

DESCRIPTION OF THE SERIES 2010 BONDS

General

The Series 2010 Bonds are limited obligations of MTA to be issued pursuant to and secured under the Agreement. In connection with the issuance of the Series 2010 Bonds, MTA will enter into the First Supplemental Trust Agreement to provide for the issuance of the Series 2010 Bonds and related matters.

The Series 2010 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. MTA will pay interest on each [April] 1 and [October] 1, beginning _____ 1, 2011. Interest on the Series 2010 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2010 Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Upon initial issuance, the Series 2010 Bonds will be registered in the name of Cede & Co. as registered owner and nominee of DTC. As long as the Series 2010 Bonds are registered in such name or in the name of a successor nominee, the ownership of the Series 2010 Bonds will be evidenced by book-entry as described in "APPENDIX E—BOOK-ENTRY SYSTEM." Purchasers will not receive certificated Series 2010 Bonds. So long as Cede & Co. is the registered owner of the Series 2010 Bonds, reference herein to the Holders or registered owners will mean Cede & Co. as aforesaid and will not mean the Beneficial Owners (as defined herein) of the Series 2010 Bonds.

So long as Cede & Co. is the registered owner of the Series 2010 Bonds, principal and redemption price of and interest on the Series 2010 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.

Designation of Series 2010-A Bonds as "Build America Bonds"

MTA is issuing the Series 2010-A Bonds as taxable bonds, and expects to designate the Series 2010-A Bonds as "Build America Bonds" under section 54AA(d) of the Internal Revenue Code (the "Code"), and as "qualified Build America Bonds" (Direct Subsidy) under section 54AA(g) of the Code. In connection with the issuance of the Series 2010-A Bonds, and as permitted by the Stimulus Act, MTA will elect (which election is irrevocable pursuant to the provisions of the Stimulus Act) to receive directly from the United States Department of the Treasury on or about each interest payment date for the Series 2010-A Bonds a Subsidy Payment equal to 35% of the taxable interest it pays on the Series 2010-A Bonds to the holders thereof. "Subsidy Payment" means payments from the United States Treasury to or upon the order of the Authority with respect to the Series 2010-A Bonds pursuant to sections 54AA and 6431 of the Code in an amount equal to 35% of the interest due thereon on each Series 2010 Interest Payment Date. The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the United States Treasury under the Stimulus Act.

If MTA fails to comply with the conditions to receiving the Subsidy Payments throughout the term of the Series 2010-A Bonds, it may no longer receive the Subsidy Payments and could be subject to a claim for the return of previously received Subsidy Payments. MTA has not undertaken or made any covenant for the benefit of the Owners of the Series 2010-A Bonds to comply with any conditions to receive the Subsidy Payments or to maintain MTA's right to retain or receive future Subsidy Payments in respect of the Series 2010-A Bonds. MTA is obligated to make all payments of principal of and interest on the Series 2010-A Bonds whether or not it receives Subsidy Payments pursuant to the Stimulus Act.

Redemption of Series 2010-A Bonds*

Optional Redemption. Except as provided below, the Series 2010-A Bonds maturing on or before [April] 1, 20__ shall not be subject to redemption prior to their respective stated maturity dates. The Series 2010-A Bonds maturing on or before [April] 1, 20__ shall not be subject to redemption prior to their respective stated maturity dates. The Series 2010-A Bonds maturing on and after [April] 1, 20__ shall be subject to redemption prior to their respective stated maturity dates, at the option of MTA, from any source of available funds, as a whole or in part (and if in part, in such order of maturity as MTA shall specify) on any date on or after [April] 1, 20__, at a redemption price equal to 100% of the principal amount of Series 2010-A Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Any optional redemption of Series 2010-A Bonds and notice thereof shall be conditional and rescinded and cancelled if for any reason on the date fixed for redemption moneys are not held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2010-A Bonds called for redemption. Any notice of optional redemption of the Series 2010-A Bonds shall be mailed by the Trustee not less than 30 nor more than 90 days prior to the redemption date, to each Holder and the Repository and otherwise shall be delivered in accordance with the Agreement.

Extraordinary Optional Redemption. The Series 2010-A Bonds shall be subject to redemption prior to their stated maturity dates, at the option of MTA, from any source of available funds, as a whole or in part (and if in part, in such order of maturity as MTA shall specify) on any date, at a redemption price equal to 100% of the principal amount of Series 2010-A Bonds called for redemption plus the Make-Whole Premium, if any, together with accrued interest to the date fixed for redemption.

“Make-Whole Premium” means, with respect to any Series 2010-A Bond to be redeemed, an amount calculated by the Calculation Agent equal to the positive difference, if any, between:

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

(1) Each interest payment that, but for the redemption, would have been payable on the Series 2010-A Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such Series 2010-A Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such Series 2010-A Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such Series 2010-A Bond to the date fixed for redemption; plus

(2) The principal amount that, but for such redemption, would have been payable on the maturity date of the Series 2010-A Bond or portion thereof being redeemed; minus

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

The present values of the interest and principal payments referred to in (a) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a

* Preliminary, subject to change.

semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Comparable Treasury Yield, plus the Spread.

“Calculation Agent” means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities (which may be one of the institutions that served as underwriters for the Series 2010-A Bonds) designated by MTA.

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

“Comparable Treasury Price” means, with respect to any date on which a Series 2010-A Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time, at least three Business Days but not more than 45 calendar days preceding the date fixed for redemption.

“Comparable Treasury Yield” means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities,” or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2010-A Bond being redeemed. The Comparable Treasury Yield will be determined at least three Business Days but not more than 45 calendar days preceding the date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series 2010-A Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Series 2010-A Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2010-A Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

“Reference Treasury Dealer” means a primary dealer of United States Government securities (which may be one of the institutions that served as underwriters for the Series 2010-A Bonds) appointed by MTA and reasonably acceptable to the Calculation Agent.

“Spread” means for optional redemptions []% and for extraordinary optional redemptions []%.

Optional Redemption of Series 2010-A Bonds. The Series 2010-A Bonds shall be subject to redemption prior to their stated maturity date, at the option of MTA upon the occurrence of a Tax Law Change, from any source of available funds, as a whole or in part (and if in part, in such order of maturity as MTA shall specify) on any date, at a redemption price equal to 100% of the principal amount of Series 2010-A Bonds called for redemption plus the Make-Whole Premium, if any, plus accrued interest to the date fixed for redemption.

“Tax Law Change” means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by MTA, would be to suspend, reduce or terminate the Subsidy Payments or any similar payments to state or local government issuers generally with respect to obligations of the general character of the Series 2010-A Bonds; provided, that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by MTA to comply with the requirements under the Code to receive such Subsidy Payments.

Mandatory Redemption of Series 2010-A Bonds from Sinking Fund Installments. The Series 2010-A Bonds maturing on [April] 1, 20__ (the “Series 2010-A Term Bonds”) shall also be subject to mandatory redemption prior to their respective stated maturities, in part, from Mandatory Sinking Fund Installments on each [April] 1 a Sinking Fund Installment is due, in the principal amount equal to the Sinking Fund Installment due on such date and at a redemption price equal to 100% of the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium.

The Mandatory Sinking Fund Installments for the Series 2010-A Term Bonds shall be due in the amounts and on the dates as follows:

Sinking Fund Installment Dates (<u>[April]1</u>)	Sinking Fund <u>Installments</u> \$
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*

*Final Maturity.

On or before the date such Mandatory Sinking Fund Installments are due, the Trustee shall deposit such amounts to the Principal Fund and amounts so transferred shall be applied as provided in the Agreement.

In the event of an optional redemption of the Series 2010-A Term Bonds pursuant to the Agreement, MTA shall designate the Mandatory Sinking Fund Installments, in an aggregate amount equal to the principal amount of Series 2010-A Bonds so optionally redeemed, that are to be reduced as allocated to such redemption, and such Mandatory Sinking Fund Installments shall be reduced accordingly.

Selection of Series 2010-A Bonds for Redemption. MTA shall designate which maturities of the Series 2010-A Bonds are to be called for redemption and which Mandatory Sinking Fund Installments, or portions thereof, are to be reduced as allocated to such redemptions.

If the Series 2010-A Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2010-A Bonds shall be effected by the Trustee among owners on a pro-rata basis subject to minimum Authorized Denominations. The particular Series 2010-A Bonds to be redeemed shall be determined by the Trustee, using such method as it shall deem fair and appropriate.

If the Series 2010-A Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2010-A Bonds, if less than all of the Series 2010-A Bonds of a maturity are called for prior redemption, the particular Series 2010-A Bonds or portions thereof to be redeemed shall be selected by the Trustee on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the Series 2010-A Bonds are held in book-entry form, the selection for redemption of such Series 2010-A Bonds shall be made by the Trustee in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Trustee pursuant to DTC operational arrangements. If the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Series 2010-A Bonds shall be selected for redemption by lot by the Trustee in accordance with DTC procedures. Redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between MTA and the Beneficial Owners are to be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. If the DTC operational arrangements do not allow for the redemption of the Series 2010-A Bonds on a Pro Rata Pass-Through Distribution of Principal basis as described above, then the Series 2010-A Bonds shall be selected for redemption by lot by the Trustee in accordance with DTC procedures.

Purchase In Lieu of Redemption. MTA may surrender to the Trustee for cancellation Series 2010-A Bonds purchased by MTA and such Series 2010-A Bonds shall be cancelled by the Trustee. Upon such a cancellation, MTA shall designate the Sinking Fund Installments for that maturity, in an aggregate amount equal to the principal amount of cancelled Series 2010-A Bonds, that are to be reduced as allocated to such redemption, and such Sinking Fund Installments shall be reduced accordingly.

Redemption of Series 2010-B Bonds*

Optional Redemption of Series 2010-B Bonds. The Series 2010-B Bonds maturing on or before [April] 1, 20__ shall not be subject to redemption prior to their respective stated maturity dates. The Series 2010-B Bonds maturing on and after [April] 1, 20__ shall be subject to redemption prior to their respective stated maturity dates, at the option of MTA, from any source of available funds, as a whole or in part (and if in part, in such order of maturity as MTA shall specify) on any date on or after [April] 1, 20__, at a redemption price equal to 100% of the principal amount of Series 2010-B Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Any optional redemption of Series 2010-B Bonds and notice thereof shall be conditional and rescinded and cancelled if for any reason on the date fixed for redemption moneys are not held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2010-B Bonds called for redemption. Any notice of optional redemption of the Series 2010-B Bonds shall be mailed by the Trustee not less than 30 nor more than 90 days prior to the redemption date, to each Holder and the Repository and otherwise shall be delivered in accordance with the Agreement.

Mandatory Redemption of Series 2010-B Term Bonds from Mandatory Sinking Account Payment. The Series 2010-B Bonds maturing on [April] 1, 20__ (the "Series 2010-B Term Bonds")

* Preliminary, subject to change.

shall also be subject to mandatory redemption prior to their stated Maturity Date, in part, from Mandatory Sinking Account Payment on each [April] 1 a Mandatory Sinking Account Payment is due, in the principal amount equal to the Mandatory Sinking Account Payment due on such date and at a redemption price equal to 100% of the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium.

The Mandatory Sinking Account Payment for the Series 2010-B Term Bonds shall be due in the amounts and on the dates as follows:

Sinking Fund Installment Dates (<u>[April]1</u>)	Sinking Fund <u>Installments</u> \$
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*

*Final Maturity.

In the event of an optional redemption of the Series 2010-B Term Bonds, MTA shall designate the Mandatory Sinking Account Payments, in an aggregate amount equal to the principal amount of Series 2010-B Term Bonds so optionally redeemed, that are to be reduced as allocated to such redemption, and such Mandatory Sinking Account Payments shall be reduced accordingly.

Selection of Series 2010-B Bonds for Optional Redemption. MTA shall designate which maturities of any Series 2010-B Bonds are to be called for optional redemption, and which Mandatory Sinking Account Payments, or portions thereof, are to be reduced as allocated to such redemptions. If less than all Series 2010-B Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Series 2010-B Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair and shall promptly notify MTA in writing of the numbers of the Series 2010-B Bonds so selected for redemption. For purposes of this selection, Series 2010-B Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

Purchase In Lieu of Redemption. MTA may surrender to the Trustee for cancellation Series 2010-B Bonds purchased by MTA and such Series 2010-B Bonds shall be cancelled by the Trustee. Upon such a cancellation, MTA shall designate the Mandatory Sinking Account Payments for that maturity, in an aggregate amount equal to the principal amount of cancelled Series 2010-B Bonds, that are to be reduced as allocated to such redemption, and such Mandatory Sinking Account Payments shall be reduced accordingly.

Notice of Redemption

Each notice of redemption shall be mailed by the Trustee, not less than ten nor more than 90 days prior to the redemption date, to each Holder and the Repository. A copy of such notice shall also be provided to each of the Notice Parties with respect to Series of Bonds to which such notice relates. Notice of redemption to the Holders, the Repository and the applicable Notice Parties shall be given by first class mail. Each notice of redemption shall state the date of such notice, the date of issue of the Series of Bonds to which such notice relates, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity, if any, to be redeemed and, in the case of Bonds to be

redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither MTA nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither MTA nor the Trustee shall be liable for any inaccuracy in such CUSIP numbers.

Failure by the Trustee to give notice to any Notice Party or the Repository or failure of any Holder, any Notice Party or the Repository to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS

Security for the Series 2010 Bonds

The Series 2010 Bonds are limited obligations of MTA payable from and secured by a pledge of the "Pledged Revenues," which consist of all Pledged Tax Revenues and all Swap Revenues. "Pledged Tax Revenues" means the amounts collected on account of the Measure R Sales Tax, less any refunds and the administrative fee paid to the State Board of Equalization in connection with the collection and disbursement of the Measure R Sales Tax, and less 15% thereof which constitutes the Local Return allocated to local jurisdictions within the County pursuant to the Ordinance. In addition, the Series 2010 Bonds are secured by all other amounts held by the Trustee under the Agreement (except for amounts held in the Rebate Fund and any Letter of Credit Account and any Purchase Fund created under a supplement to the Trust Agreement). Additionally, the Agreement provides that Pledged Revenues also include any additional sources of revenue that are hereafter pledged to pay the Bonds under a subsequent supplemental trust agreement. Pledged Revenues do not include any Measure R Sales Tax revenues that are released by the Trustee to MTA after making all required monthly deposits to the Interest Fund, the Principal Fund and certain other funds under the Agreement.

Neither the faith and credit nor the taxing power of the County, the State or any political subdivision or agency thereof, other than MTA to the extent of 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 2010 Bonds. MTA has no power to levy property taxes to pay the principal of or interest on the Series 2010 Bonds.

The Series 2010 Bonds are limited obligations of MTA and are payable, both as to principal and interest, solely from 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 MTA is not liable, and neither the credit nor the taxing power of MTA is pledged, to the payment of the principal of or interest on the Series 2010 Bonds.

Measure R Sales Tax Obligations

Under the Agreement, MTA may issue Bonds or Parity Obligation, which are secured by a senior lien on Pledged Revenues on a parity with the Series 2010 Bonds, or Subordinate Obligations, which are secured by a lien on Pledged Revenues on a basis subordinate to the Series 2010 Bonds. The Series 2010

Bonds constitute the initial series of Bonds issued under the Agreement and there are no Subordinate Obligations currently outstanding.

MTA will covenant 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 Bonds (including the Series 2010 Bonds).

Issuance of Additional Series of Bonds. Subsequent to the issuance of the Series 2010 Bonds, MTA may by Supplemental Trust Agreement establish one or more additional Series of Bonds payable from Pledged Revenues and secured by the pledge made under the Trust Agreement equally and ratably with Bonds previously issued, including the Series 2010 Bonds, but only upon compliance by MTA with the provisions of the Trust Agreement. Certain of the applicable provisions of the Trust Agreement are described below:

(a) No Event of Default shall have occurred and then be continuing.

(b) If a Reserve Fund is required in connection with the issuance of an additional Series of Bonds, the Supplemental Trust Agreement providing for the issuance of such Series of additional Bonds may require either (i) the establishment of a Reserve Fund for such Series of Bonds or (ii) that the balance in an existing Reserve Fund, forthwith upon the receipt of the proceeds of the sale of Bonds of such Series, be increased to an amount at least equal to the Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds.

(c) MTA shall have placed on file with the Trustee a certificate of a Consultant, certifying that the lesser of (i) the amounts of Pledged Revenues for a period of 12 consecutive months (selected by MTA) during the 18 months immediately preceding the date on which such additional Series of Bonds will become Outstanding, shall have been at least equal at least ___ times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued.

Nothing in the Trust Agreement shall prevent or be construed to prevent the Supplemental Trust Agreement providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Trust Agreement, additional security for the benefit of such additional Series of Bonds or any portion thereof.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by MTA without compliance with the provisions of the Trust Agreement summarized under subcaption (c) above under the caption “Issuance of Additional Series of Bonds”; provided that MTA shall provide the Trustee with a certificate of a Consultant to the effect that either (i) Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding prior to the issuance of such Refunding Bonds or (ii) debt service on such Refunding Bonds has a present value that is less than the present value of the remaining debt service on the Bonds or Parity Obligations to be refunded. No additional Series of Bonds or Refunding Bonds shall mature after the Tax Expiration Date, which is currently June 30, 2039. See APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Trust Agreement.”

Parity Obligations. As defined in the Trust Agreement, “Parity Obligations” means any indebtedness, installment sale obligation, lease obligation or other obligation of MTA for borrowed money or any Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured by a

lien and charge on Pledged Revenues subordinate to the lien and charge upon Pledged Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the provisions of the Trust Agreement described herein and having an equal lien and charge upon Pledged Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). MTA may issue or incur Parity Obligations which will have, when issued, an equal lien and charge upon Pledged Revenues, provided that the conditions to the issuance of such Parity Obligations set forth in the Trust Agreement are satisfied, including satisfaction of the coverage test described in subsection (c) above under the caption "Issuance of Additional Series of Bonds," unless such Parity Obligations are being issued for refunding purposes or constitute an Interest Rate Swap Agreement, in which case the coverage test shall not apply.

See "APPENDIX C—SUMMARY OF LEGAL DOCUMENTS—Trust Agreement."

Subordinate Obligations. Under the Agreement, MTA may issue Subordinate Obligations secured by Pledged Revenues that are junior and subordinate to the Bonds as to the lien on and source and security for payment from Pledged Revenues. See "APPENDIX C—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—TRUST AGREEMENT."

Revenue Fund; Allocation of Pledged Tax Revenues

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid pursuant to the Trust Agreement, MTA has assigned the Pledged Tax Revenues to the Trustee and shall cause the State Board of Equalization to transmit the same directly to the Trustee. The Pledged Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and Parity Obligations. The Trustee shall forthwith deposit all Pledged Tax Revenues in the Revenue Fund established by the Trust Agreement (the "Revenue Fund"), maintained and held in trust by the Trustee, when and as such Pledged Tax Revenues are received by the Trustee. See APPENDIX C—"SUMMARY OF LEGAL DOCUMENTS—Trust Agreement." Investment income on amounts held by the Trustee (other than amounts held in the Rebate Fund or any Purchase Fund or in other funds for which particular instructions are provided) shall also be deposited in the Revenue Fund.

So long as any Bonds remain Outstanding, following receipt and deposit of the Pledged Tax Revenues in the Revenue Fund in each month, the Trustee is required to set aside such Pledged Tax Revenues in the following respective funds, amounts and order of priority (provided that deficiencies in any previously required deposit may be made up prior to the deposit to a fund subsequent in priority and further provided that set asides or transfers required with respect to outstanding Parity Obligations shall be made on a parity basis each month, as provided in the Trust Agreement):

1. **Interest Fund.** The Trust Agreement requires the Trustee to make monthly deposits in the Interest Fund in an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on Outstanding Current Interest Bonds during the ensuing six-month period, plus (b) the aggregate amount of interest to accrue during that month on Outstanding variable rate bonds calculated, if the actual rate of interest is not known, at the interest rate specified by MTA, or if MTA has not specified an interest rate, at the maximum interest rate borne by such variable rate bonds during the month prior to the date of deposit plus 100 basis points; subject to such adjustments as are provided pursuant to the provisions of the Trust Agreement.

2. **Principal Fund; Sinking Accounts.** The Trust Agreement also requires the Trustee to make monthly deposits in the Principal Fund in an amount equal to at least (a) one-

sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next 12 months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if MTA certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Reserve Fund that would be in excess of the Reserve Requirement applicable to such Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligation of all Serial Bonds then Outstanding and maturing by their terms within the next twelve months 12 plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if MTA certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Reserve Fund that would be in excess of the Reserve Requirement applicable to such Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments.

3. Reserve Funds. If MTA provides by Supplemental Trust Agreement, the Trustee shall make deposits to any of the Reserve Funds.

4. Subordinate Obligations Fund. If MTA issues Subordinate Obligations, MTA may direct the Trustee to establish a Subordinate Obligations Fund. The Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as MTA shall specify in writing is necessary to pay principal of and interest due and payable during the following month with respect to Subordinate Obligations then outstanding.

5. Fees and Expenses Fund. If MTA has directed the Trustee to establish the Fees and Expenses Fund, after the transfers described above have been made, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by MTA in connection with the Bonds or any Parity Obligation (excluding termination payments on Interest Rate Swap Agreements).

After the foregoing deposits, except as MTA shall otherwise direct in writing to the Trustee or as is otherwise provided in a Supplemental Trust Agreement, any Pledged Revenues remaining shall be transferred to MTA to be used by MTA for any lawful purpose. After such transfer to MTA, such Pledged Revenues shall be released from the lien of the Agreement and shall no longer constitute Pledged Revenues thereunder.

No Reserve Fund for Series 2010 Bonds

No reserve fund will be established under the Agreement for the Series 2010 Bonds.

DEBT SERVICE SCHEDULE

Fiscal Year	<u>2010 Series A Bonds</u>		<u>2010 Series B Bonds</u>		Subsidy Payment	Annual Debt Service
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		

MEASURE R SALES TAX AND COLLECTIONS

The Measure R Sales Tax

Under the California Public Utilities Code, MTA 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 two-thirds of the electors voting on the issue. In accordance with the MTA Act, on July 24, 2008 MTA adopted Ordinance No. 08-01 (the “Ordinance”) which authorizes a retail transactions and use tax for public transit purposes. The Ordinance was submitted to the electors of the County in the form of Measure R (“Measure R”) and approved at an election held on November 4, 2008 by more than two-thirds of the voters. The Ordinance imposes a tax, effective July 1, 2009, of ½ of 1 percent 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 the Ordinance and approved by the voters with the passage of Measure R is referred to in this Official Statement as the “Measure R Sales Tax.” As approved by the voters, the Measure R Sales Tax is limited to 30 years in duration and terminates on June 30, 2039.

Collection of the Measure R 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 Measure R Sales Tax. In accordance with the Ordinance, MTA is required to allocate the proceeds of the Measure R Sales Tax as follows:

ALLOCATION OF MEASURE R SALES TAX

Uses	Percentage
New Rail and/or Bus Rapid Transit Capital Projects	35%
Metrolink Capital Improvement Projects within the County (operations, maintenance and expansion)	3
Metro Rail Capital – System Improvements, Rail Yards and Rail Cars	2
Carpool Lanes, Highways, Goods Movement, Grade Separations and Soundwalls	20
Rail Operations (new transit project operations and maintenance)	5
Bus Operations (County-wide bus service operations, maintenance and expansion)	20
Local Return (allocated to incorporated cities within the County and to the County for the incorporated areas thereof on a per capita basis); Major Street Resurfacing, Rehabilitation and Reconstruction; Pothole Repair; Left Turn Signals; Bikeways; Pedestrian Improvements; Streetscapes; Signal Synchronization; and Transit	15
Total	100%

Source: MTA.

The State Board of Equalization, after deducting the costs of administering the Measure R Sales Tax and disbursing the Local Return to MTA, has agreed to remit directly on a monthly basis the remaining Measure R Sales Tax revenues (the “Pledged Tax Revenues”) to the Trustee. Any Pledged Sales Tax revenues remaining after the Trustee makes the required monthly deposits to the Interest Fund, the Principal Fund and certain other funds under the Agreement are released to MTA to be used by MTA for any lawful purposes (subject to the allocation requirements set forth in the Ordinance). The Series 2010 Bonds do not have a lien on and are not secured by any Pledged Sales Tax revenues that are released by the Trustee to MTA after making such monthly deposits under the Agreement.

The amount retained by the State Board of Equalization from collections of Measure R Sales Tax is based on the total local entity cost reflected in the annual budget of the State, 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. The State Board of Equalization’s fee for administering the Measure R Sales Tax for Fiscal Year 2009-10 totaled approximately \$4.97 million representing 1.1% of Measure R Sales Tax receipts during that period. MTA assumes that such State Board of Equalization fee may increase incrementally each year. The State Board of Equalization can change the fee at its discretion in the future.

