

**PRELIMINARY OFFICIAL STATEMENT DATED JULY [ ], 2012**

**NEW ISSUES—BOOK-ENTRY ONLY**

**Ratings: Moody's: "[ ]"  
S&P: "[ ]"  
See "RATINGS" herein.**

*In the opinion of Kutak Rock LLP, Bond Counsel to LACMTA, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 201[ ]-A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 201[ ]-A Bonds is exempt from State of California personal income taxes. For a more complete description, see "TAX MATTERS" herein.*

[LACMTA  
Logo]

\$[ ]\*

**LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

**Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds  
Series 201[ ]-A**

**Dated: Date of Delivery**

**Due: As shown on the inside cover**

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") is issuing its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 201[ ]-A (the "Series 201[ ]-A Bonds") pursuant to the Trust Agreement, dated as of July 1, 1986, as amended (the "Trust Agreement"), by and between LACMTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and a [ ] Supplemental Trust Agreement, to be dated as of [ ] 1, 201[ ] (the "[ ] Supplemental Agreement," and together with the Trust Agreement, the "Agreement"), by and between LACMTA and the Trustee. The Series 201[ ]-A Bonds are limited obligations of LACMTA payable from and secured by a first lien on and pledge of the Pledged Revenues (which includes the receipts from the imposition in the County of Los Angeles for public transit purposes of a one half cent retail transactions and use tax, less 25% thereof paid to local jurisdictions and certain administrative fees) and by certain other amounts held under the Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 201[ ]-A BONDS" and "PROPOSITION A SALES TAX AND COLLECTIONS" herein. The proceeds of the Series 201[ ]-A Bonds, along with certain other available moneys, will be used by LACMTA to (a) [refund and defease the Refunded Bonds][purchase, in its sole discretion, all or a portion of the outstanding Series 2003-A Bonds and/or the Series 2003-B Bonds maturing on or after July 1, 201[ ] that may be tendered by the holders thereof in response to a formal tender solicitation by LACMTA], [(b) make a deposit to the Reserve Fund] and (c) pay the costs of issuance of the Series 201[ ]-A Bonds.

The Series 201[ ]-A Bonds will be issued in denominations of \$5,000 and integral multiples thereof. The Series 201[ ]-A Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Series 201[ ]-A Bonds. Individual purchases and sales of the Series 201[ ]-A Bonds may be made in book-entry form only. See "APPENDIX F—BOOK-ENTRY—ONLY SYSTEM." The Series 201[ ]-A Bonds will bear interest at the rates set forth on the inside front cover. LACMTA will pay interest on the Series 201[ ]-A Bonds on January 1 and July 1, commencing on [January/July] 1, 201[ ].

The Series 201[ ]-A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "DESCRIPTION OF THE SERIES 201[ ]-A BONDS—Redemption."

**Neither the faith and credit nor the taxing power of the County of Los Angeles, the State of California or any political subdivision or public agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 201[ ]-A Bonds. LACMTA has no power to levy property taxes to pay the principal of and interest on the Series 201[ ]-A Bonds.**

**[THE SERIES 201[ ]-A BONDS WILL NOT BE DELIVERED UNTIL ON OR ABOUT APRIL [ ], 2013\* (THE "DELIVERY DATE"). ALL INFORMATION CONTAINED HEREIN IS BASED UPON INFORMATION AVAILABLE AS OF THE DATE HEREOF, UNLESS OTHERWISE INDICATED. LACMTA EXPRESSLY RESERVES THE RIGHT TO ISSUE ADDITIONAL BONDS, PURSUANT TO THE TERMS OF THE TRUST AGREEMENT SECURED BY THE PLEDGE OF THE PLEDGED REVENUES FROM THE DATE OF THIS OFFICIAL STATEMENT UNTIL THE DELIVERY DATE. ON OR PRIOR TO THE DELIVERY DATE, LACMTA WILL PREPARE AN UPDATE TO THIS OFFICIAL STATEMENT.]**

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 201[ ]-A Bonds. Investors are advised to read this Official Statement in its entirety to obtain information

\* Preliminary; subject to change.

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

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 201[\_\_\_]-A Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to LACMTA, and to certain other conditions. Certain legal matters will be passed upon for LACMTA by Los Angeles County Counsel, as General Counsel to LACMTA. Certain legal matters will be passed upon for LACMTA by Kutak Rock LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P. It is expected that the delivery of the Series 201[\_\_\_]-A Bonds will be made through the facilities of DTC on or about [\_\_\_\_], 201[\_\_\_] [subject to the satisfaction of certain conditions. Potential investors should carefully review the information under the caption "INTRODUCTION—Delayed Delivery of Series 201[\_\_\_]-A Bonds." In order to purchase the Series 201[\_\_\_]-A Bonds, investors must execute and deliver a [Delayed Delivery Contract] to the Underwriters, a form of which is attached hereto as Appendix [\_.]*

**[UNDERWRITERS]**

Date of Official Statement:

## MATURITY SCHEDULE

\$[\_\_\_\_\_]\*  
**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds**  
**Series 201[\_\_\_]-A**

<u>Maturity Date</u> (July 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP Nos.</u> <sup>†</sup>
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\$ \_\_\_\_\_ % Series 201[\_\_\_]-A Term Bonds due July 1, 20\_\_ - Yield \_\_%; CUSIP No.<sup>†</sup> \_\_\_\_\_

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\* Preliminary subject to change.