Under the Los Angeles County Transportation Commission Revenue Bond Act, Sections 130500 et seq. of the California Public Utilities Code (the “Act”), the State pledges to, and agrees with, the holders of any bonds issued under the Act and with those parties who may enter into contracts with MTA pursuant to the Act that the State will not limit or alter the rights vested by the Act in MTA until such bonds, together with the interest thereon, are fully met and discharged and the contracts are fully performed on the part of MTA. However, such pledge and agreement does not preclude the State from any such limitation or alteration if adequate provision has been made by law for the protection of the bondholders or those entering into contracts with MTA.

The ½ of 1 percent Measure R Sales Tax imposed by MTA in the County is in addition to the general sales tax levied statewide by the State. The Measure R Sales Tax is also in addition to a ½ of 1 percent sales tax imposed by the Commission beginning in 1980 and currently imposed by MTA pursuant to Ordinance No. 16 of the Commission known as “Proposition A Sales Tax,” a ½ of 1 percent sales tax imposed by MTA beginning in 1991 pursuant to its Ordinance No. 49 known as “Proposition C Sales Tax” and sales taxes that apply only within certain cities in the County. These tax rates and the items subject to the Measure R Sales Tax are subject to change. See “RISK FACTORS—California State Legislature or Electorate May Change Items Subject to Measure R Sales Tax” and “—Increases in Sales Tax Rate May Cause Declines in Measure R Sales Tax Revenues.” See also “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—DESCRIPTION OF LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY.”

Proposition 218

In 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the California State Constitution. Among other things, Article XIII C removes limitations, if any, that exist on the initiative power in matters of local taxes, assessments, fees and charges. Even though MTA’s enabling legislation did not limit the initiative power of the electorate prior to Proposition 218, Proposition 218 has affirmed the right of the voters to propose initiatives that could influence the Measure R Sales Tax.

Historical Proposition A and Proposition C Sales Tax Collections

The Measure R Sales Tax is levied in the same area and on generally the same transactions as the Proposition A Sales Tax and the Proposition C Sales Tax. The following table presents collections of net Proposition A Sales Tax and Proposition C Sales Tax revenues for the referenced years.

HISTORIC NET PROPOSITION A AND PROPOSITION C SALES TAX RECEIPTS (Dollars in Millions)

Fiscal Year Ended June 30	Net Proposition A Sales Tax Revenue ¹	Annual Percentage Change	Net Proposition C Sales Tax Revenue ²	Annual Percentage Change
2000	\$504.4	12.31%	\$505.9	11.88%
2001	528.3	4.75	528.4	4.44
2002	526.0	(0.44)	525.9	(0.48)
2003	548.3	4.24	548.3	4.26
2004	576.7	5.17	576.7	5.18
2005	619.5	7.43	619.6	7.44
2006	669.0	7.99	669.0	7.98
2007	686.2	2.57	686.3	2.58
2008	683.3	(0.41)	683.5	(0.40)
2009	620.8	(9.15)	620.9	(9.17)

¹ Reflects Proposition A Sales Tax revenues, reported according to accrual basis accounting, as presented in MTA's audited financial statements, less the administrative fee paid to the State Board of Equalization. Rounded to the closest \$100,000.

² Reflects Proposition C Sales Tax revenues, reported according to accrual basis accounting, as presented in MTA'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.

Source: MTA.

For Fiscal Year ended June 30, 2010, the amount of Measure R Sales Tax receipts received by MTA was \$445.42 million (reflecting ten months of collections). The Measure R Sales Tax receipts for a quarterly period are determined by sales tax revenues based on sales activity generally occurring in the last two months of the previous quarter and the first month of the current quarter.

As a result of the national recession and regional general economic conditions, MTA has experienced a substantial decline in Proposition A Sales Tax revenues and Proposition C Sales Tax revenues over the last two years.

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

**Recent Proposition A Sales Tax Receipts
(cash basis -- unaudited)**

Quarter Ended	Quarterly Receipts (\$ millions)	Change From Same Period Prior Year	Rolling 12 Months Receipts (\$ millions)	Change From Same Period Prior Year
September 30, 2009	\$138.0	-20.2%	\$592.7	-13.6%
December 31, 2009	138.5	-18.5	561.1	-17.9
March 31, 2010	141.7	-5.6	552.7	-16.3
June 30, 2010	137.0	1.9	555.2	-11.5

The Proposition A Sales Tax receipts for a quarterly period are determined by sales tax revenues based on 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 June 30, 2010, reported according to cash basis accounting, Proposition A Sales Tax receipts were approximately \$137.0 million, which receipts generally represented sales activity occurring in February, March and April 2010. Total Proposition A Sales Tax Receipts on a cash basis for fiscal year 2010 are approximately \$555.2 million. MTA's Fiscal Year 2011 budget assumes Proposition A Sales Tax revenues of \$589.8 million, and net Proposition A Sales Tax revenues of \$442.3 million.

Proposition A Sales Tax receipts and Proposition C Sales Tax receipts fluctuate based on general economic conditions within the County. To project future Proposition A Sales Tax receipts and Proposition C Sales Tax receipts for budgetary purposes, MTA relies on reports from local economists and other publicly available sources of data. MTA does not itself develop forecasts of current or future economic conditions. Furthermore, the State Board of Equalization does not provide MTA with any forecasts of Proposition A Sales Tax receipts and Proposition C Sales Tax receipts for future periods. Therefore, MTA is unable to forecast or to predict future levels of Proposition A Sales Tax receipts or Proposition C Sales Tax receipts, including receipts based on sales activity occurring in May, June and July 2010 (which MTA will receive in the three month period ending September 30, 2010). See "RISK FACTORS—Economic Factors."

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

**Recent Proposition C Sales Tax Receipts
(cash basis -- unaudited)**

Quarter Ended	Quarterly Receipts (\$ millions)	Change From Same Period Prior Year	Rolling 12 Months Receipts (\$ millions)	Change From Same Period Prior Year
September 30, 2009	\$138.0	-20.2%	\$592.8	-13.6%
December 31, 2009	138.5	-18.6	561.2	-17.9
March 31, 2010	141.8	-5.6	552.7	-16.3
June 30, 2010	137.0	1.9	555.3	-11.5

The Proposition C Sales Tax receipts for a quarterly period are determined by sales tax revenues based on 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 June 30, 2010, reported according to cash basis accounting, Proposition C Sales Tax receipts were approximately \$137.0 million,

which receipts generally represented sales activity occurring in February, March and April 2010. Total Proposition C Sales Tax receipts for Fiscal Year 2010 on a cash basis are approximately \$555.3 million. MTA's Fiscal Year 2011 budget assumes Proposition C Sales Tax revenue of \$589.8 million, or net Proposition C sales tax revenues of \$471.8 million.

THE MEASURE R EXPENDITURE PLAN

On July 24, 2008, MTA's Board of Directors adopted an Expenditure Plan that prioritizes project implementation within the framework of projected revenues, including Measure R Sales Tax. Revenues from the Measure R Sales Tax will be used to finance the projects authorized under the Ordinance and listed in the Expenditure Plan. The Expenditure Plan is available at . The information set forth on this website is not incorporated herein by reference thereto.

LONG RANGE TRANSPORTATION PLAN

In October 2009, the Board approved a 2009 Long Range Transportation Plan ("2009 LRTP"), which is an update to the existing 2001 Long Range Transportation Plan ("2001 LRTP"). "APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan." It incorporates changes in policy and system needs since the 2001 LRTP's adoption as well as the approval of Measure R in November 2008 by County voters, which increased the sales tax rate within the County by ½ of 1% for a period of 30 years to fund MTA transportation projects and operations. The 2009 LRTP identifies projected costs of running the transportation system based on a financial forecast of future revenue assumptions thru 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 MTA'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 identifies a \$297.6 billion investment in the County's transportation system through 2040, funded with more than 45 sources of federal, State and local revenues. 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. See "MTA "30/10" INITIATIVE."

Included in the 2009 LRTP is a projection of debt financing by MTA of \$14.3 billion through Fiscal Year 2040, comprised of a combination of Proposition A, Proposition C and Measure R secured-debt. Of the total projected amount of MTA debt issuance, approximately \$7.5 billion is estimated to be financed over the first ten years of the 2009 LRTP, through Fiscal Year 2019. The actual amount and timing of any debt issuance depends on a number of factors including the actual scope, timing and cost of transportation projects, the ability to obtain funding from other sources and the amount of Proposition A, Proposition C, and Measure R sales tax revenues available to fund the projects in the 2009 LRTP, and the actual amounts and timing of future debt issuance may be materially different from the estimate in the 2009 LRTP. For example, see "MTA "30/10" INITIATIVE."

MTA “30/10” INITIATIVE

MTA’s Board is supporting the acceleration of twelve of the 2009 LRTP transit projects. The 2009 LRTP currently schedules these projects for completion over the next 30 years. Under the accelerated plan, known as the “30/10 Initiative,” these transit projects would be completed by the Fiscal Year ending June 30, 2019. The 30/10 Initiative seeks take advantage of low inflation and the current favorable construction market. The 30/10 Initiative assumes a need to reduce borrowing costs through existing and proposed federal programs. MTA staff believes that the 30/10 Initiative would have an estimated \$13.7 billion cost in year-of-expenditure dollars over ten years. MTA staff estimates, based on 2009 LRTP assumptions, that approximately \$8.4 billion may need to be funded between Fiscal Years 2010 and 2017 from loans, bonds, federal grants and program cost reductions. Such financing would be paid from Measure R’s 35% “New Rail and/or Bus Rapid Transit Capital Projects” allocation, which was estimated in the 2009 LRTP to generate \$13.1 billion over 30 years. MTA believes that the 30/10 Initiative is only feasible if borrowing and construction costs are reduced sufficiently such that total payments do not exceed Measure R’s 35% allocation. The Board may need to take future action with respect to the implementation of the 30/10 Initiative. No estimate can be given as of the date hereof whether any projects on the 2009 LRTP will be accelerated pursuant to the 30/10 Initiative or otherwise.

PLAN OF FINANCE

A portion of the proceeds of the Series 2010 Bonds will be deposited in the 2010 Series A Project Fund to be applied to finance a portion of the transportation projects authorized by the Ordinance, including in particular Goldline Foothill Extension and Exposition Line Phase II. “Project” means capital outlay expenditures for transportation purposes, including, without limitation, the carrying out of transportation projects described in the Expenditure Plan, the construction, maintenance, improvement and operation of local streets, roads, and highways, state highways and freeways, and public transit systems including rail, and related purposes permitted by the Ordinance, including planning, environmental reviews, engineering and design costs and related right-of-way acquisition and also including, without limitation, administrative, engineering, inspection, legal, fiscal agent, financial consultant and other fees, bond and other reserve funds, working capital, bond or note interest estimated to accrue during the construction period and for a period of not to exceed three years thereafter. See “THE MEASURE R EXPENDITURE PLAN.”

ESTIMATED 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 2010 Bonds.

Sources:	Series 2010-A <u>Bonds</u>	Series 2010-B <u>Bonds</u>	<u>Total</u>
Principal Amount	\$	\$	\$
Original Issue [Discount/Premium]			
Total Sources	<u>\$</u>	<u>\$</u>	<u>\$</u>
Uses:			
Deposit to Project Fund	\$	\$	\$
Costs of Issuance ¹			
Total Uses	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

RISK FACTORS

Economic Factors

The Series 2010 Bonds are limited obligations of MTA payable solely from and secured by a pledge of Pledged Revenues, consisting primarily of approximately 85% of the Measure R Sales Tax and other amounts that are held by the Trustee under the Agreement. The level of Measure R 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 and in the State generally. The economy of the County continues to have significant weakness as evidenced by a decrease in Proposition A and Proposition C sales tax revenues, an increased unemployment rate and other economic indicators. Current domestic and international economic conditions have had, and are expected to continue to have, significant negative repercussions upon the County, State, national and global economies, including reduced revenues for government, increased unemployment, a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, potential increase in interest costs, reduced business activity, increased consumer bankruptcies and increased business failures and bankruptcies. Furthermore, governmental bodies in the County are addressing significant budget deficits, in part, by reducing expenditures for public employees through lay-offs and other cost cutting measures.

To project future sales tax receipts for budgetary purposes, MTA relies on reports from local economists and other publicly available sources of data. MTA does not itself develop forecasts of economic conditions. Furthermore, the State Board of Equalization does not provide MTA with any forecasts of sales tax revenues for future periods. Any substantial deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of Measure R Sales Tax revenues and therefore upon the ability of MTA to pay principal of and interest on the Series 2010 Bonds.

California State Legislature or Electorate May Change Items Subject to Measure R Sales Tax

With limited exceptions, the Measure R Sales Tax is imposed on the same transactions and items subject to the general sales tax levied statewide by the State. In the past, the California State Legislature and the State electorate have made changes to the transactions and items subject to the State's general sales tax and, therefore, the Measure R 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 State electorate approved an initiative which eliminated candy, gum, bottled water and confectionery items as items subject to the State's general sales tax. In each case, the same changes were made to transactions or items subject to the Measure R Sales Tax. In the future, the State Legislature or the State electorate could further change the transactions and items upon which the statewide general sales tax and the Measure R Sales Tax are imposed. Such a change could either increase or decrease Measure R Sales Tax revenues depending on the nature of the change.

Increases in Sales Tax Rate May Cause Declines in Measure R Sales Tax Revenues

In connection with its approval of the State's fiscal year 2009 revised budget, the California State Legislature approved a temporary increase in the State's general sales tax rate of 1.0% effective April 1, 2009. This temporary tax increase raised the State's general sales tax rate to 8.25% and the sales tax rate in the County to 9.75% (including the Measure R Sales Tax, but excluding taxes that apply only within certain cities in the County). The increase in the State's general sales tax rate is scheduled to expire on July 1, 2011. These increases in the sales tax rate, or increases in sales tax rates that may be implemented in the future, may affect consumer spending decisions and as a result adversely impact sales transactions in the County, thereby reducing Measure R Sales Tax revenues.

Increased Internet Use May Reduce Measure R Sales Tax

The increasing use of the Internet to conduct electronic commerce may affect the levels of Measure R Sales Tax receipts. Internet sales of physical products by businesses located in the State, and Internet sales of physical products delivered to the State by businesses located outside of the State are generally subject to the Measure R Sales Tax. However, MTA believes that some of these transactions may avoid taxation either through error or deliberate nonreporting and this potentially reduces the amount of Measure R Sales Tax. As a result, the more that Internet use increases, the more that MTA may experience reductions of Measure R Sales Tax revenues.

Impact of Bankruptcy of MTA

As a municipal entity, MTA may be qualified to file a petition under Chapter 9 of the United States Bankruptcy Code ("Chapter 9") under certain circumstances. Under Chapter 9, the pledge of Measure R Sales Tax revenues is fully enforceable only if a bankruptcy court determines that the Measure R Sales Tax revenues are "Special Revenues" under Chapter 9 and that the pledge is valid and binding under Chapter 9. Measure R Sales Taxes may not constitute "Special Revenues" under Chapter 9 because, among other reasons, the Measure R Sales Tax was not levied for a particular project and is available for the general purposes of MTA. If a bankruptcy court were to hold the pledge of Measure R Sales Tax revenues to be unenforceable under Chapter 9, then the owners of the Bonds (including the Series 2010 Bonds) would no longer be entitled to any special priority to the Measure R Sales Tax revenues and may be treated as general unsecured creditors of MTA as to the Measure R Sales Tax revenues.

Furthermore, since the obligations of MTA under the Agreement, including its obligation to pay principal of and interest on the Series 2010 Bonds, are limited obligations and are payable solely from Pledged Revenues and certain other amounts held by the Trustee under the Agreement, if MTA filed a petition for bankruptcy under Chapter 9, the owners of the Bonds (including the Series 2010 Bonds) would have no recourse to any assets or revenues of MTA other than Pledged Revenues and such other amounts.

Voter Initiatives and California State Legislative Action May Impair Measure R Sales Tax

Voters have the right to place measures before the electorate in the County or the State and the California State Legislature may take actions to limit the collection and use of the Measure R Sales Tax. Such initiatives or actions may affect various aspects of the security, source of payment and other terms of the Series 2010 Bonds.

Build America Bonds

The Series 2010-A Bonds are being issued as “Build America Bonds.” See “DESCRIPTION OF THE SERIES 2010 BONDS - Designation of Series 2010-A Bonds as “Build America Bonds.” The amount of any Subsidy Payments to be received in connection with the Series 2010-A Bonds are subject to legislative changes by the United States Congress. Further, Subsidy Payments will only be paid if the Series 2010-A Bonds continue to qualify as Build America Bonds. For the Series 2010-A Bonds to be and remain Build America Bonds, MTA must comply with certain covenants and establish certain facts and expectations with respect to the Series 2010-A Bonds, the use and investment of proceeds thereof and the use of property financed thereby. Thus, it is possible that MTA may not receive the Subsidy Payments. Subsidy Payments are also subject to offset against amounts that may, for unrelated reasons, be owed by MTA to any agency of the United States of America. MTA does not believe that failure to receive the Subsidy Payments or any offset to the Subsidy Payments will materially and adversely impact MTA’s ability to pay interest on the Series 2010-A Bonds.

LITIGATION

There is no litigation pending or, to the best knowledge of MTA, threatened, in any way questioning or affecting the validity of the Series 2010 Bonds, the imposition and collection of the Measure R Sales Tax or the pledge of Pledged Revenues. See “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—LITIGATION.”

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2010 Bonds are subject to the approving opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to MTA, and certain other conditions. The form of the opinion to be delivered by Bond Counsel is attached hereto as APPENDIX F. As Bond Counsel, Fulbright & Jaworski L.L.P. undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for MTA by the Los Angeles County Counsel, as General Counsel to MTA, Fulbright & Jaworski L.L.P., as Disclosure Counsel, and for the Underwriters by their counsel, Nixon Peabody LLP, Los Angeles, California.

TAX MATTERS

Series 2010-A Bonds

State Tax Exemption. In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel to MTA, under existing law interest on the Series 2010-A Bonds is exempt from personal income taxes of the State.

Federal Income Tax Considerations. The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the Series 2010-A Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are

subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. MTA makes no representation or covenant for the benefit of the Owners of the Series 2010-A Bonds as to the present or future qualification of the Series 2010-A Bonds as “Build America Bonds” within the meaning of section 54AA of the Code.

The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Series 2010-A Bonds in light of the investor’s particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, broker-dealers, and persons who have hedged the risk of owning the Series 2010-A Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Series 2010-A Bonds as “capital assets” within the meaning of section 1221 of the Code, and acquire such Series 2010-A Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to beneficial owners of the Series 2010-A Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code (“United States persons”) and, except as discussed below, does not address any consequences to persons other than United States persons.

Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2010-A BONDS.

Internal Revenue Service Circular 230 Notice. Investors should be aware that:

- (i) the discussion with respect to United States federal tax matters in this Official Statement was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;
- (ii) such discussion was written to support the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed by such discussion; and
- (iii) each taxpayer should seek advice based on his or her particular circumstances from an independent tax advisor.

This notice is given to ensure compliance with IRS Circular 230.

Interest on the Series 2010-A Bonds. Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the Series 2010-A Bonds from gross income. However, MTA has taken no action to cause, and does not intend, interest on the Series 2010-A Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Further, to the extent that MTA designates a Series 2010-A Bond as a Build America Bond, section 54AA(f)(1) of the Code provides that interest on such Series 2010-A Bond shall be includible in gross income. MTA intends to treat the Series 2010-A Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. MTA expects that the interest paid on a Series 2010-A Bond generally will be included in the gross

income of the owner thereof for federal income tax purposes when received or accrued, depending upon the tax accounting method of that Owner.

Disposition of Series 2010-A Bonds and Market Discount. A beneficial owner of Series 2010-A Bonds will generally recognize gain or loss on the redemption, sale or exchange of the Series 2010-A Bonds equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Series 2010-A Bonds. Generally, the beneficial owner's adjusted tax basis in the Series 2010-A Bonds will be the beneficial owner's initial cost, increased by any original issue discount previously included in the beneficial owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Series 2010-A Bonds.

Under current law, a purchaser of Series 2010-A Bonds who did not purchase the Series 2010-A Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Series 2010-A Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for the Series 2010-A Bonds by a subsequent purchaser is less than the principal amount payable at maturity (or, in the case of Series 2010-A Bonds issued with original issue discount, the sum of the Issue Price and the amount of original issue discount previously accrued on the Series 2010-A Bonds), except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Series 2010-A Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of Series 2010-A Bonds could have a material effect on the market value of the Series 2010-A Bonds.

Defeasance. Persons considering the purchase of a Series 2010-A Bond should be aware that the bond documents permit MTA under certain circumstances to deposit of monies or securities with the Trustee, resulting in the release of the security interests created under the Indenture (a "defeasance"). Such a defeasance could result in the realization of gain or loss by the owner of the Series 2010-A Bond for federal income tax purposes, without any corresponding receipts of monies by the owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange described above. In addition, for federal income tax purposes, the character and time of receipt of payments on the Series 2010-A Bonds subsequent to any such defeasance could also be affected. Owners are advised to consult their own tax advisors with respect to the tax consequences resulting from such events.

Backup Withholding. Under section 3406 of the Code, a beneficial owner of the Series 2010-A Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" of current or accrued interest on the Series 2010-A Bonds or with respect to proceeds received from a disposition of the Series 2010-A Bonds. This withholding applies if such beneficial owner of Series 2010-A Bonds: (i) fails to furnish to the payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Series 2010-A Bonds. Beneficial owners of the Series 2010-A Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such a beneficial owner of the Series 2010-A Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Series 2010-A Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Series 2010-A Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Series 2010-A Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to beneficial owners with respect to the Series 2010-A Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Series 2010-A Bond for United States federal income tax purposes.

Series 2010-B Bonds

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010-B Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2010-B Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue of the Series 2010-B Bonds. MTA has covenanted in the Indenture to comply with each applicable requirement of the Code necessary to maintain the exclusion of the interest on the Series 2010-B Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, under existing law interest on the Series 2010-B Bonds is exempt from personal income taxes of the State and, assuming compliance with the aforementioned covenant, interest on the Series 2010-B Bonds is excluded pursuant to section 103(a)

of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that the Series 2010-B Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, that the interest on the Series 2010-B Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, the receipt or accrual of interest on the Series 2010-B Bonds owned by a corporation may affect the computation of its alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of that corporation (75% of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)).

To the extent that a purchaser of a Series 2010-B Bond acquires that Series 2010-B Bond at a price that exceeds the aggregate amount of payments (other than payments of qualified stated interest within the meaning of section 1.1273-1 of the Treasury Regulations) to be made on the Series 2010-B Bond (determined, in the case of a callable Series 2010-B Bond, under the assumption described below), such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized on a constant yield, economic accrual, basis; the amount of premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when a Series 2010-B Bond owned by such owner is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Series 2010-B Bond to the owner. Any person considering purchasing a Series 2010-B Bond at a price that includes bond premium should consult his or her tax advisors with respect to the amortization and treatment of such bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption or other disposition of the Series 2010-B Bond.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2010-B Bonds may affect the tax status of interest on the Series 2010-B Bonds or the tax consequences of the ownership of the Series 2010-B Bonds. No assurance can be given that pending or future legislation, or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Series 2010-B Bonds from personal income taxation by the State or of the exclusion of the interest on the Series 2010-B Bonds from the gross income of the owners thereof for federal income tax purposes. Furthermore, Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Series 2010-B Bonds, or the interest thereon, if any action is taken with respect to the Series 2010-B Bonds or the proceeds thereof predicated or permitted upon the advice or approval of bond counsel if such advice or approval is given by counsel other than Bond Counsel.

Although Bond Counsel is of the opinion that interest on the Series 2010-B Bonds is exempt from State personal income tax and that interest on the Series 2010-B Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, an owner’s federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2010-B Bonds. The nature and extent of these other tax consequences will depend upon the owner’s other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2010-B Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2010-B Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the

Series 2010-B Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2010-B Bonds, (iii) interest on the Series 2010-B Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Series 2010-B Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2010-B Bonds, and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Series 2010-B Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Bond Counsel's opinion is not a guarantee of a result, but represents their legal judgment based upon their review of existing statutes, regulations, published rulings and court decisions and the covenants of MTA described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2010-B Bonds is commenced, under current procedures the Service is likely to treat MTA as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2010-B Bonds, MTA may have different or conflicting interests from the owners of the Series 2010-B Bonds. Public awareness of any future audit of the Series 2010-B Bonds could adversely affect the value and liquidity of the Series 2010-B Bonds during the pendency of the audit, regardless of the ultimate outcome.

FINANCIAL ADVISOR

MTA has retained Public Financial Management, Inc. as Financial Advisor (the "Financial Advisor") in connection with the sale of the Series 2010 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent advisory firm with its principal office in Philadelphia, Pennsylvania and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

FINANCIAL STATEMENTS

The financial statements of MTA for the fiscal year ended June 30, 2009 and the Management's Discussion and Analysis and certain supplementary information, and the Independent Auditors' Report of KPMG LLP, independent accountants, dated December 10, 2009 (collectively, the "2009 Financial Statements") are included as "APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009." MTA's financial statements as of June 30, 2009 and for the year then ended, included in this Official Statement, have been audited by KPMG LLP, independent accountants, as stated in their Report appearing in APPENDIX B. MTA has not requested, nor has KPMG LLP given, KPMG LLP's consent to the inclusion in APPENDIX B of its Report on such financial statements. In addition, KPMG LLP has not performed any post-audit review of the financial condition of MTA and has not reviewed this Official Statement.

Data for the 2009 Financial Statements has been extracted from MTA's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009 (the "2009 CAFR"). The complete 2009 CAFR has not been included in this Official Statement. Certain page references contained in the 2009 Financial Statements, included in APPENDIX B, are references to pages as they appear in the complete version of the 2009 CAFR. Potential investors should not rely upon such page references. Potential investors may request a complete copy of the 2009 CAFR from MTA at the office of the Treasurer of the Los Angeles County Metropolitan Transportation Authority, One Gateway Plaza, Los Angeles, California 90012, Attention: Treasury Department, Telephone: (213) 922-4042. A copy of the 2009 CAFR may also be found at http://www.metro.net/about_us/finance/images/cafr_2009.pdf. Information at such internet address is not part of this Official Statement and such information has not been incorporated by reference in this Official Statement.

CONTINUING DISCLOSURE

At the time of issuance of the Series 2010 Bonds, MTA will execute a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), which will provide for disclosure obligations on the part of MTA pursuant to SEC Rule 15c2-12 (the "Rule"). Under the Continuing Disclosure Certificate, MTA will covenant for the benefit of Owners and Beneficial Owners of the Series 2010 Bonds to provide certain financial information and operating data relating to MTA 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"), if material. The Annual Reports and the notices of Listed Events will be filed with the MSRB through its EMMA System. MTA has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events. See "APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

UNDERWRITING

The Series 2010-A Bonds will be purchased for reoffering by the Underwriters listed on the cover of this Official Statement, at an aggregate purchase price of \$_____, representing the par amount of the Series 2010-A Bonds of \$_____, less an Underwriters' discount of \$_____. The Series 2010-B Bonds will be purchased for reoffering by the Underwriters listed on the cover of this Official Statement, at an aggregate purchase price of \$_____, representing the par amount of the Series 2010-B Bonds of \$_____, [plus/less] an original issue [premium/discount] of \$_____, less an Underwriters' discount of \$_____. The Underwriters will be obligated to purchase all of the Series 2010 Bonds if any of the Series 2010 Bonds are purchased.

The Underwriters may offer and sell the Series 2010 Bonds to certain dealers (including dealers depositing Series 2010 Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page of this Official Statement. The initial public offering prices may be changed from time to time by the Underwriters.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies ("S&P"), have assigned ratings of "___" and "___," respectively, to each Series of the Series 2010 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. MTA furnished to such rating agencies certain information and

materials regarding the Series 2010 Bonds and MTA. Generally, rating agencies base their ratings on the information and materials furnished to them and on their own investigations, studies and assumptions. The ratings may not continue for any given period of time. The ratings could be subsequently revised or withdrawn entirely if, in the judgment of the applicable rating agency, circumstances so warrant. MTA is not obligated to oppose any revision or withdrawal of ratings, and any such opposition might be ineffective. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Series 2010 Bonds.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Treasurer of the Los Angeles County Metropolitan Transportation Authority, One Gateway Plaza, Los Angeles, California 90012, Attention: Treasury Department, Telephone: (213) 922-4042, or from MTA's Financial Advisor, Public Financial Management, Inc., Suite 6700, 633 West Fifth Street, Los Angeles, California 90071, Telephone: (213) 489-4075. MTA 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 2010 Bonds.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Chief Financial Services Officer and Treasurer

APPENDIX A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

APPENDIX A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

GENERAL

The Los Angeles County Metropolitan Transportation Authority (“MTA”) was established in 1993 pursuant to the provisions of Section 130050.2 *et seq.* of the California Public Utilities Code. MTA 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, MTA 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 4, 1980, the voters of the County approved the Proposition A Sales Tax, pursuant to Ordinance No. 16, a ½ of 1 percent sales tax, which is not limited in duration. On November 6, 1990, the voters of the County approved the Proposition C Sales Tax, which is also a ½ of 1 percent sales tax, unlimited in duration, levied in addition to the Proposition A Sales Tax. Finally, on November 4, 2008, the voters of the County approved the Measure R sales tax, which increased the sales tax rate within the County by ½ of 1 percent for a period of 30 years to fund MTA transportation projects and operations. The Measure R sales tax went into effect on July 1, 2009.

Board of Directors

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

The Board of MTA exclusively exercises and discharges the following powers and responsibilities: (i) establishment of overall goals and objectives, (ii) adoption of the aggregate budget for all of its organizational units, (iii) designation of additional municipal bus operators under criteria enumerated in the MTA Act, (iv) approval of all final rail corridor selections, (v) final approval of labor contracts covering employees of MTA and its organizational units, (vi) establishment of MTA’s organizational structure, (vii) conducting hearings and setting fares for the operating organizational units, (viii) approval of transportation zones, (ix) approval of any debt instrument with a maturity date exceeding the end of the Fiscal Year in which it is issued, (x) approval of benefit assessment districts and assessment rates and (xi) 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.

Don Knabe, Chair. Mr. Knabe is the Los Angeles County Supervisor representing the Fourth Supervisorial District, having been elected in 1996 and re-elected in 2000, 2004 and 2008. Following a successful career as a small business owner, Mr. Knabe joined Los Angeles County Supervisor Deane Dana’s staff in 1982 and later became Chief of Staff for Deane Dana. Mr. Knabe was also elected to the

Cerritos City Council in 1980 and served for eight years, including two terms as Mayor. Mr. Knabe holds a Bachelor's degree in Business Administration from Graceland College in Lamoni, Iowa.

Antonio Villaraigosa, First Vice-Chair. Mr. Villaraigosa was elected Mayor of the City of Los Angeles in 2005 and re-elected in March 2009. He was formerly a City Councilman of the City of Los Angeles, and was first elected in 2003 to the City Council. Prior to his election, Mr. Villaraigosa served on the boards of the Southern California Rapid Transit District and MTA. He was elected to the California State Assembly in 1994 and was elected as the Democratic Whip and Democratic Majority Leader before becoming Speaker of the Assembly in 1998. Mr. Villaraigosa holds a Bachelor of Arts degree from UCLA and a law degree from the People's College of Law.

Michael D. Antonovich, Second Vice-Chair. Mr. Antonovich is the Los Angeles County Supervisor representing the Fifth Supervisorial District, having been re-elected to his eighth four-year term in 2008. From 1972 to 1978, he served as a member of the California State Assembly. He also served as a member of the Board of Trustees of the Los Angeles Community College District from 1968 to 1973. Mr. Antonovich has held teaching positions with the Los Angeles Unified School District and Pepperdine University. He holds a Bachelor of Arts degree and Master's degree from California State University, Los Angeles.

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 Gateway Cities. Councilmember DuBois was elected to the City Council of Lakewood in 2005. Prior to her City Council service, she was a Lakewood Planning and Environment Commissioner for 28 years. She has been a board member and volunteer of Lakewood Meals On Wheels, a board member of the Greater Long Beach Girl Scout Council, a governing board member of Lakewood Regional Medical Center, a member of Soroptimists International of Lakewood/Long Beach, and a volunteer at Pathways Volunteer Hospice.

John Fasana. Mr. Fasana has served on the Duarte City Council since 1987, and served as Mayor of the City of Duarte in 1990, 1997, 2004, and 2009. Mr. Fasana has represented 30 San Gabriel Valley cities on the Board since its inception in 1993. Mr. Fasana serves as Chair of the San Gabriel Valley Council of Governments Transportation Committee, serves as Vice-Chair of MTA's Ad hoc Committee on Congestion Pricing and is a member of the Foothill Transit Governing Board. Mr. Fasana has worked 29 years with Southern California Edison and is a graduate of Whittier College with a Bachelor of Arts degree in business administration.

José Huizar. Councilmember José Huizar was appointed to the Board by Mayor Antonio Villaraigosa in March 2009. Mr. Huizar was first elected to the Los Angeles City Council in November 2005, following his service as both President and Member of the Board of Education of the Los Angeles Unified School District (2001-2005). Councilmember Huizar was re-elected in March 2007. He previously served as a Deputy City Attorney in the Real Estate and Environmental Division of the Los Angeles City Attorney's Office and has also served as an associate with several law firms. Councilmember Huizar earned a Bachelor of Arts degree from the University of California, Berkeley. He received a Master's degree in Public Affairs and Urban Planning from Princeton University and a Juris Doctor degree from UCLA School of Law.

Richard Katz. Mr. Katz was appointed to the Board by Mayor Antonio Villaraigosa effective July 2005. From 2001 to 2006, Mr. Katz served on the State Water Resources Control Board. He served Governor Gray Davis as his Senior Advisor on Energy and Water and led negotiations on the Colorado River Agreement with the Federal Government, California Water Agencies, and the six other states. Mr. Katz was elected to the California State Assembly in 1980 and served continuously for 16 years, including a term as the Democratic Leader. For ten years, he chaired the Assembly Transportation

Committee and, in 1990, authored Proposition 111, a ten year Transportation Blueprint that provided additional funding for mass transit and highways. Mr. Katz was instrumental in drafting legislation that created MTA through a merger of the District and the Commission in 1993. He also created the Congestion Management Plan, which requires cities and counties to measure and mitigate impacts of land use decisions on their streets, highways and transit systems.

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

Ara Najarian. Mr. Najarian was elected to the Glendale City Council in April of 2005 and served as Mayor from 2007 to 2008. He was appointed to the Board in 2006 by the Los Angeles County City Selection Committee. He is currently Chair of the Glendale Housing Authority and previously served as Chair of the Glendale Redevelopment Agency. He also served on the Glendale Community College Board of Trustees from 2003 to 2005 and was Chair of the Glendale Transportation and Parking Commission. Mr. Najarian has served as a director since 2006 and also currently serves on Metrolink's Board of Directors. Mr. Najarian has been an attorney in private practice in Glendale for 20 years. He attended Occidental College where he received a Bachelor of Arts degree in Economics and later earned his Juris Doctor degree from University of Southern California School of Law.

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

Mark Ridley-Thomas. Mr. Ridley-Thomas was elected to the Board representing the Second Supervisorial District on November 4, 2008. Previously, he served as a California State Senator (26th District, 2006-08) and chaired the Senate Committee on Business, Professions and Economic Development. Mr. Ridley-Thomas was first elected to public office in 1991, where he served 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.

Rita Robinson. Rita Robinson was appointed to the Board by Mayor Antonio Villaraigosa in March 2009. Ms. Robinson is the General Manager of the Los Angeles Department of Transportation, having been confirmed by the Los Angeles City Council in December 2007. She was appointed LADOT Interim General Manager by Mayor Villaraigosa in September 2007. Ms. Robinson is responsible for the day-to-day operations of over 2,000 employees whose mission is to provide for the safe and optimal mobility of people and goods throughout the City of Los Angeles to support economic activity and a

desirable quality of life. A city employee for over 30 years, Ms. Robinson began her career as a student professional intern and has served in a number of capacities in Los Angeles city government, including the Office of the City Administrative Officer, Department of Recreation and Parks, and the Community Development Department. Before her appointment to the Transportation Department, Ms. Robinson directed the Department of Public Works Bureau of Sanitation, which has 3,000 employees and the mission to protect public health and the environment through legal, efficient and effective collection, treatment, reuse and disposal of liquid and solid wastes.

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

Ex Officio Member. Vacant

Management

General. The management of MTA 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 MTA's executives and a brief biography of each executive are provided below.

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

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

He is a Certified Public Accountant and holds a Bachelor of Arts in Economics and an MBA from the University of California, Los Angeles.

Public Transportation Services Corporation

In December 1996, MTA 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 MTA, 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 MTA’s bus and rail system; and (f) such other activities and provide such other services as it deems necessary. One advantage of the PTSC is that it allows the employees of the corporation, including those transferred from MTA, to participate in the California Public Employees Retirement System.

RAPID TRANSIT SYSTEM

MTA 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 MTA from other transportation agencies across the country. Most other transportation agencies specialize in three or fewer of the referenced transportation services.

Bus System

MTA is the largest public transit operator west of Chicago. MTA provides bus service within its service area in the County and to portions of Orange and Ventura Counties, operating a vehicle fleet of over 2,700 buses that operates a weekday total of 240,000 revenue service miles over a route system of 2,870 miles. In September 2010, MTA’s bus service carried approximately [1.124] million weekday boardings. In addition, MTA contracts with outside service providers for an additional 185 buses that operate a weekday total of 21,500 revenue service miles over a route system of 360 miles carrying approximately [43,000] weekday boardings in September 2010. Virtually all of MTA’s bus fleet is comprised of compressed-natural gas (“CNG”) powered buses. MTA continues to replace its older diesel powered buses. As of September 1, 2010, the average age of MTA’s bus fleet was approximately 8 years old.

Metro Rapid Bus. In June 2000, MTA launched the Metro Rapid Demonstration Program. Initially, the Metro Rapid Demonstration Program 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 the Metro Rapid Demonstration Program, the Board adopted the Metro Rapid Five-Year Implementation Plan that identified additional Metro Rapid corridors to be implemented through Fiscal Year 2007-08. Twenty-six of the 27 planned Metro Rapid corridors are now operating, representing approximately 450 miles in the City of Los Angeles, the County and 33 other cities. In addition to MTA, Santa Monica’s Big Blue Bus operates Rapid service on the Rapid 3 Line along Lincoln Boulevard and an extension along Pico Boulevard from Pico/Rimpau to downtown Santa Monica. Culver CityBus also operates Rapid service and the remaining Metro Rapid corridor is expected to be provided by Torrance Transit. The Metro Rapid Program provides fast, frequent regional bus service throughout the County. Key features of the Metro Rapid Program include simple route layouts, frequent service,

fewer stops, low-floor buses to facilitate boarding and alighting, color-coded buses and stations, headway-based operations and traffic signal priority. Currently, more than 450 CNG-powered buses serve 25 of the 26 major corridors across the County.

The Metro Rapid program's success has garnered national acclaim from the federal government and major transit providers. Since the inception of the Metro Rapid program, passenger travel times on Metro Rapid routes have been reduced by an average of 26% while demand for Metro Rapid service has increased significantly. Ridership has increased by as much as 40% in some corridors. Nearly one-third of this ridership increase has been generated by patrons who previously used automobiles.

Metro Orange Line. The Metro Orange Line is a 14-mile Bus Rapid Transit service that operates along an exclusive right-of way and transports thousands of commuters between Warner Center in the west San Fernando Valley and the Metro Red Line subway station in North Hollywood. The Metro Orange Line buses operate in exclusive lanes along a 13-mile stretch of MTA-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. Approximately 50% of the cost of the Metro Orange Line was paid from local sources and approximately 50% was paid from discretionary State and federal sources. Average weekday ridership was approximately [23,500] in September 2010. MTA has begun the Metro Orange Line (MOL) Extension Project, which is a four-mile extension of the Metro Orange Line extending from the Canoga park-and-ride lot to the Chatsworth Metrolink Station. The Project includes: the busway, new station platforms at the Canoga park-and-ride lot, and new stations at Sherman Way (with park-and-ride), Roscoe Boulevard, Nordhoff Street, and the Chatsworth Metrolink Station (with park-and-ride). The estimated total cost for the project is \$215.6 million and is projected to open in summer 2013.

Highway System

The High Occupancy Vehicle ("HOV") lane program is a cooperative effort between Caltrans and MTA, and is funded through a combination of federal, State and local resources. In November 2002, the Board approved a comprehensive evaluation report for its HOV Performance Program that fully documents the user and regional mobility benefits of HOV investments. Freeways were analyzed to determine the best and most cost-effective way to use HOV lanes with other transit services. There were 513 lane miles of HOV lanes on Los Angeles freeways as of September 1, 2010.

Metro 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 the Metro Blue Line, the Metro Green Line, the Metro Gold Line, Segment 1, Segment 2, and Segment 3 (North Hollywood) of the 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 average weekday boardings of approximately [78,000] in September 2010.

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. Due to the high level of ridership, the platforms of 19 of the 22 stations were expanded in order to permit longer train sets. The \$14.5 million station platform expansion project was completed in summer 2001. The vehicle maintenance facility supports vehicles from both the Metro Blue Line and the Metro Green Line. Fares are collected through self-service, barrier-free fare collection machines. Total travel time between the terminal points of the Metro Blue Line is approximately 58 minutes.

The Metro Blue Line project budget was \$877 million, all of which was paid with local Proposition A Sales Tax revenues. The total cost of constructing the Metro Blue Line was within budget.

Metro Green Line. The Metro Green Line is a 19.5-mile light rail line linking the El Segundo employment area near the Los Angeles International Airport to the City of Norwalk near the San Gabriel River Freeway. The Metro Green Line has fourteen 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 average weekday boardings of approximately [39,000] in September 2010.

The Metro Green Line Project budget was \$712.3 million and the project was completed within budget. The overall project costs have been paid primarily from Proposition A Sales Tax revenues and Proposition C Sales Tax revenues. The project also received approximately \$100 million of moneys contributed from MTA's portion of the \$1 billion Proposition 108 and 116 State rail bonds approved by the voters of the State in June of 1990.

Metro Gold Line. 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 between the terminal points of the Metro Gold Line is approximately 35 minutes. The Metro Gold Line began operations in July 2003. The Metro Gold Line project budget was \$725 million, \$451 million of which was funded by the Pasadena Metro Blue Line Construction Authority and \$274 million of which was funded by MTA. The total project costs were primarily paid from a combination of State grants, bond proceeds and Proposition C Sales Tax revenues.

Gold Line Eastside Extension. The Gold Line Eastside Extension Project ("Eastside Extension"), which opened in November 2009, is a six-mile, dual track light rail system with eight new stations and one station modification. The system originates at Union Station in downtown Los Angeles, where it connects with the Metro Gold Line, traveling generally east to Pomona and Atlantic Boulevards through one of the most densely populated areas of the County. The total estimated project cost for the Eastside Extension is \$898.8 million, of which \$_____ million has been expended as of September 2010. In June 2004, the Federal Transit Administration of the United States Department of Transportation approved \$490.7 million in federal funding pursuant to Section 5309 of the Capital Investment Grant and Loan Program for the Eastside Extension (the "Eastside Extension FTA Grant"). In July 2005, MTA issued its Grant Receipts Bonds (as defined under "OTHER OBLIGATIONS" in this Appendix A), the proceeds of which were used to fund a portion of the Eastside Extension. The Grant Receipts Bonds are secured by the amounts received from the Eastside Extension FTA Grant and amounts received pursuant to grants awarded to MTA by the Federal Transit Administration pursuant to Section 5307 of the Urbanized Area Formula Program (the "Section 5307 Grants"). The remaining project costs are being paid from the remaining Eastside Extension FTA Grant moneys, other federal funding sources, local and State sources, and Proposition A Sales Tax revenues and Proposition C Sales Tax revenues (with respect to non-tunnel

portions of the Eastside Extension). Estimated average weekday boardings for the Gold Line, including the Eastside Extension, were approximately [32,300] in September 2010.

Gold Line Foothill Extension. MTA has been working with the Metro Gold Line Foothill Extension Construction Authority to extend the existing Metro Gold Line from its current terminus in Pasadena to Montclair. The proposed extension consists of two phases. The first phase will continue from Sierra Madre Villa in Pasadena east over 11 miles with stops in the cities of Arcadia, Duarte, Irwindale, Monrovia and two in Azusa. Funding is currently being sought for the second phase, which would continue east from Azusa over 12 miles through the cities of Glendora, La Verne, Montclair, Pomona and San Dimas. The final Environmental Impact Report for the first phase (Sierra Madre Villa to Azusa) was certified in 2007. The Gold Line Foothill Extension Construction Authority is beginning to develop a final Environmental Impact Report/Environmental Impact Statement for the second phase. MTA has allocated \$735 million of Measure R funds towards the construction of the Metro Gold Line Foothill Extension.

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, D.C. 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 Metro Purple Line have been drastically reduced, including the indefinite suspension of certain of the extensions. The Act of 1998 prohibits MTA 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, MTA is not precluded from continuing the construction of the Metro Red Line and Metro Purple Line as long as such design, construction and operation are paid from funds other than Proposition A Sales Tax revenues and Proposition C Sales Tax revenues.

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

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

Segment 3 of the Metro Red Line, previously known as MOS-3, was originally designed to consist of the north and west extensions from Segment 2 and an east extension from Union Station of Segment 1. As a result of the passage of the Act of 1998, funding shortfalls and the internal guidelines adopted by the Board, only the north extension was completed. At this time the western extension has been indefinitely suspended. The eastside extension has been reengineered as a light rail line. See “—

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. Funding for Segment 3 was derived from State and local sources, including Proposition A Sales Tax revenues and Proposition C Sales Tax revenues, and federal Section 5309 and 5307 funds.

The average weekday ridership estimate for the entire Metro Red Line and Metro Purple Line was approximately [152,500] in September 2010. The Metro Red Line and Metro Purple Line are serviced by a main storage yard and maintenance facility located near the Los Angeles River at the eastern terminus of the line. As currently planned, primary passenger access to the Metro Red Line and Metro Purple Line will be provided from other rail projects and from MTA’s extensive bus network. The 2009 Long Range Transportation Plan includes a recommendation for an extension of the Metro Purple Line to the Westside of Los Angeles. See “Long Range Transportation Plan” below.

Exposition Light Rail Transit Project. The Exposition Light Rail Transit Project (the “Exposition Project”) is a light rail project under development by MTA that is being designed and constructed by the Exposition Metro Line Construction Authority (“Exposition Authority”), a single purpose entity created under State law. The light rail transit line will be approximately 15 miles and run from downtown Los Angeles to Santa Monica along the Exposition Boulevard corridor. Phase One of the project will extend approximately 8.6 miles from downtown Los Angeles to Washington/National Boulevards in Culver City; a minimum operable segment is scheduled to open in 2011. In April 2005, the Board approved a full funding plan for Phase One of the project, not to exceed \$640 million. During Fiscal Year 2007-08, the Board approved increasing the budget by \$222.3 million to \$862.3 million. Pursuant to the current full funding plan for Phase One, approximately 85% of the projected total costs will be paid from State and federal sources, and approximately 15% will be paid from Proposition A Sales Tax revenues, Proposition C Sales Tax revenues and other local sources. Construction on the Exposition Project began in September 2006. Phase Two to Santa Monica will extend westward from the Venice/Robertson station, primarily along the old Pacific Electric Exposition right-of-way to 4th Street and Colorado in downtown Santa Monica.

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

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

On October 26, 1992, SCRRA opened the first three Commuter Rail (“Metrolink”) lines to downtown Los Angeles initiating commuter rail service for the first time ever in the County. Service is being provided between Los Angeles and Lancaster in the County, Oxnard in Ventura County, San Bernardino in San Bernardino County, Riverside in Riverside County, San Clemente in Orange County, and Oceanside in San Diego County. Metrolink also provides service between San Bernardino in San Bernardino County and Oceanside in San Diego County. The Metrolink system consists of seven lines

totaling 512 miles and 55 stations. Average weekday ridership was approximately 40,400 daily for April through June 2010. These facilities were constructed within their project budgets and time specifications.

FUTURE TRANSPORTATION IMPROVEMENTS

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

Long Range Transportation Plan

In October 2009, the Board approved a 2009 Long Range Transportation Plan (“2009 LRTP”), which is an update to the existing 2001 Long Range Transportation Plan (“2001 LRTP”). It incorporates changes in policy and system needs since the 2001 LRTP’s adoption as well as the approval of Measure R in November 2008 by County voters, which increased the sales tax rate within the County by ½ of 1% for a period of 30 years to fund MTA transportation projects and operations. The 2009 LRTP identifies projected costs of running the transportation system based on a financial forecast of future revenue assumptions thru 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 MTA’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 identifies a \$297.6 billion investment in the County’s transportation system through 2040, funded with more than 45 sources of federal, State and local revenues. The 2009 LRTP is now the guiding policy behind funding decisions on subsequent transportation projects and programs in the County. Major capital projects and programs that are identified in the 2009 LRTP have priority for future programming of funds. While these projects and programs require further Board approval at various stages of their development, they are priorities for further planning, design, construction and the pursuit of additional funding.