<sup>†</sup>Copyright 2012, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein are provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with LACMTA and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Series 201[\_\_\_]-A Bonds. Neither LACMTA nor the Underwriters take responsibility for the accuracy of the CUSIP numbers.

[Insert Map of LACMTA System]

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**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

**Board Members**

Michael D. Antonovich, Chair  
Diane DuBois, First Vice-Chair  
Richard Katz, Second Vice-Chair  
John Fasana  
José Huizar  
Richard Katz  
Don Knabe  
Gloria Molina  
Ara Najarian  
Pam C. O'Connor  
Mark Ridley-Thomas  
Antonio R. Villaraigosa  
Mel Wilson  
Zev Yaroslavsky  
Michael Miles, Non Voting Member

**LACMTA Officers**

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

**LACMTA General Counsel**

Office of the County Counsel  
Los Angeles, California

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Los Angeles, California

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Kutak Rock LLP

**TRUSTEE [AND ESCROW AGENT]**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

LACMTA has not authorized any dealer, broker, salesperson or other person to give any information or to make any representation in connection with the offer or sale of the Series 201[\_\_\_]-A Bonds other than as set forth in this Official Statement and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 201[\_\_\_]-A Bonds, by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

This Official Statement is not a contract with the purchasers or owners of the Series 201[\_\_\_]-A Bonds. Statements contained in this Official Statement which involve estimates, projections or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of facts.

The information and expressions of opinion in this Official Statement are subject to change without notice, and the delivery of this Official Statement and any sale made pursuant to this Official Statement do not, under any circumstances, imply that the information and expressions of opinion in this Official Statement and other information regarding LACMTA have not changed since the date hereof. LACMTA is circulating this Official Statement in connection with the sale of the Series 201[\_\_\_]-A Bonds and this Official Statement may not be reproduced or used, in whole or in part, for any other purpose.

In making an investment decision, investors must rely on their own examination of the terms of the offering and the security and sources of payment of the Series 201[\_\_\_]-A Bonds, including the merits and risks involved. The Series 201[\_\_\_]-A Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Agreement been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. Neither the U.S. Securities and Exchange Commission nor any other federal, state or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 201[\_\_\_]-A Bonds or the accuracy or completeness of this Official Statement. The Series 201[\_\_\_]-A Bonds have not been recommended by any federal or state securities commission or regulatory authority. Any representation to the contrary may be a criminal offense.

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

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## OFFICIAL STATEMENT

\$[\_\_\_\_\_]\*  
**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds**  
**Series 201[\_\_\_]-A**

### INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, sets forth information in connection with the offering by the Los Angeles County Metropolitan Transportation Authority (“LACMTA”) of \$[\_\_\_\_\_]\* aggregate principal amount of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 201[\_\_\_]-A (the “Series 201[\_\_\_]-A Bonds”). This Introduction is not a summary of this Official Statement. This Introduction is qualified by the more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. Prospective investors should review the entire Official Statement, including the cover page and appendices, before they make an investment decision to purchase the Series 201[\_\_\_]-A Bonds. LACMTA is only offering the Series 201[\_\_\_]-A Bonds to potential investors by means of the entire Official Statement. Capitalized terms used but not defined herein have the meanings ascribed to them in “APPENDIX C—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS.”

[It is anticipated that the Series 2013-A Bonds will not be issued and delivered until April [2], 2013. See “—Delayed Delivery of Series 201[\_\_\_]-A Bonds.”]

### LACMTA

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code (the “LACMTA Act”). LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Los Angeles County Transportation Commission (the “Commission”). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the “County”), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 4, 1980, the voters of the County approved the Proposition A Sales Tax. The Proposition A Sales Tax is a ½ of 1 percent sales tax and is not limited in duration. For more information regarding the Proposition A Sales Tax, see “PROPOSITION A SALES TAX AND COLLECTIONS—The Proposition A Sales Tax.”

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

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\* Preliminary; subject to change.

## **Purpose of the Series 201[ ]-A Bonds**

[LACMTA will use the proceeds of the Series 2013-A Bonds, together with other available funds, to (a) refund and defease the Refunded Series 2003-A Bonds (as defined herein) and the Refunded Series 2003-B Bonds (as defined herein) to generate debt service savings for LACMTA, (b) [make a deposit to the Reserve Fund] and (c) pay a portion of the costs associated with issuing the Series 2013-A Bonds.]