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

Short Range Transportation Plan

The Board approved the 2003 Short Range Transportation Plan (“SRTP”) in August 2003. The SRTP was a focused, near-term action plan that advanced the long-term goals outlined in the 2001 LRTP, and identified specific transportation projects and funding sources through 2009. Among the items funded in the SRTP were: bus and rail vehicle purchases; the expansion of the Metro Rapid bus program; construction of the Eastside Extension and Metro Orange Line; preliminary engineering for the Exposition Light Rail Project, rail system rehabilitation and replacement costs; and the addition of 70 miles of car pool lanes. Board actions subsequent to the approval of the SRTP accelerated the completion

date and funding of several projects identified in the SRTP, including the Exposition Light Rail Project and car pool lanes on portions of Interstate 5.

LABOR RELATIONS

General. As of September 1, 2010, MTA had approximately 8,820 employees, of which approximately 88% are covered by labor agreements. Full and part-time MTA bus and train operators are represented by the United Transportation Union (“UTU”), while MTA mechanics and service attendants are members of the Amalgamated Transit Union (“ATU”). MTA 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 MTA security guards are members of the Teamsters Union. The following table summarizes the number of employees covered by, and the expiration dates of, the labor agreements of MTA with each of its employee bargaining units as of September 1, 2010.

<u>Employee Bargaining Unit</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
United Transportation Union	4,297	06/30/10
Amalgamated Transit Union	2,073	06/30/10
Transportation Communications Union	688	06/30/10
American Federation of State, County and Municipal Employees	595	06/30/11
Teamsters Union	75	09/30/10

In June 2006, MTA renegotiated contracts (effective as of July 1, 2006) with UTU, ATU and TCU, the terms of which were scheduled to expire on June 30, 2009. In December 2009, the Board authorized the CEO to execute successor collective bargaining agreements with UTU and ATU for a term of one year, effective July 1, 2009 through June 30, 2010, execute an extension of the collective bargaining agreement with TCU for a term of one year, effective July 1, 2009 through June 30, 2010, and ratify and execute a successor collective bargaining agreement with the Teamsters, effective October 1, 2009 through September 30, 2010. Negotiations between MTA and these four employee bargaining units are underway. In June 2008, MTA and AFSCME reached a successor agreement for a three-year term ending June 30, 2011.

Since September 16, 2000, MTA has suffered two major work stoppages. In September 2000, members of UTU went on strike and many members of TCU, ATU and AFSCME honored the picket lines, and in October 2003, members of ATU went on strike and many members of UTU, TCU and AFSCME honored the picket lines. During both strikes MTA 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

MTA has a single-employer public employee retirement system that includes five defined benefit plans (the “Plans”) that cover substantially all employees (except Public Transportation Services Corporation 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 the Teamsters Union. In addition, MTA 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 MTA’s obligations to make contributions to these plans, see “Note III—DETAILED NOTES ON ALL FUNDS—L. Pensions” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009.”

Other Post-Employment Benefits

MTA provides post-employment health care and life insurance benefits for retired employees and families. Pursuant to Governmental Accounting Standards Board Pronouncement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB),” MTA 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, MTA’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—M. 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, 2009.”

OUTSTANDING DEBT

General

MTA has issued debt secured by the Proposition A Sales Tax, the Proposition C Sales Tax, and other revenues of MTA, and may issue additional obligations so secured upon satisfaction of certain additional bonds tests in the applicable indentures governing such debt. See “FUTURE TRANSPORTATION IMPROVEMENTS-Long Range Transportation Plan” above. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-A BONDS” in the front part of this Official Statement.

Debt and Interest Rate Swap Policies

In September [2010], the Board approved an updated Debt Policy for MTA (the “Debt Policy”). The Debt Policy sets forth guidelines for the issuance and management of MTA’s debt. Among other things, the Debt Policy requires MTA to develop a capital improvement plan which includes the capital projects MTA plans to undertake in future years. Such capital improvement plans were adopted with the annual budgets for Fiscal Years 2000 through 2011. The Debt Policy also sets forth guidance on the type of debt that may be incurred by MTA (e.g., long-term versus short-term), the source of payment for such debt, and other factors to be considered when incurring debt.

In September [2010], the Board approved an updated Interest Rate Swap Policy for MTA (the “Swap Policy”). The Swap Policy includes guidelines to be used by MTA when entering into interest rate swaps and management practices that address the special risks associated with interest rate swaps. The Swap Policy requires that MTA evaluate the risks, on an on going basis, of existing interest rate swaps. The interest rate swap agreements into which MTA has entered are described below.

Proposition A Sales Tax Obligations

General. Long-term obligations of MTA payable from the Proposition A Sales Tax consist of sales tax revenue bonds and commercial paper notes, and certain amounts owed under various interest rate swap agreements and two standby bond purchase agreements. MTA has two priority levels of obligations secured by the Proposition A Sales Tax: its Senior Bonds and Senior Parity Debt and its Subordinate Lien Obligations, described below. In addition, MTA has incurred other obligations, which are secured by certain “remaining” Proposition A Sales Tax cash receipts. See “-Other Obligations” herein.

Proposition A First Tier Senior Sales Tax Bonds. MTA had the following Proposition A First Tier Senior Sales Tax Bonds outstanding as of October 1, 2010.

**Los Angeles County Metropolitan Transportation Authority
Proposition A First Tier Senior Sales Tax Revenue Bonds
(Outstanding as of October 1, 2010)**

Proposition A First Tier Senior Sales Tax Bonds¹	Outstanding Principal Amount
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2009-A	\$ 294,930,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2008-B	24,795,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2008-A	260,125,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2007-A	46,500,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-B	16,520,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-A	216,950,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2003-B	243,795,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2003-A	188,385,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2001-B	177,890,000
Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2001-A	10,610,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 1999-C	6,845,000
Total	<u>\$1,487,345,000</u>

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

Standby Bond Purchase Agreement Relating to Series 2008-A Bonds. In connection with the issuance of the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008-A (the “Proposition A Series 2008-A Bonds”) Series 2008-A Bonds, MTA entered into two standby bond purchase agreements (the “Series 2008-A Standby Bond Purchase Agreements”) with Bank of America, N.A. and Dexia Credit Local. MTA’s obligation to make reimbursement payments to Bank of America, N.A. and Dexia Credit Local under these standby bond purchase agreements constitute Proposition A Senior Parity Debt and are secured on a parity basis with the Proposition A Senior Bonds. The Series 2008-A Standby Bond Purchase Agreements terminate on September 16, 2011, unless extended or

terminated sooner in accordance with their terms. For a discussion of certain risks associated with the standby bond purchase agreements.

Proposition A Second Tier Obligations. MTA is party to an interest rate swap agreement (the “Proposition A Series 2008-A BMO Swap Agreement”) with the Bank of Montreal (“BMO”) and an interest rate swap agreement (the “Proposition A Series 2008-A Deutsche Swap Agreement,” and together with the Proposition A Series 2008-A BMO Swap Agreement, the “Proposition A Series 2008-A Swap Agreements”) with Deutsche Bank AG, New York Branch (“Deutsche Bank,” and together with BMO, the “Proposition A Series 2008-A Swap Counterparties”). Pursuant to the terms of the Proposition A Series 2008-A BMO Swap Agreement, MTA pays a fixed amount (the rate for which currently is equal to 3.373%) to BMO and BMO pays to MTA a floating amount (the rate for which is equal to 63% of one-month London Interbank Offered Rate for deposits of U.S. dollars (“LIBOR”), plus 0.14%), in each case based on a notional amount equal to a portion of the principal amount of the Proposition A Series 2008-A Bonds outstanding. Pursuant to the terms of the Proposition A Series 2008-A Deutsche Swap Agreement, MTA pays a fixed amount (the rate for which is equal to 3.358%) to Deutsche Bank and Deutsche Bank pays to MTA a floating amount (the rate for which is equal to 63% of one-month LIBOR plus 0.14%), in each case based on a notional amount equal to a portion of the principal amount of the Proposition A Series 2008-A Bonds outstanding. The Proposition A Series 2008-A Swap Agreements are expected to terminate on July 1, 2031 (the final maturity date of the Proposition A Series 2008-A Bonds), subject to the terms and conditions of the respective Proposition A Series 2008-A Swap Agreements.

MTA’s obligations to pay the Proposition A Series 2008-A Swap Counterparties a fixed amount under the respective Proposition A Series 2008-A Swap Agreements are on a parity basis with the Proposition A Second Tier Obligations (as defined below).

Under certain circumstances, MTA may be obligated to make termination payments to the Proposition A Series 2008-A Swap Counterparties if the Proposition A Series 2008-A Swap Agreements are terminated prior to their termination dates. The amount of any termination payment will be determined pursuant to several factors, including the level of comparable interest rates at the time the applicable Proposition A Series 2008-A Swap Agreement is terminated. Such termination payments could be substantial. As of September 10, 2010, MTA estimates that the termination payment that MTA would be required to pay if the Proposition A Series 2008-A BMO Swap Agreement was terminated on that date would be approximately \$11.58 million; and, as of September 10, 2010, MTA estimates that the termination payment that MTA would be required to pay if the Proposition A Series 2008-A Deutsche Swap Agreement was terminated on that date would be approximately \$11.2 million. Any such termination payments are secured by a lien on the portion of Remaining Sales Tax consisting of Proposition A Sales Tax revenues on a parity with MTA’s obligations to pay debt service on the Bonds, including the Series 2010-A Bonds. However, MTA may have to incur additional indebtedness secured by Proposition A Sales Tax revenue and/or Proposition C Sales Tax revenue to make any termination payments on the applicable Proposition A Series 2008-A Swap Agreement; any such additional indebtedness may include the issuance of Proposition A Senior Bonds.

Under the terms of the Proposition A Series 2008-A Swap Agreements, MTA may be required to post collateral in favor of the applicable Proposition A Series 2008-A Swap Counterparty if the estimated termination payment exceeds certain thresholds. MTA is currently posting \$4 million in collateral under the Proposition A Series 2008-A BMO Swap Agreement. MTA does not currently have any collateral posted to the Proposition A Series 2008-A Deutsche Bank Swap Agreement.

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”). MTA is obligated (but only from MTA’s 40% discretionary share of Proposition A Sales Tax revenues) to make debt service payments with respect to the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds. To the extent the trustee for the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds has sufficient revenues and other funds, the trustee will reimburse MTA to the extent of its payment from such funds. As of October 1, 2010, there was \$24,755,000 aggregate principal amount of the 2007 Series B Refunding Housing Bonds and Refunding Redevelopment Bonds outstanding.

MTA’s regularly scheduled payment obligations under the Proposition A Series 2008-A Swap Agreements, the 2007 Series B 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 Sales Tax Revenue Bonds described above.

Proposition A Third Tier Subordinate Lien Obligations. On January 24, 1991, the Commission received authorization to issue \$350,000,000 aggregate principal amount of its Proposition A tax exempt commercial paper notes (the “Proposition A Commercial Paper Notes”). As of September 1, 2010, \$119,046,000 aggregate principal amount of Proposition A Commercial Paper Notes was 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 Sales Tax Bonds and the Proposition A Second Tier Obligations.

Proposition C Sales Tax Obligations

General. Long-term obligations of MTA payable from the Proposition C Sales Tax consist of sales tax revenue bonds and commercial paper notes, and certain amounts owed under various interest rate swap agreements, one standby bond purchase agreement and two reimbursement agreements. MTA has two priority levels of obligations secured by the Proposition C Sales Tax: its Senior Bonds and Senior Parity Debt and its Subordinate Lien Obligations. In addition, MTA has incurred other obligations, which are secured by certain “remaining” Proposition C Sales Tax cash receipts. See “—Other Obligations” herein.

Proposition C Senior Bonds. MTA had the following Senior Bonds outstanding as of October 1, 2010:

**Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Bonds, Senior Bonds
(Outstanding as of October 1, 2010)**

Senior Bonds	Principal Amount
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2010-A	\$45,455,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-E	117,070,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-D	108,645,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-C	89,625,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-B	240,625,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-A	166,500,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2008-A	128,745,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2006-A	128,130,000
Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2004-A	156,845,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2003-A	31,615,000
Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 1999-A	<u>15,020,000</u>
Total	<u>\$1,228,275,000</u>

Proposition C Senior Parity Debt. MTA has designated as Senior Parity Debt its obligations to make regularly scheduled payments under two interest rate swap agreements, its obligation to make certain reimbursements under one standby bond purchase agreement and certain obligations under two reimbursement agreements from Proposition C Sales Tax revenues on parity with the Proposition C Senior Bonds, as to the lien on and source and security for payment from the Proposition C Sales Tax revenues.

Wachovia Swap Agreement. MTA has entered into an interest rate swap agreement (the “Wachovia Swap Agreement”) with Wachovia Bank, National Association (“Wachovia”). Pursuant to the terms of the Wachovia Swap Agreement, MTA pays a fixed amount (the rate for which is equal to 3.444%) to Wachovia and Wachovia pays to MTA a floating amount (the rate for which is equal to 68% of LIBOR), in each case based on a notional amount equal to the principal amount of the Series 2009-A Bonds outstanding. The Wachovia Swap Agreement is scheduled to terminate on July 1, 2023 (the final maturity date of the Series 2009-A Bonds), unless earlier terminated as a result of an event of default or termination event under the Wachovia Swap Agreement or as a result of MTA’s exercise of an option to terminate the Wachovia Swap Agreement.

GSMMDP Swap Agreement. MTA has entered into an interest rate swap agreement (the “GSMMDP Swap Agreement” and, together with the Wachovia Swap Agreement, the “Swap Agreements”) with Goldman Sachs Mitsui Marine Derivative Products, L.P. (“GSMMDP”). Pursuant to the terms of the GSMMDP Swap Agreement, MTA pays a fixed amount (the rate for which is equal to 3.392%) to GSMMDP and GSMMDP pays to MTA a floating amount (the rate for which is equal 68% of LIBOR), in each case based on a notional amount equal to the principal amount of the Series 2009-C Bonds outstanding. The GSMMDP Swap Agreement is scheduled to terminate on July 1, 2025 (the final maturity date of the Series 2009-C Bonds), unless earlier terminated as a result of an event of default or termination event under the GSMMDP Swap Agreement or as a result of MTA’s exercise of an option to terminate the GSMMDP Swap Agreement.

Provisions of Swap Agreements. MTA's obligations to pay Wachovia and GSMMDP (each, a Swap Counterparty) the applicable net regularly scheduled payments under the Swap Agreements constitute Senior Parity Debt and, as such, are secured on a parity basis with the Proposition C Senior Bonds. The terms of the Swap Agreements do not alter any of the obligations of MTA with respect to the payment of principal of or interest on the related Proposition C Senior Bonds. The payments received by MTA from the Swap Counterparties due under the Swap Agreements do not constitute Pledged Revenues and are not pledged to the payment of principal of or interest on any Proposition C Senior Bonds.

Under certain circumstances, MTA may be obligated to make termination payments to a Swap Counterparty if the applicable Swap Agreement is terminated in whole or in part prior to its scheduled termination date. The amount of any such termination payments will be determined by several factors, including the level of comparable interest rates at the time the affected Swap Agreement is terminated. Any such termination payment could be substantial and would be due immediately upon termination of the applicable Swap Agreement. Each of the Swap Agreements provides that any such termination payment is secured by a pledge of Proposition C Remaining Sales Tax, Proposition A Remaining Sales Tax and General Revenues. As of September 10, 2010, MTA estimates that the termination payment that MTA would be required to pay if the Swap Agreements were terminated on that date would be, in the case of the Wachovia Swap Agreement, approximately \$12.57 million and, in the case of the GSMMDP Swap Agreement, approximately \$5.93 million.

Under the terms of the Swap Agreements, MTA may be required to post collateral in favor of the applicable Swap Counterparty if the estimated termination payment exceeds certain thresholds. Each of the Swap Agreements provides that MTA's obligation to post collateral is secured by a pledge of Proposition C Sales Tax revenue on a basis subordinate to the Proposition C Senior Bonds. As of September 10, 2010, MTA had \$3.5 million in collateral posted under the Wachovia Swap Agreement. While MTA has posted collateral under the GSMMDP Swap Agreement in the past, as of September 10, 2010, MTA had no collateral posted under the GSMMDP Swap Agreement.

Standby Bond Purchase Agreement Relating to Series 2009-A Bonds. In connection with the issuance of the Series 2009-A Bonds, MTA entered into a standby bond purchase agreement (the "Series 2009-A Standby Bond Purchase Agreement") with Bank of Nova Scotia. MTA's obligation to make reimbursement payments to Bank of Nova Scotia under this standby bond purchase agreement constitutes Proposition C Senior Parity Debt and is secured on a parity basis with the Proposition C Senior Bonds. The Series 2009-A Standby Bond Purchase Agreement terminates on March 26, 2012, unless extended or terminated sooner in accordance with its terms.

Reimbursement Agreements Relating to Series 2009-C Bonds. In connection with the issuance of the Series 2009-C Bonds, MTA entered into two reimbursement agreements with respect to the letters of credit (the "Series 2009-C Letters of Credit") issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch, and U.S. Bank National Association to support the Series 2009-C Bonds. MTA's obligations to make reimbursement payments to Sumitomo Mitsui Banking Corporation and U.S. Bank National Association under these reimbursement agreements constitute Proposition C Senior Parity Debt and are secured on a parity basis with the Proposition C Senior Bonds. The Series 2009-C Letters of Credit terminate on August 3, 2012, unless extended or terminated sooner in accordance with their terms. For a discussion of certain risks associated with the reimbursement agreements, see "RISK FACTORS-Risks Related to Variable Rate Obligations and Interest Rate Swaps" in this Official Statement.

Additional Proposition C Senior Parity Debt. MTA may incur additional Proposition C Senior Parity Debt upon the satisfaction of certain additional bonds tests.

Proposition C Subordinate Lien Obligations. On June 9, 1993, MTA received authorization to issue \$150,000,000 of commercial paper notes (the “Proposition C Commercial Paper Notes”) payable from and secured by Proposition C Sales Tax revenues. As of September 1, 2010, the Proposition C Commercial Paper Notes were outstanding with a maturity value of \$24,486,000. The Proposition C Commercial Paper Notes are payable from and secured by Proposition C Sales Tax revenue on a basis subordinate to the lien on Proposition C Sales Tax revenues granted to the Proposition C Senior Bonds and the Proposition C Senior Parity Debt.

Other Obligations

On July 21, 2005, MTA issued \$264,885,000 aggregate principal amount of its Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project) Series 2005A, Series 2005B-1 and Series 2005B-2 (the “Grant Receipts Bonds”), to provide funds to finance a portion of the costs of the Eastside Extension. See “—RAPID TRANSIT SYSTEM—Rail System—Gold Line Eastside Extension,” herein. The Grant Receipt Bonds are limited obligations of MTA and are payable solely from and secured by amounts received from the Eastside Extension FTA Grant, the Section 5307 Grants, and certain amounts on deposit in the funds and accounts, and the interest earnings thereon, established in connection with the issuance of the Grant Receipts Bonds. As of October 2, 2010 all of the Grant Receipts Bonds have been fully paid.

On September 22, 2004, MTA issued \$197,050,000 General Revenue Refunding Bonds (Union Station Gateway Project) Series 2004-A, Series 2004-B, Series 2004-C and Series 2004-D (collectively, the “Series 2004 Bonds”). In July 2010, LACMTA issued \$79,620,000 General Revenue Refunding Bonds (Union Station Gateway Projects) Series 2010-A (the “Series 2010-A Bonds”) for the purchase and cancellation of a portion of the Series 2004 Bonds through a tender offer for purchase at a discount from the par amount of the refunded Series 2004 Bonds. Following the issuance of the Series 2010-A Bonds, the total amount of Series 2004 Bonds outstanding is \$86,175,000. As of October 1, 2010, there was \$165,795,000 aggregate principal amount of the Series 2004 Bonds and the Series 2010-A Bonds outstanding.

MTA entered into an interest rate swap agreement (the “Series 2004 Swap Agreement”) with Bank of Montreal (the “Series 2004 Swap Provider”) in connection with the Series 2004 Bonds. MTA’s obligation to make fixed payments of 3.501% under the Series 2004 Swap Agreement is payable under the Agreement on a parity with MTA’s obligation to pay interest on the Outstanding Bonds; however, MTA’s obligation to make termination payments, if any, due under the Series 2004 Swap Agreement is subordinate to its obligations to pay debt service on Parity Obligations under the Agreement, including the Series 2004 and Series 2010-A Bonds. As of _____, 2010, MTA estimates that the termination payment that MTA would be required to pay if the Series 2004 Swap Agreement was terminated on that date would be approximately \$_____ million. Under the terms of the Series 2004 Swap Agreement, MTA may be required to post collateral in favor of the Series 2004 Swap Provider if the estimated termination payment exceeds certain thresholds. As of September 1, 2010, MTA had \$_____ million in collateral posted under the Series 2004 Swap Agreement. MTA has amended the Series 2004 Swap Agreement to remove the swap insurance policy and make certain changes to the collateral posting threshold. In connection with the refunding of the Refunded Bonds, MTA intends to terminate the portion of the Series 2004 Swap Agreement relating to the principal amount of the Refunded Bonds so that the remaining notional amount of Series 2004 Swap Agreement corresponds to the principal amount of the Series 2004 Bonds that remain Outstanding and unrefunded.

MTA entered into an interest rate swap agreement (the “Series 2004 Swap Agreement”) with Bank of Montreal (the “Series 2004 Swap Provider”) in connection with the Series 2004 Bonds. MTA’s obligation to make fixed payments of 3.501% under the Series 2004 Swap Agreement is payable under

the Agreement on a parity with MTA's obligation to pay interest on the Outstanding Bonds; however, MTA's obligation to make termination payments, if any, due under the Series 2004 Swap Agreement is subordinate to its obligations to pay debt service on Parity Obligations under the Agreement, including the Series 2004 and Series 2010-A Bonds. MTA amended the Series 2004 Swap Agreement to remove the swap insurance policy and make certain changes to the collateral posting threshold. In connection with the refunding of a portion of the Series 2004-A Bonds, MTA terminated the portion of the Series 2004 Swap Agreement relating to the principal amount of the Series 2004 bonds that were refunded by the Series 2010-A Bonds so that the remaining notional amount of Series 2004 Swap Agreement corresponds to the principal amount of the Series 2004 Bonds that remain Outstanding and unrefunded. As of September 10 2010, MTA estimates that the termination payment that MTA would be required to pay if the Series 2004 Swap Agreement was terminated on that date would be approximately \$6.18 million. Under the terms of the Series 2004 Swap Agreement, MTA may be required to post collateral in favor of the Series 2004 Swap Provider if the estimated termination payment exceeds certain thresholds. As of September 10, 2010, MTA had \$no collateral posted under the Series 2004 Swap Agreement.

The Series 2004 Bonds remaining Outstanding and not refunded by the Series 2010-A Bonds, the Parity Debt component of the Series 2004 Swap Agreement and the Series 2010-A Bonds, when and if issued, are special, limited obligations of MTA payable from Pledged Revenues and Remaining Sales Tax on a parity with any other parity obligations currently Outstanding or hereinafter issued under or pursuant to the Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-A BONDS—General" and "Existing Parity Obligations" in the front part of this Official Statement.

Lease/Leaseback and Lease-to-Service Obligations

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

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

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

American International Group Inc. or its affiliates ("AIG") provided a fixed income investment product known as a "payment undertaking agreement" that was used in seven of the lease/leaseback transactions in order to invest the proceeds to fund all the scheduled rent payments and early buy-out option payments. In addition, AIG provided credit support in the form of letters of credit for three lease/leaseback transactions. Under the lease/leaseback documents, AIG was required to be replaced or credit enhanced if any of its credit ratings fall below either Aa2/AA or A2/A, depending on the

transactions. As for the letter of credit documents, AIG's credit rating could not fall below either A2 or A. In September, 2008 AIG's credit rating was downgraded to "A-" by S&P, requiring replacement of the payment undertaking agreements and credit enhancement, as applicable, and in two instances required AIG to post collateral.

As of September 2010, in the current market environment, most products specified in the Lease/leaseback transaction documents as acceptable replacement facilities are not available. In November 2009, MTA reached an agreement with one lessor to post collateral in lieu of obtaining a replacement facility. Extensions to the deadlines to obtain acceptable replacement facilities are in place with most other lessors. Failure to reach a solution could result in early termination of six of the leases that could require MTA to pay as much as \$150 million, plus legal costs.

Efforts have been underway to implement a legislative solution. Proposed Federal legislation has not been adopted. Legislative efforts currently are focused on implementation of an excise tax that would penalize the lessors for taking any windfall gains from termination of a leverage lease transaction. MTA continues to be in contact with the lessors to request extensions of the deadlines to replace the facilities and to negotiate other solutions or agree on minimal out-of-pocket settlement amounts.

See "Note III—DETAILED NOTES ON ALL FUNDS—J. Long-term Obligations—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, 2009."

INVESTMENT POLICY

General

Certain features of MTA'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, 2009."

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Investment Balances

As of June 30, 2010 (based on unaudited financial information), MTA had approximately \$1.97 billion in market value deposited in non-discretionary trust accounts (including bond proceeds and escrows), primarily invested in U.S. Treasury securities, municipal bonds, commercial paper and the

County of Los Angeles Pooled Surplus Investments (the “Los Angeles County Pool”) maintained by the County of Los Angeles Treasurer and Tax Collector. As of June 30, 2010 (unaudited), MTA also had approximately \$1.59 billion in book value deposited in discretionary (operating) accounts. Such discretionary investments are summarized below:

Investments	Percentage of Total Book Value as of June 30, 2010
Los Angeles County Investment Pool	
Local Agency Investment Fund	5.0%
Bank Deposits	2.8
Certificates of Deposit	0
Subtotal Los Angeles County Investment Pool	6.9%
State of California Private Placement	8.4%
Managed Investments	
Federal Agencies	24.0%
Corporate Notes	29.1
Treasuries	20.0
Commercial Paper	3.8
Money Market Funds	3.6
Repurchase Agreements	0.0
Municipal securities	1.2
Bankers Acceptance	2.0
Cash	0.0
Sub Total Managed Investments	83.7%
Total Cash and Investments *	100.0%

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

As of June 30, 2010 (unaudited), the liquid reserve of the discretionary accounts, which totaled approximately \$298 million in both book value and market value, was managed internally by MTA and had an average maturity of 25 days. MTA’s Investment Policy prohibits investing in reverse repurchase agreements.

The total market value of the Los Angeles County Pool as of June 30, 2010 was approximately \$22.288 billion (unaudited). As of June 30, 2010 approximately 45.02% of the investments mature within 60 days, with an average of 536.3 days to maturity for the entire portfolio.

Additional information regarding MTA’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, 2009.”

LITIGATION

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. MTA does not believe such decision has any effect on the validity of MTA's Proposition A or Proposition C Sales Tax.

Fare Increase Litigation

1994 Fare Increase Litigation. On August 31, 1994, the Labor/Community Strategy Center, Bus Riders Union, Southern Christian Leadership Conference of Greater Los Angeles County, Korean Immigrant Workers Advocates and several individuals represented by the NAACP Legal Defense and Educational Funds, Inc. (the "Class Action Plaintiffs") filed a civil rights class action complaint in the United States District Court for the Central District of California (Case No. CA 94 5936 TJH (MCx)) (the "Complaint"). The Complaint named MTA and then Chief Executive Officer Franklin E. White as defendants, and alleged various discriminatory practices by MTA and its predecessor agencies in providing transportation services in the County.

In the Complaint, the Class Action Plaintiffs sought to enjoin MTA from implementing a new fare structure in late 1994 which, among other things, would have increased bus fares from \$1.10 to \$1.35 and eliminated the regular monthly bus passes.

On October 28, 1996, Judge Terry Hatter approved a Consent Decree (the "Consent Decree") reached between MTA and the Class Action Plaintiffs. A Special Master was appointed to oversee MTA compliance with the Consent Decree. The Consent Decree provides for MTA to: (i) agree to reduce its load factor (i.e., the number of people who stand on the bus) to certain targets, (ii) expand bus service improvements by making available a net of 102 additional buses by June 1997, (iii) implement a Five Year New Service Plan to facilitate access to County-wide jobs, education and health centers, (iv) not increase base bus fares for two years and pass fares for three years beginning December 1, 1996, after which MTA is permitted to raise fares subject to certain conditions of the Consent Decree, and (v) introduce a weekly pass and an off-peak discount fare on selected lines.

The ten-year Consent Decree ended by its own terms on October 29, 2006. The court rejected an attempt by the plaintiffs to extend the term of the Consent Decree. In rejecting plaintiffs' request, the court stated that MTA has substantially complied with the terms of the Consent Decree and that it would not be extended. The trial court retained jurisdiction to ensure that MTA's New Service Implementation Plan will continue to be implemented until its expiration on November 30, 2010. The New Service Implementation Plan provides for additional bus and transit services to improve the access of the transit-dependent to jobs, education and medical services throughout the County.

The plaintiffs appealed the trial court's denial of their motion to extend the Consent Decree. On May 12, 2008 the United States Court of Appeals for the Ninth Circuit heard oral arguments on the matter. In May 2009 the Court of Appeals ruled in favor of MTA by affirming the trial court's ruling. The plaintiffs' motion for rehearing was denied.

2007 Fare Increase Litigation. MTA approved a fare increase in 2007 which was challenged in State Superior Court on the grounds that MTA did not first perform an environmental review of the effect of the fare increase on the environment. MTA defended on the basis that the law does not require such an environmental review. The trial court found in favor of MTA. The plaintiffs filed an appeal, which was denied by the Court of Appeal. The plaintiffs petitioned the California Supreme Court for review, which review was denied by the California Supreme Court in January 2010.

Construction Litigation

Tutor-Saliba-Perini (“TSP”), a construction company, filed suit against MTA claiming extra charges under certain Metro Red Line Segment 2 contracts. MTA 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 MTA, which judgment was reversed in January 2005. The trial court judge has decided to retry the case in a series of separate trials. No final judgment will be issued until all of the separate trials are concluded and appeals resolved. MTA 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.

Other Litigation

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

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APPENDIX B

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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APPENDIX C
SUMMARY OF LEGAL DOCUMENTS

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the “*Certificate*”) is executed and delivered by the **LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY** (the “*Authority*”) in connection with the issuance of its \$_____ Measure R Senior Sales Tax Revenue Bonds, Series 2010-A (Taxable Build America Bonds) (the “*Series 2010-A Bonds*”) and \$_____ Measure R Senior Sales Tax Revenue Bonds, Series 2010-B (Tax-Exempt) (the “*Series 2010-B Bonds*”) and, together with the Series 2010-A Bonds, the “*Series 2010 Bonds*”) pursuant to the terms of the Agreement (as defined herein). The Authority covenants and agrees as follows:

Section 1. Definitions.

“*Agreement*” means the Trust Agreement, dated as of November 1, 2010, by and between the Authority and [TRUSTEE], as trustee (the “*Trustee*”), and the First Supplemental Trust Agreement, dated as of November 1, 2010, by and between the Authority and the Trustee.

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

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

“*GAAP*” means generally accepted accounting principles as in effect from time to time in the United States.

“*Holder*” means any registered owner of Series 2010 Bonds and any beneficial owner of Series 2010 Bonds within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

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

“*Official Statement*” means the Official Statement, dated _____, 2010, prepared and distributed in connection with the initial sale of the Series 2010 Bonds.

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

Section 2. Purpose of the Certificate. This Certificate is being executed and delivered by the Authority pursuant to Rule 15c2-12 for the benefit of the Holders of the Series 2010 Bonds in order to assist the participating underwriters in complying with Rule 15c2-12.

Section 3. Obligation to Provide Continuing Disclosure.

(a) The Authority hereby undertakes, for the benefit of the Holders, to provide or cause to be provided:

(i) to the EMMA System, no later than 195 days after the end of each fiscal year, commencing with the fiscal year ended June 30, 2010, the Annual Information relating to such fiscal year;

(ii) if not submitted as part of the Annual Information, to the EMMA System, audited financial statements of the Authority for such fiscal year when and if they become available;

(iii) to the EMMA System, in a timely manner, notice of any of the following events with respect to the Series 2010 Bonds, if material:

(A) principal and interest payment delinquencies;

(B) nonpayment related defaults;

(C) unscheduled draws on debt service reserves relating to financial difficulties;

(D) unscheduled draws on credit enhancements reflecting financial difficulties;

(E) substitution of credit or liquidity providers, or their failure to perform;

(F) adverse tax opinions or events affecting the tax-exempt status of the Series 2010 Bonds;

(G) modifications to the rights of the Holders;

(H) optional, contingent or unscheduled bond calls;

(I) defeasances;

(J) release, substitution or sale of property securing repayment of the Series 2010 Bonds; and

(K) rating changes; and

(iv) to the EMMA System, in a timely manner, notice of a failure to provide any Annual Information required by Section 3(a)(i).

(b) Nothing herein shall be deemed to prevent the Authority from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authority disseminates any such additional information, the Authority shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) The Annual Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof.

Section 4. Annual Information.

(a) The required Annual Information shall contain or incorporate by reference the following:

(i) if available at the time of filing of the Annual Information pursuant to Section 3(a) hereof, the financial statements of the Authority for such recently ended fiscal years, prepared in accordance with the provisions of Section 4 hereof. If the Authority's audited financial statements are not available by the time the Annual Information is required to be filed pursuant to Section 3(a), the Annual Information shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Information when they become available; and

(ii) updated historical Measure R Sales Tax receipts for the most recent fiscal year.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been filed with (i) the EMMA System, or (ii) the Securities and Exchange Commission.

(c) Annual information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8(e), hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Section 5. Financial Statements. The Authority's annual financial statements for each fiscal year shall be prepared in accordance with GAAP as in effect from time to time and as applied to governmental units. Such financial statements shall be audited by an independent accounting firm.

Section 6. Remedies. If the Authority shall fail to comply with any provision of this Certificate, then any Holder may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding in law or in equity, this Certificate against the Authority and any of the officers, agents and employees of the Authority, and may compel the Authority or any such officers, agents or employees to perform and carry out their duties under this Certificate; provided that the sole and exclusive remedy for breach of this Certificate shall be an action to compel specific performance of the obligations of the Authority hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and, provided further, that any challenge to the adequacy of any information provided pursuant to Section 3 may be brought only by the Holders of 25% in aggregate principal amount of the Series 2010 Bonds at the time outstanding. A failure by the Authority to comply with the provisions of this Certificate shall not constitute an Event of Default under the Agreement.

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

Section 8. Amendment. Without the consent of any Holders of Series 2010 Bonds, the Authority at any time and from time to time may enter into any amendments or changes to this Certificate for any of the following purposes:

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

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

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

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

(e) to modify the contents, presentation and format of the Annual Information from time to time as a result of a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority, or type of business conducted; provided that (i) the certificate, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the offering of the Series 2010 Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances; and (ii) the amendment or change does not materially impair the interests of Holders, as determined either by a party unaffiliated with the Authority (such as bond counsel), or by the vote or consent of Holders of a majority in outstanding principal amount of the Series 2010 Bonds on or prior to the time of such amendment or change.

Section 9. Termination. This Certificate shall remain in full force and effect until such time as all principal of and interest on the Series 2010 Bonds shall have been paid in full or legally defeased pursuant to the Agreement. Upon any such legal defeasance, the Authority shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Series 2010 Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Certificate as of _____, 2010.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Name: _____
Title: _____

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APPENDIX E

BOOK-ENTRY SYSTEM

Introduction

Unless otherwise noted, the information contained under the subcaption “—General” below has been provided by DTC. MTA makes no representations as to the accuracy or completeness of such information. Further, MTA 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 2010 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER MTA 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 2010 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 2010 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES 2010 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2010 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2010 Bonds. Each Series of the Series 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010 Bond certificate will be issued for each maturity of the Series 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

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

available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and . The information set forth on such websites is not incorporated herein by reference.

Purchases of the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2010 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 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2010 Bonds are in the Book-Entry System, redemption notices will be sent to DTC. If less than all of the Series 2010 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to MTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from MTA 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, MTA, 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 MTA 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 2010 Bonds at any time by giving reasonable notice to MTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered.

MTA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2010 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 MTA believes to be reliable, but MTA takes no responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2010 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 System is discontinued, payments of principal of and interest on the Series 2010 Bonds will be payable as described in the front part of this Official Statement under the caption "DESCRIPTION OF THE SERIES 2010 BONDS—General."

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APPENDIX F
FORM OF BOND COUNSEL APPROVING OPINION

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TRUST AGREEMENT

between the

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

and

_____,
as Trustee

Dated as of November 1, 2010

Relating to

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
MEASURE R SENIOR SALES TAX REVENUE BONDS

TABLE OF CONTENTS

Page

ARTICLE I EQUALITY OF SECURITY; DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01	Equality of Security	2
SECTION 1.02	Definitions.....	2
SECTION 1.03	Content of Certificates	21

ARTICLE II THE BONDS

SECTION 2.01	Authorization of Bonds.....	22
SECTION 2.02	Terms of the Bonds.....	22
SECTION 2.03	Form of Bonds	22
SECTION 2.04	Execution of Bonds.....	22
SECTION 2.05	Transfer of Bonds	23
SECTION 2.06	Exchange of Bonds	23
SECTION 2.07	Bond Register.....	23
SECTION 2.08	Temporary Bonds.....	24
SECTION 2.09	Bonds Mutilated; Lost; Destroyed or Stolen	24
SECTION 2.10	Use of Securities Depository	25

ARTICLE III ISSUANCE OF BONDS

SECTION 3.01	Issuance of Bonds	26
SECTION 3.02	Issuance of Additional Bonds	26
SECTION 3.03	Proceedings for Issuance of Additional Bonds.....	28
SECTION 3.04	Issuance of Refunding Bonds	28
SECTION 3.05	Limitations on the Issuance of Obligations Payable from Pledged Revenues; Parity Obligations; Subordinate Obligations.....	29
SECTION 3.06	Calculation of Maximum Annual Debt Service with Respect to Bonds and Parity Obligations	31
SECTION 3.07	Application of Proceeds.....	31

ARTICLE IV REDEMPTION, TENDER AND PURCHASE OF BONDS

SECTION 4.01	Terms of Redemption, Tender and Purchase.....	31
SECTION 4.02	Notice of Redemption	31
SECTION 4.03	Partial Redemption of Bonds.....	32
SECTION 4.04	Effect of Redemption.....	33

ARTICLE V PLEGGED REVENUES

SECTION 5.01	Pledge of Pledged Revenues; Revenue Fund.....	33
SECTION 5.02	Allocation of Pledged Tax Revenues.....	34

TABLE OF CONTENTS
(continued)

		Page
SECTION 5.03	Application of Interest Fund	37
SECTION 5.04	Application of Principal Fund.....	37
SECTION 5.05	Establishment, Funding and Application of Reserve Funds	39
SECTION 5.06	Application of Subordinate Obligations Fund	40
SECTION 5.07	Application of Fees and Expenses Fund.....	40
SECTION 5.08	Establishment, Funding and Application of Project Fund	40
SECTION 5.09	Rebate Fund	41
SECTION 5.10	Payment Provisions Applicable to Interest Rate Swap Agreements	42
SECTION 5.11	Investment in Funds and Accounts	42

ARTICLE VI
COVENANTS OF THE AUTHORITY

SECTION 6.01	Punctual Payments	44
SECTION 6.02	Extension of Payment of Bonds.....	44
SECTION 6.03	Waiver of Laws.....	44
SECTION 6.04	Further Assurances.....	44
SECTION 6.05	Against Encumbrances.....	44
SECTION 6.06	Accounting Records.....	45
SECTION 6.07	Collection of Pledged Tax Revenues.....	45
SECTION 6.08	Tax Covenants	45
SECTION 6.09	Continuing Disclosure	46
SECTION 6.10	Compliance with Allocation and Expenditure Requirements of the Ordinance.....	46

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01	Events of Default	47
SECTION 7.02	Application of Pledged Revenues and Other Funds After Default; No Acceleration	48
SECTION 7.03	Trustee to Represent Bondholders	48
SECTION 7.04	Bondholders' Direction of Proceedings.....	49
SECTION 7.05	Limitation on Bondholders' Right to Sue.....	49
SECTION 7.06	Absolute Obligation of the Authority	50
SECTION 7.07	Termination of Proceedings.....	50
SECTION 7.08	Remedies Not Exclusive.....	50
SECTION 7.09	No Waiver of Default.....	50

ARTICLE VIII
THE TRUSTEE

SECTION 8.01	Appointment, Duties Immunities and Liabilities of Trustee	51
SECTION 8.02	Accounting Records and Monthly Statements.....	52
SECTION 8.03	Merger or Consolidation.....	53
SECTION 8.04	Liability of Trustee	53
SECTION 8.05	Right of Trustee to Rely on Documents and Opinions.....	55

TABLE OF CONTENTS
(continued)

	Page
SECTION 8.06 Compensation and Indemnification of Trustee.....	56

ARTICLE IX
MODIFICATION OR AMENDMENT OF THIS TRUST AGREEMENT

SECTION 9.01 Amendments Permitted.....	56
SECTION 9.02 Effect of Supplemental Trust Agreement	59
SECTION 9.03 Endorsement of Bonds; Preparation of New Bonds	59
SECTION 9.04 Amendment of Particular Bonds.....	59

ARTICLE X
DEFEASANCE

SECTION 10.01 Discharge of Trust Agreement.....	59
SECTION 10.02 Discharge of Liability on Bonds	60
SECTION 10.03 Deposit of Money or Securities	61
SECTION 10.04 Payment of Bonds After Discharge of Trust Agreement.....	61

ARTICLE XI
MISCELLANEOUS

SECTION 11.01 Liability of Authority Limited to Pledged Revenues.....	62
SECTION 11.02 Successor Is Deemed Included in All References to Predecessor	62
SECTION 11.03 Limitation of Rights.....	62
SECTION 11.04 Waiver of Notice.....	62
SECTION 11.05 Destruction or Delivery of Canceled Bonds	62
SECTION 11.06 Severability of Invalid Provisions.....	63
SECTION 11.07 Notice to Authority and Trustee	63
SECTION 11.08 Evidence of Rights of Bondholders	63
SECTION 11.09 Disqualified Bonds.....	64
SECTION 11.10 Money Held for Particular Bonds	64
SECTION 11.11 Funds and Accounts.....	64
SECTION 11.12 Limitations on Rights of Credit Providers, Liquidity Providers, Reserve Facility Providers	64
SECTION 11.13 Article and Section Headings and References	65
SECTION 11.14 Waiver of Personal Liability.....	65
SECTION 11.15 Governing Law	65
SECTION 11.16 Business Day.....	65
SECTION 11.17 Effective Date of Trust Agreement.....	65
SECTION 11.18 Execution in Counterparts.....	65

TRUST AGREEMENT

This TRUST AGREEMENT, dated as of _____ 1, 2010 (as more fully defined in Section 1.02, the "Trust Agreement"), between the LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, a county transportation commission duly organized and existing pursuant to Section 130050.2 of the California Public Utilities Code (the "Authority"), and _____, a [national banking association] duly organized and existing under and by virtue of the laws of the [United States of America], as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Authority is authorized by Sections 130350.4 and 130350.5 of the California Public Utilities Code to impose a retail transactions and use tax at a rate of 0.5 percent that is applicable in the incorporated and unincorporated areas of the County of Los Angeles, California (the "County") if authorized by at least two-thirds of the electors voting on the issue; and

WHEREAS, in accordance with such provision, the Authority, on July 24, 2008, adopted Ordinance No. 08-01, known as the Traffic Relief and Rail Expansion Ordinance, Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization (the "Ordinance") imposing the transactions and use tax for a period of 30 years, and the Ordinance was submitted to the electors of the County in the form of Measure R and approved by greater than a two-thirds vote at an election held on November 4, 2008; and

WHEREAS, the Ordinance, as so approved, imposed for a period of 30 years, beginning July 1, 2009, a tax upon the sale of tangible personal property at retail at a rate of 1/2 of 1% of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County at a rate of 1/2 of 1% of the sales price of the property whose storage, use or other consumption is subject to the tax (the "Measure R Sales Tax"); and

WHEREAS, Section 130500 et seq. of the California Public Utilities Code (the "Act") provides that the Authority may issue Bonds, which term includes indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, and all of such obligations shall be special obligations of the Authority, payable from the proceeds of the Measure R Sales Tax; and

WHEREAS, the Authority has determined it necessary and advisable to issue its Bonds for the purpose of financing the cost of the projects and programs described in the Expenditure Plan adopted as part of the Ordinance (the "Expenditure Plan"), such Bonds to be payable from and secured by a prior lien on and pledge of the Pledged Revenues (as defined below), subject to the right of the Authority to issue additional bonds and other evidences of indebtedness under the conditions and subject to the restrictions as set forth in this Agreement which may also be payable on a parity or subordinate basis from the Pledged Revenues and be secured by a parity or subordinate lien on such Pledged Revenues;

WHEREAS, the execution and delivery of this Trust Agreement has in all respects been duly and validly authorized by resolution duly passed and approved by the Authority; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of this Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Trust Agreement;

NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued, authenticated and delivered hereunder, to secure the payment of Parity Obligations in accordance with terms hereof and to provide the terms and conditions under which all property, rights and interests hereby assigned and pledged are to be dealt with and disposed of, and to secure performance and observance of the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and of the material covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority does hereby agree and covenant with the Trustee for the benefit of the respective owners, from time to time, of the Bonds, or any part thereof, and for the benefit of the holders of Parity Obligations, in accordance with terms hereof, as follows:

ARTICLE I

EQUALITY OF SECURITY; DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01 **Equality of Security.** In consideration of the acceptance of the Bonds by the owners thereof from time to time, this Trust Agreement shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the owners from time to time of the Bonds and the covenants and agreements herein set forth to be performed by or on behalf of the Authority or the Trustee shall be for the equal and proportionate benefit, security and protection of all owners of the Bonds, without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reasons of the Series, time of issue, sale or negotiation thereof or for any cause whatsoever, except as expressly provided therein or herein. Nothing herein shall prevent additional security being provided for the benefit of a particular Series of Bonds under any supplement to this Trust Agreement.

SECTION 1.02 **Definitions.** Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement and of any Supplemental Trust Agreement and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“**Accreted Value**” means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set

forth in the 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, and to which reference is made in, a Supplemental Trust Agreement providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Trust Agreement.

“Act” means the Los Angeles County Transportation Commission Revenue Bond Act, Sections 130500 et seq. of the California Public Utilities Code, as now in effect and as it may from time to time hereafter be amended or supplemented.

“Annual Debt Service” means, for any Fiscal Year, the aggregate amount (without duplication) of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

“Assumed Debt Service” means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds if each Excluded Principal Payment were amortized on a substantially level debt service basis or other amortization schedule provided by the Authority for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Authority or (ii) the Tax Expiration Date, such Assumed Debt Service to be calculated on a level debt service basis or other amortization schedule provided by the Authority, based on a fixed interest rate equal to the rate at which the Authority could borrow for such period, as set forth in a certificate of a consultant, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within 30 days of the date of calculation.

“Authority” means the Los Angeles County Metropolitan Transportation Authority, a county transportation commission duly organized and existing pursuant to the Authority Act.

“Authority Act” means Sections 130050.2 et seq., including Sections 130350.4 and 130350.5, of the California Public Utilities Code, as now in effect and as it may from time to time hereafter be amended or supplemented.

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

“Authorized Representative” means the Chair, any Vice Chair, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Services Officer and Treasurer, the Assistant Treasurer, or any other person designated to act on behalf of the Authority by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Authority by an Authorized Representative.

“Beneficial Owner” means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

“**Board**” means the Board of Directors of the Authority.

“**Bond**” or “**Bonds**” means indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes and other obligations issued under the provisions of Article III of this Trust Agreement. “Bond” or “Bonds” shall not include any subordinated obligations incurred by the Authority as permitted by Section 3.05(D).

“**Bond Obligation**” means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

“**Bond Register**” has the meaning given to such term in Section 2.07.

“**Bondholder**” or “**Holder**”, whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

“**Business Day**” means, except as is otherwise provided in the Supplemental Trust Agreement pursuant to which a Series of Bonds are issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State, the State of New York or the jurisdiction in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed, or (3) a day on which the New York Stock Exchange is closed.

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

“**Certificate**,” “**Statement**,” “**Request**,” “**Requisition**” and “**Order**” of the Authority mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative. If and to the extent required by Section 1.03, each such instrument shall include the statements provided for in Section 1.03.

“**Code**” means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

“**Consultant**” means any 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 this Trust Agreement. Such accountant, attorney, consultant, financial advisor or investment banker, or firm thereof, shall be nationally recognized within its profession for work of the character required.

“Continuing Disclosure Certificate” means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Certificate, dated on or about the date of issuance of such Series of Bonds, executed by the Authority, as the same may be supplemented, modified or amended in accordance with its terms.

“Corporate Trust Office” or corporate trust office means the corporate trust office of the Trustee at _____, or such other or additional offices as may be designated by the Trustee from time to time.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, issuance, sale and delivery of a Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series of Bonds, general marketing expenses, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, credit enhancement and liquidity costs, termination fees payable in connection with the termination of an Interest Rate Swap Agreement in connection with the delivery of such Series of Bonds, and any other cost, charge or fee in connection with the initial delivery of a Series of Bonds or any Parity Obligations delivered in connection with a Series of Bonds.

“Costs of Issuance Fund” means a fund by that name established pursuant to the provisions of a Supplemental Trust Agreement to pay Costs of Issuance with respect to a Series of Bonds being issued pursuant to such Supplemental Trust Agreement.

“Costs” or **“Costs of the Project”** means, as applied to a Project or portion thereof financed under this 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.

“Counterparty” means an entity which has entered into an Interest Rate Swap Agreement with the Authority.

“County” means the County of Los Angeles, California.

“Credit Enhancement” means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms.

“Credit Provider” means, with respect to a Series of Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

“Current Interest Bonds” means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Trust Agreement providing for the issuance of such Series of Bonds and that pay interest to the Holders thereof on a periodic basis prior to maturity.

“Debt Service,” when used with respect to any Bonds or Parity Obligations (for purposes of this definition of “Debt Service,” herein collectively referred to as “Obligations”), means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest becoming due on such Obligations during such Fiscal Year and (2) the principal or Mandatory Sinking Account Payments required with respect to such Obligations during such Fiscal Year; computed on the assumption that no portion of such Obligations shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(A) Excluded Principal Payments (and the interest related thereto provided such interest is being paid from the same source as the Excluded Principal Payments) shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(B) in determining the principal amount due in each Fiscal Year, payment shall (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 Obligations, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(C) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average of the SIFMA Swap Index for the five years preceding such date of calculation;

(D) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income

tax purposes, the interest rate on such Obligations shall be calculated at an interest rate equal to 100% of the average One Month USD LIBOR Rate during the five years preceding such date of calculation or such higher rate as shall be specified in a Certificate of the Authority in connection with the issuance of an additional Series of Bonds or Parity Obligations or any calculation of the Reserve Requirement;

(E) with respect to any Obligations bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a fixed rate of interest to maturity or for a specific term with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term; provided that if, pursuant to a Certificate of the Authority filed with the Trustee in connection with the issuance of an additional Series of Bonds or Parity Obligations or any calculation of the Reserve Requirement, the sum of (i) interest payable on such Obligations, plus (ii) amounts payable by the Authority under such Interest Rate Swap Agreement, less (iii) amounts receivable by the Authority under such Interest Rate Swap Agreement, is expected to be greater than the interest payable on the Obligations to which such Interest Rate Swap Agreement relates (i.e., if such Interest Rate Swap Agreement is an “off-market” Interest Rate Swap Agreement), then, in such instance, such excess amounts expected to be payable by the Authority under such Interest Rate Swap Agreement or in connection with such Obligations shall be included in the calculation of Debt Service;

(F) with respect to any Obligations bearing interest, or expected to bear interest, at a fixed interest rate for which an Interest Rate Swap Agreement is in place providing for a net variable interest rate with respect to such Obligations for a specific term, the interest rate on such Obligations shall be assumed to be equal for such term to the sum of (i) the fixed interest rate or rates to be paid on the Obligations, minus (ii) the fixed interest rate receivable by the Authority under such Interest Rate Swap Agreement, plus (iii) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified in a Certificate of the Authority, or, if not based on an identifiable index, then the SIFMA Swap Index, in each case, over the five years preceding the date of calculation or such higher rate as shall be specified in a Certificate of the Authority in connection with the issuance of an additional Series of Bonds or Parity Obligations or any calculation of the Reserve Requirement;

(G) if any Obligations feature an option on the part of the owners or an obligation under the terms of such Obligations to tender all or a portion of such Obligations to the Authority, the Trustee or other fiduciary or agent, and requires that such Obligations 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 Obligations, the options or obligations of the owners of such Obligations to tender the same for purchase or payment prior to the stated maturity or maturities shall be ignored and not treated as a principal maturity;

(H) principal and interest payments on Obligations shall be excluded to the extent such payments are to be paid from Pledged Revenues then held on deposit by the Trustee or from other amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Obligations held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest;

(I) with respect to Obligations bearing interest that is subject to a federal subsidy and such subsidy is not included as Pledged Revenues but instead is applied directly to offset the interest due on such Obligations, the interest rate on such Obligations shall be assumed to be the rate net of such subsidy; and

(J) if the Obligations are Paired Obligations, the interest rate on such Obligations shall be the resulting linked rate or effective fixed interest rate to be paid by the Authority with respect to such Paired Obligations.

“Defeasance Securities” means: (i) direct, non-callable obligations of the United States Treasury, (ii) direct non-callable and non-prepayable obligations which are unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest, (iii) non-callable, non-prepayable coupons from the above securities which are stripped pursuant to United States Treasury programs, (iv) non-callable and non-prepayable refunded bonds that are obligations of the United States of America; (v) Resolution Funding Corporation (REFCORP) bonds and strips; (vi) non-callable, and non-prepayable fixed rate Israel Notes guaranteed as to principal and interest by the United States of America through the United Agency for International Development (provided that, such notes are “Aaa”-rated and mature at least four business days before funds are needed for refunded bond debt service payments); (vii) United States Treasury Securities — State and Local Government Series (SLGS); (viii) the following non-callable, non-prepayable obligations of federal government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, Farm Credit System, Washington Metropolitan Area Transit Authority, United States Import-Export Bank, United States Department of Housing and Urban Development, Farmers Home Administration, General Services Administration and United States Maritime Administration (provided such entities maintain a rating of “Aaa”); and (ix) any pre-refunded municipal security that is non-callable or has been irrevocably called for redemption and is rated “Aaa” at the time of deposit, which carries a fixed interest rate and matures or is to be redeemed on a date certain and is secured by an escrow containing securities listed in (i) through (viii) above.

“DTC” means The Depository Trust Company, New York, New York, or any successor thereto.

“Electronic Means” means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Event of Default” means any of the events specified in Section 7.01.

“Excluded Principal Payment” means each payment of principal of Bonds or Parity Obligations which the Authority determines (in a Certificate of the Authority) that the Authority intends to pay with moneys that are not Pledged Revenues but from future debt obligations of the Authority, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Authority, upon which determination of the Authority the Trustee may conclusively rely. No such determination shall affect the security for such Bonds or

the obligation of the Authority to pay such payments from Pledged Revenues or amounts on deposit in the Reserve Fund, if any. No payment of principal of Bonds may be determined to be an Excluded Principal Payment unless it is due on or prior to the Tax Expiration Date.

“Expenditure Plan” means the Expenditure Plan adopted as part of the Ordinance, including any future amendments thereto.

“Fees and Expenses Fund” means the fund by that name established pursuant to Section 5.02.

“First Supplemental Trust Agreement” means the First Supplemental Trust Agreement, dated as of November 1, 2010, between the Authority and the Trustee, supplementing this Trust Agreement.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority, which designation shall be provided to the Trustee in a Certificate delivered by the Authority.

“Fitch” means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Holder” or **“Bondholder,”** whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

“Insurance” means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

“Insurer” means any provider of Insurance with respect to a Series of Bonds.

“Interest Fund” means the fund by that name established pursuant to Section 5.02.

“Interest Payment Date,” with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

“Interest Rate Swap Agreement” means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the Authority and a Counterparty, in connection with or incidental to, the issuance or carrying of Bonds, including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security entered into in advance of the issuance of Bonds and designated by the Authority in a Certificate or Supplemental Trust Agreement as a Parity Obligation.

“Investment Securities” means the following:

(1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (3) below to the extent unconditionally guaranteed by the United States of America;

(2) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (1);

(3) obligations of the Federal National Mortgage Association, the Federal Farm Credit System, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(4) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated in either of the two highest long-term or highest short-term Rating Categories by both Moody’s and Standard & Poor’s;

(6) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (1) or (2) 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 interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (1) or (2) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (6) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (6), as appropriate, and (d) which

have been rated in one of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by both Moody's and Standard & Poor's in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three years, rated by both Moody's and Standard & Poor's in one of their respective two highest long-term Rating Categories, for comparable types of debt obligations;

(8) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, (b) continuously and fully secured by such securities and obligations as are described above in clauses (1) through (5), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking, or (c) be issued by an institution the senior debt obligations of which are rated "AA" or higher by Standard & Poor's;

(9) taxable commercial paper, other than that issued by bank holding companies, or tax-exempt commercial paper rated in the highest Rating Category by both Moody's and Standard & Poor's;

(10) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by both Moody's and Standard & Poor's, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's;

(11) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars (\$100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (1), (2), (3) or (4) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to 102% of the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 102% of the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(12) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities, in each case rated in the highest short-term Rating Categories by both Moody's and Standard & Poor's; provided that as used in this clause (12) and clause (13) investments will be deemed to satisfy the requirements of clause (11) if they meet the requirements set forth in clause (11) ending with the words "clauses (1), (2), (3) or (4) above" and without regard to the remainder of such clause (11);

(13) any investment agreement with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which has at the date of execution thereof long-term ratings in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's; provided that if the long-term ratings falls below the two highest long-term Rating Categories by either Moody's or Standard & Poor's then (i) collateral shall be posted which is (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the investment if consisting of securities outlined in clause (3) or 104% if the collateral consists of securities outlined in clauses (1) or (2) of the definition of Investment Securities above, (B) held by the Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens; or (ii) the agreement shall terminate;

(14) forward delivery agreements with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which has at the date of execution thereof long-term ratings in any of the three highest long-term Rating Categories by both Moody's and Standard & Poor's that calls for delivery of securities as outlined in clauses (1), (2) or (3) of the definition of

Investment Securities, provided that if the long-term ratings falls below the three highest long-term Rating Categories by either Moody's or Standard & Poor's the agreement shall terminate;

(15) collateralized investment agreements with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which has at the date of execution thereof long-term ratings in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's provided that the agreement is fully secured by obligations described in items (1), (2) or (3) of the definition of Investment Securities which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the investment if consisting of securities outlined in clause (3) or 104% if the collateral consists of securities outlined in clauses (1) or (2) of the definition of Investment Securities above, (B) held by the Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens; and further provided that if the long-term ratings of the counterparty fall below the three highest long-term Rating Categories by either Moody's or Standard & Poor's the agreement shall terminate;

(16) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (1) through (15) of this definition of Investment Securities and which companies have either the highest rating by both Moody's and Standard & Poor's or have an investment advisor registered with the Securities and Exchange Commission with not less than five years experience investing in such securities and obligations and with assets under management in excess of \$500,000,000;

(17) shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(18) bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by both Moody's and Standard & Poor's, which purchases may not exceed 270 days maturity;

(19) the pooled investment fund of the County of Los Angeles, California, which is administered in accordance with the investment policy of said County as established by the Treasurer-Tax Collector thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Treasurer-Tax Collector; and

(20) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to this Trust Agreement.

“Letter of Credit Account” means an account by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which account shall be established pursuant to the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

“Liquidity Facility” means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility securing or guaranteeing the payment of purchase price of such Series of Bonds and issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms.

“Liquidity Facility Bonds” means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

“Liquidity Facility Rate” means, with respect to a Series of Bonds, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with such Series of Bonds.

“Liquidity Provider” means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

“Local Return” means 15% of the Measure R Sales Tax (net of refunds and the administrative fee of the State Board of Equalization and net of the Authority’s administrative costs permitted under the Ordinance), calculated on an annual basis, which 15% is, under the Ordinance, allocated to local jurisdictions for street improvements and transit purposes.

“Mandatory Sinking Account Payment” means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds to be deposited by the Authority in a Sinking Account for the payment of principal of Term Bonds of such Series and maturity.

“Maturity Date” means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

“Maximum Annual Debt Service” means the maximum amount of Annual Debt Service becoming due and payable on all Bonds Outstanding and all Parity Obligations outstanding during the period from the date of such calculation through the final maturity date of the Bonds and Parity Obligations, calculated utilizing the assumptions set forth under the definition of Debt Service.

“Maximum Interest Rate” means, with respect to all Bonds other than Liquidity Facility Bonds, the lesser of (i) 12% per annum and (ii) the maximum rate of interest that may legally be

paid on the Bonds from time to time, and means, with respect to Liquidity Facility Bonds, the lesser of (x) the Liquidity Facility Rate and (ii) the maximum rate of interest that may legally be paid on the Liquidity Facility Bonds from time to time.

“Measure R Sales Tax” means the retail transactions and use tax imposed by the Ordinance and approved by a vote of more than two-thirds of the electors of the County at an election held November 4, 2008.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Notice Parties” means, as and to the extent applicable, the Authority, the Trustee, the Credit Provider, if any, for the Series of Bonds to which the notice being given relates, the auction agent, if any, for the Series of Bonds to which the notice being given relates, the broker-dealer, if any, for the Series of Bonds to which the notice being given relates, the Liquidity Provider, if any, for the Series of Bonds to which the notice being given relates, and the remarketing agent, if any, for the Series of Bonds to which the notice being given relates.

“Obligations” has the meaning given to such term in the definition of “Debt Service.”

“One Month USD LIBOR Rate” means the rate for deposits in U.S. dollars for a one-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the date of determination of such rate, except that, if such rate does not appear on such page on such date, the One Month USD LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 a.m., London time, on such date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the Trustee (provided, however, that the Trustee may appoint an agent to identify such Reference Banks). The Trustee or its agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Trustee or its agent, at approximately 11:00 a.m., New York City time, on such date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a one-month maturity. If none of the banks in New York City selected by the Trustee or its agent is then quoting rates for such loans, then the One Month LIBOR Rate for the ensuing interest period will mean the One Month LIBOR Rate most recently in effect.

“Opinion of Bond Counsel” means a written opinion of a law firm of national standing in the field of public finance selected by the Authority.

“Ordinance” means Ordinance No. 08-01, including the Expenditure Plan, adopted by the Authority on July 24, 2008, and any amendments or extensions thereto, together with any future ordinance that is adopted pursuant to the Authority Act from time to time and that is designated as the “Ordinance” hereunder pursuant to a Supplemental Trust Agreement, as such future ordinance may be amended or extended pursuant to the Authority Act or other applicable law.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Trust Agreement except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Trust Agreement; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Authority and the pledge of Pledged Revenues and all covenants, agreements and other obligations of the Authority to the Holders shall continue to exist and shall run to the benefit of such Credit Provider and such Credit Provider shall be subrogated to the rights of such Holders.

“Paired Obligations” means any Series (or portion thereof) of Obligations designated as Paired Obligations in the Supplemental Trust 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 term of such Obligations.

“Parity Obligations” means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money or (ii) any Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured by a lien and charge on the Pledged Revenues subordinate to the lien and charge upon Pledged Revenues that secures the Bonds, any Parity Obligations and payment of principal of and interest on any Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with Section 3.05(C), and in each case having an equal lien and charge upon the Pledged Revenues and therefore being payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

“Participating Underwriter” means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12.

“Person” means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Pledged Revenues” means (i) all Pledged Tax Revenues and (ii) all Swap Revenues; provided, however, that after making the required monthly deposits of Pledged Revenues from the Revenue Fund pursuant to Section 5.02 hereof, any remaining amounts transferred to the Authority pursuant to Section 5.02(B) hereof shall be released from the lien of this Trust Agreement and shall no longer constitute Pledged Revenues hereunder. Pledged Revenues shall also include such additional sources of revenue, if any, pledged to pay the Bonds as set forth in a Supplemental Trust Agreement.

“Pledged Tax Revenues” means the amounts collected on account of the Measure R Sales Tax (i) less any refunds and the administrative fee deducted by the State Board of Equalization and (ii) less the Local Return.

“Principal Fund” means the fund by that name established pursuant to Section 5.02.

“Principal Office” means, with respect to the Trustee, the corporate trust office of the Trustee at _____, or such other or additional offices as may be designated by the Trustee from time to time, and means, with respect to a Credit Provider or a Liquidity Provider, the office designated as such in writing by such party in a notice delivered to the Trustee and the Authority.

“Project” means capital outlay expenditures for transportation purposes, including, without limitation, the carrying out of transportation projects described in the Expenditure Plan, the construction, maintenance, improvement and operation of local streets, roads, and highways, state highways and freeways, and public transit systems including rail, and related purposes permitted by the Ordinance, including planning, environmental reviews, engineering and design costs and related right-of-way acquisition and also including, without limitation, administrative, engineering, inspection, legal, fiscal agent, financial consultant and other fees, bond and other reserve funds, working capital, bond or note interest estimated to accrue during the construction period and for a period of not to exceed three years thereafter, and expenses for all proceedings for the authorization, issuance and sale of Bonds.

“Project Fund” means the fund or funds by that name established pursuant to Section 5.08 hereof to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the portion of the Project being financed with the proceeds of such Series of Bonds.

“Proportionate Basis,” when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an Authorized Denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital

Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of a portion of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

"Purchase Fund" means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

"Rating Agency" means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody's and Standard & Poor's then maintaining a rating on such Series of Bonds at the request of the Authority.

"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.

"Rating Confirmation" means written evidence from each rating agency then rating any Series of Bonds to the effect that, following the event which requires the Rating Confirmation, the then current rating for such Series of Bonds will not be lowered or withdrawn solely as a result of the occurrence of such event.

"Rebate Fund" means that fund by that name established pursuant to Section 5.09.

"Rebate Instructions" means, with respect to any Series of Bonds, those calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate delivered in connection with such Series of Bonds.

"Rebate Requirement" means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

"Record Date," with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

"Redemption Fund" means the fund by that name established pursuant to Section 5.08.

"Redemption Price" means, with respect to any Bond (or portion thereof) the Bond Obligation of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Trust Agreement.

"Refunding Bonds" means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions set forth in Section 3.04.

“Repository” means the Municipal Securities Rulemaking Board and any other public or private entity designated as a Repository in a Continuing Disclosure Certificate executed and delivered in connection with a Series of Bonds.

“Reserve Facility” means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Supplemental Trust Agreement establishing the related Reserve Fund, and delivered to the Trustee in satisfaction of all or a portion of the Reserve Requirement applicable to one or more Series of Bonds.

“Reserve Facility Provider” means any issuer of a Reserve Facility.

“Reserve Fund” means any fund by that name established with respect to one or more Series of Bonds pursuant to the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

“Reserve Requirement” with respect to a Series of Bonds for which the Authority shall have established a Reserve Fund shall have the meaning specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

“Revenue Fund” means the Revenue Fund established pursuant to Section 5.01.

“Rule 15c2-12” means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

“Securities Depository” means DTC, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the Authority may designate in a Request of the Authority delivered to the Trustee.

“Serial Bonds” means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

“Series,” whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

“Series 2010 Bonds” means, collectively, the Series 2010-A Senior Bonds and the Series 2010-B Senior Bonds.

“Series 2010-A Senior Bonds” means the Los Angeles County Metropolitan Transportation Authority Measure R Sales Tax Revenue Bonds, Series 2010-A (Taxable Build America Bonds), authorized by, and at any time Outstanding pursuant to, this Trust Agreement and the First Supplemental Trust Agreement.

“Series 2010-B Senior Bonds” means the Los Angeles County Metropolitan Transportation Authority Measure R Sales Tax Revenue Bonds, Series 2010-B (Tax-Exempt),

authorized by, and at any time Outstanding pursuant to, this Trust Agreement and the First Supplemental Trust Agreement.

“**SIFMA Swap Index**” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association (formerly the Bond Market Association) (“SIFMA”) or by any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

“**Sinking Account**” means an account by that name established in the Principal Fund pursuant to Section 5.04 for the payment of Term Bonds.

“**Standard & Poor’s**” or “**S&P**” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation or division shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“**State**” means the State of California.

“**State Board of Equalization**” means the California State Board of Equalization, which collects the Measure R Sales Tax.

“**Subordinate Obligations**” means any obligations of the Authority issued or incurred in accordance with Section 3.05(D), and secured by a lien and charge on Pledged Revenues subordinate to the lien and charge on Pledged Revenues that secures the Bonds and Parity Obligations.

“**Subordinate Obligations Fund**” means the fund by that name established pursuant to Section 5.02.

“**Supplemental Trust Agreement**” means any supplemental trust agreement hereafter duly executed and delivered, supplementing, modifying or amending this Trust Agreement, but only if and to the extent that such supplemental trust agreement is authorized specifically hereunder.

“**Swap Revenues**” means all regularly-scheduled amounts (but not termination payments) owed or paid to the Authority by any Counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the Authority to such Counterparty under such Interest Rate Swap Agreement.

“**Tax Certificate**” means each Tax Certificate delivered by the Authority at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tax Expiration Date” means June 30, 2039, or such later date to which the levy of the Measure R Sales Tax is extended in accordance with the Authority Act or other applicable law.

“Term Bonds” means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“Trust Agreement” means this Trust Agreement, dated as of November 1, 2010, between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Trust Agreement delivered pursuant to the provisions hereof.

“Trustee” means _____, a [national banking association] duly organized and existing under and by virtue of the laws of the [United States of America], or its successor, as Trustee as provided in Section 8.01.

“Variable Rate Indebtedness” means any indebtedness, including Bonds, Parity Obligations, and Subordinate Obligations, the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

SECTION 1.03 Content of Certificates. Every certificate provided for in this Trust Agreement with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate is based; (3) a statement that, in the opinion of such person, he or she has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate given by an officer of the Authority may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant, a financial advisor, an investment banker or an independent consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant, a financial advisor, and investment banker or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority) upon a certificate or opinion of or representation by an officer of the Authority, unless such counsel, accountant, financial advisor, investment banker or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person’s certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority, or the same counsel, accountant, financial advisor, investment banker or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different

officers, counsel, accountants, financial advisors, investment bankers or independent consultants may certify to different matters, respectively.

ARTICLE II

THE BONDS

SECTION 2.01 **Authorization of Bonds.** Bonds may be issued hereunder as fully registered bonds without coupons, in book-entry form or otherwise, from time to time as the issuance thereof is approved by the Authority. The maximum principal amount of Bonds which may be issued hereunder is not limited; subject, however, to any limitations contained in the Act and the Ordinance and to the right of the Authority, which is hereby reserved, to limit the aggregate principal amount of Bonds which may be issued or Outstanding hereunder. The Bonds are designated generally as “Los Angeles County Metropolitan Transportation Authority Measure R Senior Sales Tax Revenue Bonds,” each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds. The Bonds may be issued in such Series as from time to time shall be established and authorized by the Authority, subject to the covenants, provisions and conditions herein contained.

SECTION 2.02 **Terms of the Bonds.** The Bonds of each Series shall bear interest, if any, at such rate or rates or determined in such manner and payable at such intervals as may be determined by the Authority at the time of issuance thereof pursuant to the Supplemental Trust Agreement under which issued, not to exceed the Maximum Interest Rate, and shall mature and become payable on such date or dates and in such year or years as the Authority may determine by the Supplemental Trust Agreement creating such Series; provided that no Bond shall have a Maturity Date later than the Tax Expiration Date. Principal of and interest on such Bonds shall be payable in such manner as may be specified in the Supplemental Trust Agreement creating such Series. The Bonds of each Series shall be issued in such denominations as may be authorized by the Supplemental Trust Agreement creating such Series.

Unless otherwise provided in the Supplemental Trust Agreement delivered in connection with such Series of Bonds, the Bonds of each Series shall be initially registered in the name of “Cede & Co.,” as nominee of the Securities Depository and shall be evidenced by one bond certificate for each maturity of each Series of Bonds. Registered ownership of any Series of Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.10, or in the event the use of the Securities Depository is discontinued, in accordance with the provisions set forth in Section 2.05.

SECTION 2.03 **Form of Bonds.** The Bonds of any Series shall be in such form or forms as may be specified in the Supplemental Trust Agreement creating such Series.

SECTION 2.04 **Execution of Bonds.** The Bonds shall be executed in the name and on behalf of the Authority by the facsimile or manual signature of one or more of its Authorized Representatives. Unless otherwise provided in any Supplemental Trust Agreement, the Bonds shall then be delivered to the Trustee for authentication by the Trustee. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or

officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and also any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bond shall be the proper officers of the Authority although at the nominal date of such Bond any such person shall not have been such officer of the Authority.

Except as may be otherwise be provided in a Supplemental Trust Agreement establishing the terms and provisions of a Series of Bonds, only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form recited in the Supplemental Trust Agreement creating such Series of Bonds, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Trust Agreement, and such certificate of authentication when manually executed by the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Trust Agreement.

SECTION 2.05 **Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of Section 2.07, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of the same Series, tenor, maturity and interest rate and a like aggregate principal amount; provided that, unless otherwise provided in any Supplemental Trust Agreement, no registration of transfer may occur during the period established by the Trustee for selection of Bonds for redemption, or of any Bond or portion of a Bond so selected for redemption. The Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

SECTION 2.06 **Exchange of Bonds.** Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor, maturity and interest rate; provided that, unless otherwise provided in any Supplemental Trust Agreement, no exchange may occur during the period established by the Trustee for selection of Bonds for redemption, or of any Bond or portion of a Bond so selected for redemption. The Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

SECTION 2.07 **Bond Register.** Unless otherwise provided in a Supplemental Trust Agreement delivered in connection with a Series of Bonds, the Trustee will keep or cause to be kept, at its Corporate Trust Office sufficient books for the registration and transfer of each Series of Bonds (the "Bond Register"), which shall at all times be open to inspection during normal business hours by the Authority and each Credit Provider upon reasonable prior notice;

and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

SECTION 2.08 Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Authority, shall be in registered form and may contain such reference to any of the provisions of this Trust Agreement as may be appropriate. A temporary Bond may be in the form of a single Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds the Authority will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Series, tenor and maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Trust Agreement as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09 Bonds Mutilated; Lost; Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor, maturity and interest rate in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the Order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and to the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to both shall be given, the Authority, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor, maturity and interest rate in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of the aforementioned indemnity). The Authority may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Trust Agreement with all other Bonds secured by this Trust Agreement. Neither the Authority nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

SECTION 2.10 **Use of Securities Depository.** Unless otherwise provided in a Supplemental Trust Agreement delivered in connection with a Series of Bonds, notwithstanding any provision of this Trust Agreement to the contrary:

(A) The Bonds shall be delivered and registered as provided in Section 2.02. Registered ownership of any Series of Bonds, or any portion thereof, may not thereafter be transferred except:

(1) To any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (A) (each, a “substitute depository”); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository designated by the Authority upon (a) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (b) a determination by the Authority that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any Person as provided below, upon (a) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository can be obtained or (b) a determination by the Authority that it is in the best interests of the Authority to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to clause (1) or clause (2) of subsection (A) above, upon receipt of the Outstanding Bonds by the Trustee, together with a Statement of the Authority to the Trustee, a single new Bond for each maturity of each Series of Bonds then Outstanding shall be executed and delivered in the aggregate principal amount of the Bonds of such Series then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Statement of the Authority. In the case of any transfer pursuant to clause (3) of subsection (A) hereof, upon receipt of the Outstanding Bonds by the Trustee together with the Statement of the Authority to the Trustee, new Bonds of each Series then Outstanding shall be authorized and prepared by the Authority and authenticated and delivered by the Trustee in such authorized denominations and registered in the names of such Persons as are requested in such a Statement of the Authority, numbered in such manner as the Trustee shall determine, subject to the limitations of Section 2.02.

(C) In the case of partial redemption or an advance refunding of any Series of the Bonds evidencing all or a portion of such amount Outstanding, the Securities Depository shall make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

(D) The Authority and the Trustee shall be entitled to treat the Person in whose name any Bond is registered as the Bondholder thereof for all purposes of this Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any Beneficial Owners of the Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the Beneficial Owners or to any other party including the Securities Depository or its successor (or substitute depository or its successor), except for the Holder of any Bond.

(E) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Authority and the Trustee shall cooperate with Cede & Co., as sole registered Bondholder, and its registered assigns in effecting payment of the principal of, redemption premium, if any, purchase price and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

ARTICLE III

ISSUANCE OF BONDS

SECTION 3.01 Issuance of Bonds. Whenever the Authority shall determine to issue a Series of Bonds hereunder, the Authority (i) shall authorize the execution of a Supplemental Trust Agreement specifying the principal amount, and prescribing the forms of Bonds of such Series and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions, tender provisions, if any, and place or places of payment of principal or Redemption Price, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of this Trust Agreement, (ii) shall execute such Supplemental Trust Agreement and (iii) shall deliver such Supplemental Trust Agreement to the Trustee for execution.

SECTION 3.02 Issuance of Additional Bonds. Subsequent to the issuance of the Series 2010 Bonds, the Authority may by Supplemental Trust Agreement establish one or more additional Series of Bonds, payable from Pledged Revenues and secured by the pledge made under this Trust Agreement equally and ratably with the Series 2010 Bonds, and the Authority may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Authority, but only, with respect to each additional Series of Bonds issued subsequent to the Series 2010 Bonds issued under the First Supplemental Trust Agreement, upon compliance by the Authority with the provisions of this Section 3.02, Section 3.03 and any additional requirements set forth in said Supplemental Trust Agreement and subject to the specific conditions set forth below, each of which is hereby made a condition precedent to the issuance of any such additional Series of Bonds.

(A) No Event of Default shall have occurred and then be continuing.

(B) Subject to the provisions of Section 5.05, in the event a Supplemental Trust Agreement providing for the issuance of such Series shall require either (i) the establishment of a Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Trust Agreement providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Trust Agreement providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Authority or from both such sources or may be made in the form of a Reserve Facility.

(C) The aggregate principal amount of Bonds issued hereunder shall not exceed any limitation imposed by the Ordinance or any other law or by any Supplemental Trust Agreement. The Authority shall file with the Trustee a Certificate of the Authority certifying that the issuance of such additional Series of Bonds and the expected use of proceeds thereof is in compliance with the provisions of Section 6.10 hereof.

(D) The Authority shall file with the Trustee a certificate prepared by a Consultant showing that the amount of Pledged Revenues (excluding Swap Revenues) collected during any 12 consecutive calendar months specified by the Authority within the most recent 18 calendar months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to ___ times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which certificate shall also set forth the computations upon which such certificate is based.

(E) Principal payments of each additional Series of Bonds shall be due on [April] 1 or [October] 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on [April] 1 and [October] 1 in each year to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Bond to be issued.

Nothing in this Section or in this Trust Agreement contained shall prevent or be construed to prevent the Supplemental Trust Agreement providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by this Trust Agreement, additional security for the benefit of such additional Series of Bonds or any portion thereof.

In the event additional assets or revenues are included within the definition of "Pledged Revenues" by a Supplemental Trust Agreement, such additional assets or revenues shall be included in the calculations to be provided in subsection (D) above as if the Authority had received such additional assets or revenues as "Pledged Revenues" during all relevant periods of calculation.

SECTION 3.03 **Proceedings for Issuance of Additional Bonds.** Subsequent to the issuance of the Series 2010 Bonds, before any additional Series of Bonds shall be issued and delivered, the Authority shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied).

(A) A Supplemental Trust Agreement authorizing such Series executed by the Authority.

(B) A Certificate of the Authority certifying: (i) that no Event of Default has occurred and is then continuing; and (ii) that the requirements specified in Section 3.02(B) and Section 3.02(C) hereof have been satisfied by the Authority.

(C) A Certificate of the Authority certifying (on the basis of computations made as of the date of sale of such Series of Bonds) that the requirement of Section 3.02(D) is satisfied.

(D) An Opinion of Bond Counsel to the effect that the Supplemental Trust Agreement is being entered into in accordance with this Trust Agreement and that such Series of Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

SECTION 3.04 **Issuance of Refunding Bonds.**

(A) Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of Sections 3.02(D) or 3.03(C); provided that the Trustee shall have been provided with a certificate of a Consultant to the effect that either (i) Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds or (ii) debt service on such Refunding Bonds has a present value that is less than the present value of the remaining debt service on the Bonds or Parity Obligations to be refunded. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

(1) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;

(2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;

(3) any termination payment owed by the Authority to a Counterparty after offset for any payments made to the Authority from such Counterparty under any Interest Rate Swap Agreement that was entered into in connection with the Bonds or Parity Obligations to be refunded;

(4) interest on all Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;

(5) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded; and

(6) funding a Reserve Fund for the Refunding Bonds, if required.

(B) Before such Series of Refunding Bonds shall be issued and delivered pursuant to this Section 3.04, the Authority shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Trust Agreement authorizing such Series of Refunding Bonds executed by the Authority.

(2) A Certificate of the Authority certifying that the requirements of Sections 3.02(A), (B) and (C) and 3.04(A) hereof are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the Authority; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Authority may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds; and provided further that no provision of this Trust Agreement shall be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Trust Agreement is being entered into in accordance with this Trust Agreement and that such Series of Refunding Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

(5) The proceeds of the sale of the Refunding Bonds shall be applied by the Trustee according to the Order of the Authority to the retirement of the Outstanding Bonds or Parity Obligations for the refunding of which said Refunding Bonds are to be issued, and the other expenses described in Section 3.04(A) hereof. All Bonds or Parity Obligations purchased, redeemed or retired by use of funds received from the sale of Refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of Refunding Bonds, shall be forthwith canceled and shall not be reissued.

SECTION 3.05 Limitations on the Issuance of Obligations Payable from Pledged Revenues; Parity Obligations; Subordinate Obligations. Subsequent to the issuance

of the Series 2010 Bonds, the Authority will not, so long as any Bonds are Outstanding, issue or incur any obligations or securities, howsoever denominated, payable in whole or in part from Pledged Revenues except as set forth below.

(A) Bonds authorized pursuant to Sections 3.01 and 3.02.

(B) Refunding Bonds authorized pursuant to Section 3.04.

(C) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:

(1) Such Parity Obligations have been duly and legally authorized by the Authority for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Authority to that effect, which Certificate of the Authority shall be filed with the Trustee;

(3) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in Section 3.04 or (ii) the Authority shall have placed on file with the Trustee a certificate of a Consultant, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Parity Obligations, as applicable) that the requirements set forth in Section 3.02(D) relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which certificate shall also set forth the computations upon which such certificate is based; and

(4) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations and the Authority shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

(D) Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Pledged Revenues after the prior payment or deposit of all amounts then required to be paid or deposited hereunder from Pledged Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable, and at the times and in the amounts as required in this Trust Agreement and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred, and that are secured by a lien and charge on Pledged Revenues subordinate to the lien and charge on Pledged Revenues that secures the Bonds and Parity Obligations, provided that the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied:

(1) Such Subordinate Obligations have been duly and legally authorized by the Authority for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery to the Trustee of a Certificate of the Authority to that effect; and

(3) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Subordinate Obligations and the Authority shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Subordinate Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Subordinate Obligations).

(E) Termination payments and fees and expenses on Interest Rate Swap Agreements, Liquidity Provider or Credit Provider fees and expenses and other obligations that may be secured by a lien and charge on Pledged Revenues subordinate to the lien and charge on Pledged Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

SECTION 3.06 Calculation of Maximum Annual Debt Service with Respect to Bonds and Parity Obligations. For purposes of this Article III, Maximum Annual Debt Service with respect to Bonds shall be determined no later than the date of delivery of such Bonds, and no earlier than the 60th day preceding the date of pricing or sale of such Bonds, utilizing the assumptions set forth in the definition of Debt Service. For purposes of this Article III, Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service; provided, however, that if a Parity Obligation is contingent upon funds being provided pursuant to such Parity Obligation to pay principal, or purchase price of, or interest on a Bond, such Parity Obligations shall not be considered outstanding until such payment is made thereunder.

SECTION 3.07 Application of Proceeds. Proceeds of each Series of Bonds shall be applied as specified in the Supplemental Trust Agreement pursuant to which such Series of Bonds is issued.

ARTICLE IV

REDEMPTION, TENDER AND PURCHASE OF BONDS

SECTION 4.01 Terms of Redemption, Tender and Purchase. Each Series of Bonds may be made subject to redemption or mandatory or optional tender and purchase prior to their respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and upon such notice and with such effect as may be provided in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

SECTION 4.02 Notice of Redemption. Unless otherwise specified in a Supplemental Trust Agreement establishing the terms and provisions of a Series of Bonds, each notice of redemption shall be mailed by the Trustee, not less than ten nor more than 90 days prior to the redemption date, to each Holder and the Repository. A copy of such notice shall also be provided to each of the Notice Parties with respect to Series of Bonds to which such notice

relates. Notice of redemption to the Holders, the Repository and the applicable Notice Parties shall be given by first class mail. Each notice of redemption shall state the date of such notice, the date of issue of the Series of Bonds to which such notice relates, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity, if any, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such CUSIP numbers.

Failure by the Trustee to give notice to any Notice Party or the Repository or failure of any Holder, any Notice Party or the Repository to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

With respect to any notice of optional redemption of Bonds delivered pursuant to this Section 4.02 or any provision of any Supplemental Trust Agreement, unless, upon the giving of such notice, such Bonds shall be deemed to have been paid within the meaning of Article X hereof, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

Any notice given pursuant to this Section 4.02 may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given pursuant to this Section 4.02.

SECTION 4.03 Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute (but need not prepare) and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations, and of the same Series, maturity and interest rate, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 4.04 **Effect of Redemption.** Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Trust Agreement and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment and such funds are hereby pledged to such payment. All Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof.

ARTICLE V

PLEDGED REVENUES

SECTION 5.01 **Pledge of Pledged Revenues; Revenue Fund.**

(A) As security for the payment of all amounts owing on the Bonds and Parity Obligations, there are irrevocably pledged to the Trustee: (i) all Pledged Revenues; and (ii) all amounts, including proceeds of the Bonds, held on deposit in the funds and accounts established hereunder (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), subject to the provision of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in this Trust Agreement. The collateral identified above shall immediately be subject to this pledge, and this pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Authority and all others asserting the rights therein, to the extent set forth, and in accordance with, this Trust Agreement irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Pledged Revenues and all amounts held on deposit in the funds and accounts established hereunder (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund) herein made shall be irrevocable until all of the Bonds, all Parity Obligations and amounts owed in connection with the Bonds and Parity Obligations are no longer Outstanding.

All Bonds and Parity Obligations shall be of equal rank without preference, priority or distinction of any Bonds and Parity Obligations over any other Bonds and Parity Obligations.

The Authority shall cause Pledged Tax Revenues to be transmitted by the State Board of Equalization directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, all Pledged Tax Revenues, when and as received by the Trustee. The Pledged Tax Revenues and all other amounts deposited into the Revenue Fund pursuant to this Section 5.01(B), shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and the Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Trust Agreement. Investment income on amounts held by the Trustee hereunder

(other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, a Letter of Credit Account or a Purchase Fund, are provided in a Supplemental Trust Agreement), shall also be deposited in the Revenue Fund. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Holders of the Bonds and the holders of Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Trust Agreement. The obligation of the Authority to make payments of principal of, interest on and redemption premium of Bonds and Parity Obligations shall be an absolute obligation and shall be payable prior to any allocation of such payments under the Ordinance and shall be payable notwithstanding whether the allocation of any such payments pursuant to the terms of the Ordinance to any line item, subfund or other expenditure category within the sales tax revenue fund established by the Ordinance has the effect of allocating Net Revenues and Interest on Sales Tax Revenues (as such terms are defined in the Ordinance) to such line item, subfund or other expenditure category in an amount that is in excess of the allocation permitted by the Ordinance.

(B) The Bonds are limited obligations of the Authority and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Revenues and other funds pledged hereunder.

SECTION 5.02 Allocation of Pledged Tax Revenues.

(A) So long as any Bonds are Outstanding and Parity Obligations, Subordinate Obligations and all other amounts payable hereunder remain unpaid, the Trustee shall set aside in each month following receipt of the Pledged Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Pledged Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee pursuant to Section 3.05 (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations); provided further that payments on Interest Rate Swap Agreements that are payable on a parity with the Bonds shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements in accordance with Section 5.10:

(1) Interest Fund. Following receipt of the Pledged Tax Revenues in each month, the Trustee shall deposit in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) during the next ensuing six months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing

six months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) is on deposit in such fund; provided that from the date of delivery of a Series of Current Interest Bonds until the first Interest Payment Date with respect to such Series of Bonds the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said Interest Payment Date with respect to such Series of Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Authority, or if the Authority shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus 100 basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six months upon all of the Bonds issued hereunder and then Outstanding, and on [April] 1 and [October] 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having Interest Payment Dates other than [April] 1 and [October] 1) shall be transferred to the Authority (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates). All Swap Revenues received by the Authority with respect to Interest Rate Swap Agreements that are Parity Obligations shall be transferred by the Authority to the Trustee and deposited in the Interest Fund and credited to the above required deposits.

(2) Principal Fund; Sinking Accounts. Following receipt of the Pledged Tax Revenues in each month, the Trustee shall deposit in the Principal Fund as soon as practicable in such month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next twelve-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking

Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts[; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Reserve Fund that would be in excess of the Reserve Requirement applicable to such Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid]. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

In the event that the Pledged Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding twelve-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six-month period. In the event that the Pledged Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current twelve-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such twelve-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued hereunder and then Outstanding and maturing by their terms within the next twelve months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such twelve-month period, but less any amounts deposited into the Principal Fund during such twelve-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such twelve-month period; [provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Reserve Fund that would be in excess of the Reserve Requirement applicable to such Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments.] At the beginning of each Fiscal Year and in any event not later than [April] 1 of each year, the Trustee shall request from the Authority a Certificate of the Authority setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On [April] 1 of each year or as soon as practicable thereafter any excess amounts in the Principal Fund not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than [April] 1) shall be transferred to the Authority.

(3) Reserve Fund. Upon the occurrence of any deficiency in any Reserve Fund, the Trustee shall make such deposit to such Reserve Fund as is required pursuant to Section 5.05(D), each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Reserve Requirement.

(4) Subordinate Obligations Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Subordinate Obligations Fund.” As long as any Subordinate Obligations remain unpaid, any Pledged Revenues remaining in the Revenue Fund after the deposits described in (1), (2) and (3) above have been made shall be transferred on the same Business Day to the Subordinate Obligations Fund. After the Trustee has made any deposit or payment of Pledged Revenues as in the current month required by the instrument or instruments creating the Subordinate Obligations, the Trustee shall transfer any remaining Pledged Revenues back to the Revenue Fund.

(5) Fees and Expenses Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Fees and Expenses Fund.” At the direction of the Authority, after the deposits described in (1), (2), (3) and (4) above have been made, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund (i) amounts necessary for payment of fees, expenses and similar charges (including fees, expenses and similar charges relating to any Liquidity Facility or Credit Enhancement for the Bonds or any Parity Obligations) owing in such month or the following month by the Authority in connection with the Bonds or any Parity Obligations and (ii) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Authority in connection with Subordinate Obligations. The Authority shall inform the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

(B) Any Pledged Revenues remaining in the Revenue Fund after the foregoing deposits described in (1), (2), (3), (4) and (5) of subsection (A) above, except as the Authority shall otherwise direct in writing or as is otherwise provided in a Supplemental Trust Agreement, shall be transferred to the Authority on the same Business Day or as soon as practicable thereafter, to be used by the Authority for any lawful purpose and after such transfer to the Authority shall be released from the lien of this Trust Agreement and shall no longer constitute “Pledged Revenues” hereunder.

SECTION 5.03 Application of Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purposes of: (a) paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Trust Agreement), or for reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit, and (b) making periodic payments on Interest Rate Swap Agreements, as provided in Section 5.10.

SECTION 5.04 Application of Principal Fund.

(A) All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable,

except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided herein, or for reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit.

(B) The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the “_____ Sinking Account,” inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in this Trust Agreement or the Supplemental Trust Agreement pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Authority, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the twelve-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Authority has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to this subsection shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Authority by the Trustee. Any amounts remaining in a Sinking Account on [April] 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Authority to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Authority with the Trustee in a twelve-month period ending [March 31] (or in a six-month period ending [March 31] or [September 30] with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next [April] 1 or [October] 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Authority. All Term Bonds redeemed by the Trustee from the

Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Authority.

SECTION 5.05 Establishment, Funding and Application of Reserve Funds.

The Authority may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Trust Agreement provide for the establishment of a Reserve Fund as additional security for a Series of Bonds. Any Reserve Fund so established by the Authority shall be available to secure one or more Series of Bonds as the Authority shall determine and shall specify in the Supplemental Trust Agreement establishing such Reserve Fund. Any Reserve Fund established by the Authority shall be held by the Trustee and shall comply with the requirements set forth in this Section 5.05.

(A) Subject to Section 5.05(C), all amounts in any Reserve Fund (including all amounts which may be obtained from a Reserve Facility on deposit in such Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter provided: (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Reserve Fund relates; or (ii) together with any other moneys available therefor, (x) for the payment or redemption of all Bonds then Outstanding of the Series to which such Reserve Fund relates, (y) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which such Reserve Fund relates; provided, however, that if funds on deposit in any Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which such Reserve Fund relates, the amount on deposit in the Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Bonds of such Series. Unless otherwise directed in a Supplemental Trust Agreement, the Trustee shall apply amounts held in cash or Investment Securities in any Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Reserve Fund, shall, on a pro rata basis with respect to the portion of a Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Reserve Fund relates when due. Unless otherwise specified in a Supplemental Trust Agreement, in the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, securing the Bonds of such Series, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

(B) The Trustee shall notify the Authority of any deficiency in any Reserve Fund (i) due to a withdrawal from such Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Reserve

Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Reserve Fund pursuant to Section 5.11 and shall request that the Authority replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Reserve Requirement. Unless otherwise specified in a Supplemental Trust Agreement, upon receipt of such notification from the Trustee, the Authority shall instruct the Trustee to commence setting aside in each month following receipt of Pledged Tax Revenues for deposit in the applicable Reserve Fund an amount equal to one-twelfth of the aggregate amount of each unreplenished prior withdrawal from such Reserve Fund or decrease resulting from a valuation pursuant to Section 5.11 and shall further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Reserve Requirement relating to the Bonds of the Series to which such Reserve Fund relates, an amount equal to one-twelfth of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the Pledged Tax Revenues each month, commencing with the month following the Authority's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Reserve Fund is at least equal to the Reserve Requirement relating to the Bonds of the Series to which such Reserve Fund relates.

(C) Unless the Authority shall otherwise direct in writing, any amounts in any Reserve Fund in excess of the Reserve Requirement relating to the Bonds of the Series to which such Reserve Fund relates shall be transferred by the Trustee to the Authority on the Business Day following [April] 1 of each year; provided that such amounts shall be transferred only from the portion of such Reserve Fund held in the form of cash or Investment Securities. In addition, amounts on deposit in any Reserve Fund shall be transferred by the Trustee to the Authority upon the defeasance, retirement or refunding of Bonds of the Series to which such Reserve Fund relates or upon the replacement of cash on deposit in such Reserve Fund with one or more Reserve Facilities in accordance with Section 5.05(A) or Section 5.05(B). The Reserve Requirement shall be calculated on each [April] 1 and upon the issuance or retirement of a Series of Bonds and upon the defeasance of all or a portion of a Series of Bonds.

SECTION 5.06 **Application of Subordinate Obligations Fund.** All moneys in the Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Subordinate Obligations in accordance with Section 5.02(A)(4).

SECTION 5.07 **Application of Fees and Expenses Fund.** All amounts in the Fees and Expenses Fund shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses and similar charges owed by the Authority in connection with the Bonds or any Parity Obligations or Subordinate Obligations as such amounts shall become due and payable.

SECTION 5.08 **Establishment, Funding and Application of Project Fund.** Proceeds of Bonds which are to be used to pay Costs of the Project shall be deposited into a Fund or Funds which individually and collectively shall be designated the "Los Angeles County Metropolitan Transportation Authority Measure R Sales Tax Revenue Bonds Project Fund" (the "Project Fund"), which may be held either by the Authority or the Trustee or part by the Authority and part by the Trustee, all as provided by this Trust Agreement and relevant Supplemental Trust Agreements. The Project Fund shall be deemed to be part of the sales tax

revenue fund referred to in the Ordinance. All moneys in the Project Fund shall be held and disbursed as provided in the Supplemental Trust Agreement or Supplemental Trust Agreements under which such Fund or Funds were created. Within the Project Fund there are hereby established the following subfunds:

- (1) the Transit Capital Subfund, consisting of the New Rail/Bus Rapid Transit Capital Projects Account, the Metrolink Capital Improvement Projects Account and the Metro Rail Capital Account;
- (2) the Highway Capital Subfund; and
- (3) the Operations Subfund, consisting of the Rail Operations Account and the Bus Operations Account.

The Authority may by Supplemental Trust Agreement create additional accounts and subaccounts within the subfunds described above. The Trustee shall transfer moneys between and among such subfunds, accounts and subaccounts to the extent held by it upon the receipt of a Request of the Authority.

SECTION 5.09 Rebate Fund.

(A) Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Authority. Subject to the transfer provisions provided in paragraph (C) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Trust Agreement and by the applicable Tax Certificates. The Authority hereby covenants to comply with the directions contained in each Tax Certificate and the Trustee hereby covenants to comply with all written instructions of the Authority delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto). The Trustee shall be deemed conclusively to have complied with the provisions of this Section 5.09(A) if it follows such instructions of the Authority, and the Trustee shall have no liability or responsibility to enforce compliance by the Authority with the terms of any Tax Certificate nor to make computations in connection therewith.

(B) Pursuant to each Tax Certificate, an amount shall be deposited in the Rebate Fund by the Authority so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement applicable to the Series of Bonds to which such Tax Certificate relates. Computations of each Rebate Requirement shall be furnished by or on behalf of the Authority to the Trustee in accordance with the applicable Tax Certificate.

(C) The Trustee shall invest all amounts held in the Rebate Fund, pursuant to written instructions of the Authority, in Investment Securities, subject to the restrictions set forth in the applicable Tax Certificate. Money shall not be transferred from the Rebate Fund except as provided in paragraph (D) below.

(D) Upon receipt of Rebate Instructions, the Trustee shall remit part or all of the balances in the Rebate Fund to 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 accounts or funds as directed by the Rebate Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of a Series of Bonds and payment and satisfaction of any Rebate Requirement applicable to such Series of Bonds, shall be withdrawn and remitted to the Authority in accordance with a Request of the Authority.

(E) Notwithstanding any other provision of this Trust Agreement, including in particular Article X thereof, the obligation to remit the Rebate Requirement applicable to each Series of Bonds to the federal government of the United States of America and to comply with all other requirements of this Section and each Tax Certificate shall survive the defeasance or payment in full of the Bonds.

SECTION 5.10 Payment Provisions Applicable to Interest Rate Swap Agreements. In the event the Authority shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds, the amounts received by the Authority, if any, pursuant to such Interest Rate Swap Agreement shall also be applied to the deposits required hereunder. If the Authority so designates in a Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is entered into subsequent to the issuance of such Series of Bonds, if the Authority so designates in a Certificate of the Authority delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement), regularly-scheduled payments payable under such Interest Rate Swap Agreement (excluding termination payments and payments of fees and expenses incurred in connection with Interest Rate Swap Agreements which shall in all cases be payable from, and secured by, Pledged Revenues on a subordinate basis to Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations) shall constitute Parity Obligations under this Trust Agreement, and, in such event, the Authority shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by Section 5.02, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, from amounts deposited in the Interest Fund for the payment of interest on the Series of Bonds with respect to which such Interest Rate Swap Agreement was entered into.

SECTION 5.11 Investment in Funds and Accounts. All moneys in any of the funds and accounts held by the Trustee and established pursuant to this Trust Agreement shall be invested, as directed by the Authority, solely in Investment Securities. All Investment Securities shall, as directed by the Authority in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in Section 6.08, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent

with the foregoing as may be established by Request of the Authority. If and to the extent the Trustee does not receive investment instructions from the Authority with respect to the moneys in the funds and accounts held by the Trustee pursuant to this Trust Agreement, such moneys shall be invested in Investment Securities described in clause (12) of the definition thereof and the Trustee shall thereupon request investment instructions from the Authority for such moneys.

Unless otherwise provided in a Supplemental Trust Agreement establishing such Reserve Fund, moneys in any Reserve Fund shall be invested in Investment Securities maturing in not more than five years, or having a put option or demand option providing funds upon request for the purpose of payment of the Bonds to which such Reserve Fund relates as provided herein. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Trust Agreement establishing the terms and provisions of a Series of Bonds or a Request of the Authority: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Reserve Fund shall be retained in such Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from the investment of moneys in a Costs of Issuance Fund shall be transferred to the Revenue Fund; (iv) all interest, profits and other income received from the investment of moneys in the Project Fund shall be retained in the Project Fund, unless the Authority shall direct that such earnings be transferred to the Rebate Fund; (v) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in Section 5.09, (vi) all interest, profits and other income received from the investment of moneys in any Purchase Fund shall be retained in such Purchase Fund; and (vii) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Securities equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Securities shall be credited to the fund or account from which such accrued interest was paid.

Unless otherwise provided in a Supplemental Trust Agreement establishing such Reserve Fund, all Investment Securities credited to any Reserve Fund shall be valued (at market value) as of [April] 1 and [October] 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary herein, in making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to this Trust Agreement (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder

shall be accounted for separately as required by this Trust Agreement. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Authority may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Securities are credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance herewith.

ARTICLE VI

COVENANTS OF THE AUTHORITY

SECTION 6.01 **Punctual Payments.** The Authority will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of this Trust Agreement, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Pledged Revenues as provided in this Trust Agreement.

SECTION 6.02 **Extension of Payment of Bonds.** The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Trust Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 6.03 **Waiver of Laws.** The Authority will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in this Trust Agreement or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.04 **Further Assurances.** The Authority will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Trust Agreement.

SECTION 6.05 **Against Encumbrances.** The Authority will not create any pledge, lien or charge upon any of the Pledged Tax Revenues having priority over or having parity with the lien of the Bonds except only as permitted in Section 3.05.

SECTION 6.06 Accounting Records. The Authority will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Pledged Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

SECTION 6.07 Collection of Pledged Tax Revenues.

(A) The Authority covenants and agrees that it has duly levied the Measure R Sales Tax in accordance with the Authority Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Authority. The Ordinance will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Pledged Tax Revenues, and the Authority will continue to levy and collect the Measure R Sales Tax to the full amount permitted by law. The Authority further covenants that it has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization will process and supervise collection of the Measure R Sales Tax and will transmit Pledged Tax Revenues directly to the Trustee. Said agreement will be continued in effect so long as any Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The Authority will receive and hold in trust for (and remit immediately to) the Trustee any Pledged Tax Revenues paid to the Authority by the State Board of Equalization.

(B) Pledged Tax Revenues received by the Trustee shall be transmitted to the Authority pursuant to Section 5.02; provided that, during the continuance of an Event of Default, any Pledged Tax Revenues received by the Trustee shall be applied as set forth in Section 7.02.

(C) The Authority covenants and agrees to separately account for all Pledged Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

(D) The Authority covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Act which would materially and adversely affect the rights of Bondholders.

SECTION 6.08 Tax Covenants. The Authority covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of, or any federal subsidy with respect to, the interest on the Bonds under section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Authority may exclude the application of the covenants contained in this Section 6.08 and Section 5.09 to such Series of Bonds. The Authority will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority, or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code. To that end, the Authority will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. In the event that at any time the Authority is of the opinion that for purposes of this Section 6.08 it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under this Trust Agreement, the Authority

shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Authority agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. The Authority specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement with respect to each Series of Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Bonds.

Notwithstanding any provision of this Section 6.08, Section 5.09 and any Tax Certificate, if the Authority shall receive an Opinion of Bond Counsel to the effect that any action required under this Section 6.08, Section 5.09 or any Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of, or any federal subsidy with respect to, the interest on the Bonds pursuant to Section 103 of the Code, the Authority and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

Notwithstanding any provisions of this Trust Agreement, including particularly Article X, the covenants and obligations set forth in this Section 6.08 shall survive the defeasance of the Bonds or any Series thereof.

SECTION 6.09 **Continuing Disclosure.** Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of this Trust Agreement, failure of the Authority to comply with the provisions of any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least 25% aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Section 6.09.

SECTION 6.10 **Compliance with Allocation and Expenditure Requirements of the Ordinance.** The Authority hereby covenants and agrees that it shall comply with the Ordinance. In conformance with Section 7 of the Ordinance, the Authority hereby covenants and agrees that it shall deposit the proceeds of the Bonds and Parity Obligations in the appropriate subfunds and accounts of the Project Fund and shall account for the expenditure of such proceeds in accordance with the expenditure allocation categories defined in the Ordinance. In order to preserve its ability to comply with such expenditure allocation requirements during the entire period that the Measure R Sales Tax is levied, the Authority covenants and agrees that at

the time of issuance of any Series of Bonds or Parity Obligations the portion of Assumed Debt Service attributable to such Bonds or Parity Obligations for any expenditure allocation category defined in the Ordinance shall not exceed [90]% of the portion of projected Measure R Sales Tax revenues attributable to such category in each year, as determined by the Authority. [to be discussed]

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01 **Events of Default.** The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) if the Authority shall fail to observe or perform any covenant, condition, agreement or provision in this Trust Agreement on its part to be observed or performed, other than as referred to in subsection (A) or (B) of this Section, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Trustee or by any Credit Provider; except that, if such failure can be remedied but not within such 60-day period and if the Authority has taken all action reasonably possible to remedy such failure within such 60-day period, such failure shall not become an Event of Default for so long as the Authority shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default shall exist under any agreement governing any Parity Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(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 shall 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 shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or

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

SECTION 7.02 Application of Pledged Revenues and Other Funds After Default; No Acceleration. If an Event of Default shall occur and be continuing, the Trustee shall apply all Pledged Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Trust Agreement (excluding the Rebate Fund and any Purchase Fund and except as otherwise provided in this Trust Agreement) as follows and in the following order:

(1) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under this Trust Agreement;

(2) to the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Trust Agreement (including Section 9.02), with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and on Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which shall have become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference;

(3) to the extent Pledged Revenues are available therefor, to be transferred to the trustee for the Subordinate Obligations in the amount necessary for payment of Subordinate Obligations; and

(4) to the payment of all other obligations payable hereunder.

Notwithstanding anything in this Trust Agreement to the contrary, in no event are the Bonds subject to acceleration if an Event of Default occurs and is continuing.

SECTION 7.03 Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and

holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Trust Agreement, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Provider providing such Credit Enhancement, or if such Credit Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under this Trust Agreement, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Pledged Tax Revenues and other assets pledged under this Trust Agreement, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Provider providing such Credit Enhancement. All rights of action under this Trust Agreement or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Trust Agreement (including Section 7.05).

SECTION 7.04 **Bondholders' Direction of Proceedings.** Anything in this Trust Agreement to the contrary (except provisions relating to the rights of a Credit Provider to direct proceedings as set forth in Section 7.10) notwithstanding, the Holders of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Trust Agreement, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Obligations not parties to such direction.

SECTION 7.05 **Limitation on Bondholders' Right to Sue.** No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Trust Agreement, the Act or any other applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made

written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the written consent of a Credit Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Trust Agreement or the rights of any other Holders of Bonds, or to enforce any right under this Trust Agreement, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Trust Agreement.

SECTION 7.06 **Absolute Obligation of the Authority.** Nothing in Section 7.05 or in any other provision of this Trust Agreement, or in the Bonds, contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Pledged Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07 **Termination of Proceedings.** In case any proceedings taken by the Trustee, any Credit Provider or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, any Credit Provider or the Bondholders, then in every such case the Authority, the Trustee, each Credit Provider and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee, each Credit Provider and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.08 **Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee, to any Credit Provider or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09 **No Waiver of Default.** No delay or omission of the Trustee, any Credit Provider or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Trust Agreement to the Trustee, to any Credit Provider or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default hereunder, whether by Trustee or by any Credit Provider or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01 **Appointment, Duties Immunities and Liabilities of Trustee.**

(A) _____ is hereby appointed as Trustee under this Trust Agreement and hereby accepts the trust imposed upon it as Trustee hereunder and to perform all the functions and duties of the Trustee hereunder, subject to the terms and conditions set forth in this Trust Agreement. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied covenants shall be read into this Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Trust Agreement, 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 his or her own affairs.

(B) The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and each Credit Provider then providing a Credit Enhancement for any Series of Bonds, and thereupon shall appoint a successor Trustee by an instrument in writing.

(C) The Trustee may at any time resign by giving written notice of such resignation to the Authority and each Credit Provider then insuring any Series of Bonds and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(D) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement, shall signify its acceptance of such appointment by executing and delivering to the Authority, each Credit Provider then insuring any Series of Bonds and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall give notice of the succession of such Trustee to the trusts hereunder by mail to the Bondholders at the addresses shown on the registration books maintained by the Trustee. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(E) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company having (or, if such trust company or bank is a member of a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company or bank holding company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02 Accounting Records and Monthly Statements. The Trustee shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including proceeds of each Series of Bonds and moneys derived from, pledged to, or to be used to make payments on each Series of Bonds. Such records shall

specify the account or fund to which each deposit and each investment (or portion thereof) held by the Trustee is allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity. The Trustee shall furnish the Authority with a monthly statement which shall include a summary of all deposits and all investment transactions related to each Series of Bonds then Outstanding, such statement to be provided to the Authority no later than the fifth Business Day of the month following the month to which such statement relates, the first such monthly statement to be provided by the fifth Business Day of the month immediately following the month in which the Series 2010 Bonds are delivered by the Trustee pursuant to the provisions of this Trust Agreement.

SECTION 8.03 **Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04 **Liability of Trustee.**

(A) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on each Bond), and makes no representations as to the validity or sufficiency of this Trust Agreement, or of the Bonds, as to the sufficiency of the Pledged Revenues or the priority of the lien of this Trust Agreement thereon, or as to the financial or technical feasibility of any portion of the Project and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence, willful misconduct or breach of the express terms and conditions hereof. The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Holder of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under this Trust Agreement. The Trustee may in good faith hold any other form of indebtedness of the Authority, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Authority and make disbursements for the Authority and enter into any commercial or business arrangement therewith, without limitation.

(B) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

(C) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(D) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request, order or direction of any Credit Provider or any of the Bondholders pursuant to the provisions of this Trust Agreement, including, without limitation, the provisions of Article VII hereof, unless such Credit Provider or such Bondholders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby; provided, however, that no security or indemnity shall be requested or required for the Trustee to deliver a notice to obtain funds under the Credit Enhancement delivered in connection with any Series of Bonds in order to pay principal of and interest on such Series of Bonds.

(E) No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder or in the exercise of its rights or powers.

(F) The Trustee shall not be deemed to have knowledge of, and shall not be required to take any action with respect to, any Event of Default (other than an Event of Default described in subsections (A) or (B) of Section 7.01) or event that would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Trustee shall have actual knowledge of such event or shall have been notified of such event by the Authority, any Credit Provider then providing a Credit Enhancement for a Series of Bonds or the Holders of twenty-five percent (25%) of the Bond Obligation Outstanding. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain, monitor or inquire as to the performance or observance by the Authority of the terms, conditions, covenants or agreements set forth in Article VI hereof (including, without limitation, the covenants of the Authority set forth in Section 5.09 and 6.08 hereof, other than the covenants of the Authority to make payments with respect to the Bonds when due as set forth in Section 6.01 and to file with the Trustee when due, such reports and certifications as the Authority is required to file with the Trustee hereunder.

(G) No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(H) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, requisition, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(I) The Trustee shall not be responsible for:

(1) the application or handling by the Authority of any Pledged Revenues or other moneys transferred to or pursuant to any Requisition or Request of the Authority in accordance with the terms and conditions hereof;

(2) the application and handling by the Authority of any other fund or account designated to be held by the Authority hereunder;

(3) any error or omission by the Authority in making any computation or giving any instruction pursuant to Section 5.09 and Section 6.08 and may rely conclusively on the Rebate Instructions and any computations or instructions furnished to it by the Authority in connection with the requirements of Section 5.09, Section 6.08 and each Tax Certificate;

(4) the construction, operation or maintenance of any portion of the Project by the Authority.

(J) Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(K) The Trustee agrees to accept and act upon written instructions and/or directions provided by Electronic Means pursuant hereto, provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, and (ii) such originally executed instructions and/or directions shall be signed on behalf of the Authority by an Authorized Representative and shall be signed on behalf of any other party by a person authorized to sign for the party delivering such instructions and/or directions, which person shall provide such documentation as the Trustee shall request in order to evidence such authorization.

SECTION 8.05 Right of Trustee to Rely on Documents and Opinions. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, counsel of or to the Authority, and may request an opinion of counsel, with regard to legal questions, including, without limitation, legal questions relating to proposed modifications or amendments of this Trust Agreement, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including, without limitation, matters relating to proposed modifications or amendments of this Trust Agreement, the Trustee may request a Certificate of the Authority and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by such Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or

suffered in good faith under the provisions of this Trust Agreement in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Trustee may also rely conclusively on any report, statement, requisition, facsimile transmission, electronic mail or certification of any certified public accountant, investment banker, financial consultant, or other expert selected by the Authority or selected by the Trustee with due care in connection with matters required to be proven or ascertained in connection with its administration of the trusts created hereby.

SECTION 8.06 **Compensation and Indemnification of Trustee.** The Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Authority, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trusts created hereby, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Authority under this Section 8.06 shall survive the discharge of the Bonds and this Trust Agreement and the resignation or removal of the Trustee.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS TRUST AGREEMENT

SECTION 9.01 **Amendments Permitted.**

(A) (1) This Trust Agreement and the rights and obligations of the Authority, the Holders of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into when the written consent of the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Trust Agreement is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this Section.

(2) No such modification or amendment shall (a) extend the maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest

thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Pledged Revenues and other assets pledged under this Trust Agreement prior to or on a parity with the lien created by this Trust Agreement, or deprive the Holders of the Bonds of the lien created by this Trust Agreement on such Pledged Revenues and other assets (in each case, except as expressly provided in this Trust Agreement), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Trust Agreement, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the Authority and the Trustee of any Supplemental Trust Agreement pursuant to this Section 9.01(A), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Trust Agreement to the Holders of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

(B) This Trust Agreement and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into without the consent of any Bondholders, but only to the extent that such modification or amendment is permitted by the Act and does not materially and adversely affect the interests of the Holders of the Bonds and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in this Trust Agreement contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Trust Agreement, or in regard to matters or questions arising under this Trust Agreement, as the Authority may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement this Trust Agreement in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of Article III hereof;

(5) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds,

Parity Obligations, Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Authority may deem desirable; subject to the provisions of Section 3.02, Section 3.03 and Section 3.05;

(6) to make modifications or adjustments necessary, appropriate or desirable to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(7) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(8) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(9) to modify the auction provisions applicable to any Series of Bonds in accordance with the terms and provisions set forth in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds;

(10) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of, or any federal subsidy with respect to, interest on any Series of Bonds;

(11) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(12) to modify, alter, amend or supplement this Trust Agreement in any other respect, including amendments that would otherwise be described in Section 9.01(A), if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of this Trust Agreement or if notice of the proposed amendments is given to Holders of the affected Bonds at least 30 days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of this Trust Agreement or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(13) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Any Supplemental Trust Agreement entered into pursuant to this Section shall be deemed not to materially adversely affect the interest of Holders to the extent that (i) such Holders' Bonds are secured by Credit Enhancement and (ii) the relevant Credit Provider shall have given its written consent to such Supplemental Trust Agreement as provided in Section 9.01(A); provided that such Credit Provider is not in default of its obligations under such Credit Enhancement.

SECTION 9.02 **Effect of Supplemental Trust Agreement.** From and after the time any Supplemental Trust Agreement becomes effective pursuant to this Article, this Trust Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Trust Agreement of the Authority, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Trust Agreement shall be deemed to be part of the terms and conditions of this Trust Agreement for any and all purposes.

SECTION 9.03 **Endorsement of Bonds; Preparation of New Bonds.** Bonds delivered after any Supplemental Trust Agreement becomes effective pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Trust Agreement, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of his Bond for such purpose at the Corporate Trust Office or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Trust Agreement shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Trust Agreement, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Corporate Trust Office, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same Series, tenor and maturity.

SECTION 9.04 **Amendment of Particular Bonds.** The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

SECTION 10.01 **Discharge of Trust Agreement.** Bonds of any Series or a portion thereof may be paid by the Authority in any of the following ways:

(A) by paying or causing to be paid the Bond Obligation of and interest on such Outstanding Bonds, as and when they become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Authority shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case, at the

election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Trust Agreement), and notwithstanding that any Bonds shall not have been surrendered for payment, this Trust Agreement and the pledge of Pledged Revenues and other assets made under this Trust Agreement and all covenants, agreements and other obligations of the Authority under this Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to this Trust Agreement which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

SECTION 10.02 Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, provided that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

If the Bonds being discharged are Variable Rate Indebtedness, (i) the Bonds shall be redeemed at the first possible redemption date or purchase date applicable to such Bonds and to the extent the rate of interest payable on such Bonds prior to such redemption or purchase date is not known, such rate of interest shall be assumed to be the maximum rate payable thereon or (ii) the Trustee shall receive a confirmation from the Rating Agency then rating the Bonds that the defeasance will not result in the reduction or withdrawal of the then-current ratings on the Bonds.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding anything in this Section 10.02 to the contrary, if the principal of or interest on a Series of Bonds shall be paid by a Credit Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the Authority shall not be deemed to be satisfied or considered paid by the Authority by virtue of such payments, and the right, title and interest of the Authority herein and hereto and the obligations of the Authority hereunder shall not be discharged and shall continue to exist and to run to the

benefit of such Credit Provider, and such Credit Provider shall be subrogated to the rights of the Holders of the Bonds of such Series.

SECTION 10.03 Deposit of Money or Securities. Whenever in this Trust Agreement it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Trust Agreement and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Defeasance Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Trust Agreement or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

SECTION 10.04 Payment of Bonds After Discharge of Trust Agreement. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in this Trust Agreement), if such moneys were so held at such date, or one year after the date of deposit of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall be repaid to the Authority free from the trusts created by this Trust Agreement, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the

account of the Holders thereof and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the Authority) for interest earned on, moneys so held. Any interest earned thereon shall belong to the Authority and shall be deposited upon receipt by the Trustee into the Revenue Fund.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01 Liability of Authority Limited to Pledged Revenues. Notwithstanding anything in this Trust Agreement or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Pledged Revenues and other assets pledged hereunder for any of the purposes in this Trust Agreement mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Trust Agreement.

SECTION 11.02 Successor Is Deemed Included in All References to Predecessor. Whenever in this Trust Agreement either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03 Limitation of Rights. Nothing in this Trust Agreement or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Authority, the Trustee, each Credit Provider, each Liquidity Provider, each Reserve Facility Provider, the Holders of the Bonds and the holders of any Parity Obligations, including each Counterparty, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, each Credit Provider, each Liquidity Provider, each Reserve Facility Provider, the Holders of the Bonds and the holders of any Parity Obligations, including each Counterparty. Each Credit Provider and each Liquidity Provider is an express third party beneficiary of this Trust Agreement.

SECTION 11.04 Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05 Destruction or Delivery of Canceled Bonds. Whenever in this Trust Agreement provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may, in its sole discretion, in lieu of such cancellation and delivery, destroy such Bonds, and deliver a certificate of such destruction to the Authority.

SECTION 11.06 Severability of Invalid Provisions. If any one or more of the provisions contained in this Trust Agreement or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provisions or provisions shall be deemed severable from the remaining provisions contained in this Trust Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have adopted this Trust Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

SECTION 11.07 Notice to Authority and Trustee. Any notice to or demand may be served or presented, and such demand may be made and shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class mail postage prepaid, in a post office letter box, addressed, as the case may be, to the parties as listed below. Any such communication may also be sent by Electronic Means, receipt of which shall be confirmed.

Trustee:

Authority: Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, California 90012
Attention: Assistant Treasurer
Telephone: (213) 922-4042
Fax: (213) 922-4027

SECTION 11.08 Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Trust Agreement to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of this Trust Agreement and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Trustee. The Trustee may establish a record date as of which to measure consent of the Holders in order to determine whether the requisite consents are received.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09 Disqualified Bonds. In determining whether the Holders of the requisite aggregate Bond Obligation of Bonds have concurred in any demand, request, direction, consent or waiver under this Trust Agreement, Bonds that are owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlled by, or under direct or indirect common control with, the Authority. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 11.10 Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal, Redemption Price or purchase price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.11 Funds and Accounts. Any fund required by this Trust Agreement to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every holder thereof.

SECTION 11.12 Limitations on Rights of Credit Providers, Liquidity Providers, Reserve Facility Providers. A Supplemental Trust Agreement establishing the terms and provisions of a Series of Bonds may provide that any Credit Provider, Liquidity Provider or Reserve Facility Provider may exercise any right under this Trust Agreement given to the Holders of the Bonds to which such Credit Enhancement, Liquidity Facility or Reserve Facility relates. All provisions under this Trust Agreement authorizing the exercise of rights by a Credit Provider, a Liquidity Provider or a Reserve Facility Provider with respect to consents, approvals, directions, waivers, appointments, requests or other actions, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider, Liquidity Provider or Reserve Facility Provider were not

mentioned therein (i) during any period during which there is a default by such Credit Provider, Liquidity Provider or Reserve Facility Provider under the applicable Credit Enhancement, Liquidity Facility or Reserve Facility or (ii) after the applicable Credit Enhancement, Liquidity Facility or Reserve Facility shall at any time for any reason cease to be valid and binding on the provider thereof, or shall be declared to be null and void by final, non-appealable judgment of a court of competent jurisdiction, or after the Credit Enhancement, Liquidity Facility or Reserve Facility has been rescinded, repudiated by the provider thereof or terminated, or after a receiver, conservator or liquidator has been appointed for the provider thereof. All provisions relating to the rights of a Credit Provider, Liquidity Provider or Reserve Facility Provider shall be of no further force and effect if all amounts owing to such Credit Provider, Liquidity Provider or Reserve Facility Provider shall have been paid pursuant to the terms of the applicable Credit Enhancement, Liquidity Facility or Reserve Facility and such Credit Enhancement, Liquidity Facility or Reserve Facility shall no longer be in effect.

SECTION 11.13 Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement.

All references herein to “Articles, “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 11.14 Waiver of Personal Liability. No Board member, officer, agent or employee of the Authority or the Trustee shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such Board member, officer, agent or employee of the Authority or the Trustee from the performance of any of any official duty provided by law or by this Trust Agreement.

SECTION 11.15 Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 11.16 Business Day. Except as specifically set forth in this Trust Agreement or a Supplemental Trust Agreement, transfers which would otherwise become due on any day which is not a Business Day shall become due or shall be made on the next succeeding Business Day with the same effect as if made on such prior date.

SECTION 11.17 Effective Date of Trust Agreement. This Trust Agreement shall take effect upon its execution and delivery.

SECTION 11.18 Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement by their officers thereunto duly authorized as of the day and year first written above.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By: _____
Chief Executive Officer

_____,
as Trustee

By: _____
Authorized Officer