[Subject to market conditions, the Series 2012-A Bonds will be issued to (a) provide funds for the purchase by LACMTA, in its sole discretion, of all or a portion of LACMTA's outstanding Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2003-A (the "Series 2003-A Bonds") maturing on and after July 1, 201[ ], and Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2003-B (the "Series 2003-B Bonds") maturing on and after July 1, 201[ ] (collectively, the "Tender Bond Candidates") that may be tendered by the holders thereof in response to a formal tender solicitation by LACMTA, (b) [make a deposit to the Reserve Fund] and (c) pay a portion of the costs associated with issuing the Series 2012-A Bonds.]

For a more detailed description of LACMTA's proposed use of proceeds from the issuance of the Series 201[ ]-A Bonds, see "PLAN OF FINANCE AND APPLICATION OF SERIES 201[ ]-A Bond PROCEEDS."

## **Description of the Series 201[ ]-A Bonds**

The Series 201[ ]-A Bonds are limited obligations of LACMTA to be issued pursuant to, and payable from and secured under, the Trust Agreement, dated as of July 1, 1986, as amended and supplemented (the "Trust Agreement"), by and between LACMTA (as successor to the Commission) and The Bank of New York Mellon Trust Company, N.A., as successor in interest to Wells Fargo Bank, N.A., the successor to First Interstate Bank of California, as trustee (the "Trustee"), and to be further supplemented by the [ ] Supplemental Trust Agreement, to be dated as of [ ] 1, 201[ ] (the "[ ] Supplemental Agreement"), by and between LACMTA and the Trustee. The Trust Agreement and the [ ] Supplemental Agreement are collectively referenced herein as the "Agreement."

The Series 201[ ]-A Bonds will be issued in registered form, in denominations of \$5,000 or any integral multiple thereof. The Series 201[ ]-A Bonds will be dated their initial date of delivery and will mature and will bear interest at the rates per annum as shown on the inside cover page hereof, computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 201[ ]-A Bonds will be delivered in book-entry-only form and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 201[ ]-A Bonds. See "APPENDIX G—BOOK-ENTRY-ONLY SYSTEM."

## **Security and Sources of Payment for the Series 201[ ]-A Bonds**

The Series 201[ ]-A Bonds are limited obligations of LACMTA payable solely from and secured by a pledge of "Pledged Revenues," which include moneys collected as a result of the imposition of the Proposition A Sales Tax, less 25% thereof which is allocated to local jurisdictions for local transit purposes (the "Local Allocation") and less an administrative fee paid to the California State Board of Equalization (the "State Board of Equalization") in connection with the collection and disbursement of the Proposition A Sales Tax, plus interest, profits and other income received from investment of such amounts held by the Trustee, and all other amounts held by the Trustee under the Agreement except for amounts held in any rebate fund and any redemption fund. See "SECURITY AND SOURCES OF

PAYMENT FOR THE SERIES 201[ ]-A BONDS” and “PROPOSITION A SALES TAX AND COLLECTIONS—The Proposition A Sales Tax.”

### **Proposition A Sales Tax Obligations**

LACMTA has issued other obligations under the Agreement that are secured by and payable from Pledged Revenues on a parity with the Series 201[ ]-A Bonds, and LACMTA is permitted to issue additional parity obligations in the future upon satisfaction of certain additional bonds tests contained in the Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 201[ ]-A BONDS—Additional First Tier Senior Lien Bonds.” The Series 201[ ]-A Bonds, the existing obligations on a parity with the Series 201[ ]-A Bonds and all future obligations issued on a parity with the Series 201[ ]-A Bonds are collectively referred to herein as the “First Tier Senior Lien Bonds.” As of July 15, 2012, \$1,394,895,000 aggregate principal amount of First Tier Senior Lien Bonds (including the [Refunded Bonds/Tender Bond Candidates]) were outstanding. See “PLAN OF FINANCE AND APPLICATION OF SERIES 201[ ]-A Bond PROCEEDS” and “PROPOSITION A SALES TAX OBLIGATIONS.”

In addition, LACMTA has issued other obligations under the Agreement that are secured by and payable from Pledged Revenues on a basis subordinate to the First Tier Senior Lien Bonds (including the Series 201[ ]-A Bonds), and it may issue additional subordinate obligations in the future. See “PROPOSITION A SALES TAX OBLIGATIONS.”

### **The Series 201[ ]-A Bonds Are Limited Obligations of LACMTA Only**

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or public agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 201[ ]-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 201[ ]-A Bonds.

The Series 201[ ]-A Bonds are limited obligations of LACMTA and are payable, as to both principal and interest, solely from a first lien on and pledge of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, for the payment of the Series 201[ ]-A Bonds or interest on the Series 201[ ]-A Bonds.

### **Reserve Fund and Surety Replacement Account for the First Tier Senior Lien Bonds**

Pursuant to the Agreement, the Reserve Fund was established and is held by the Trustee and used to make payments of principal of and interest on all First Tier Senior Lien Bonds, including the Series 201[ ]-A Bonds, issued by LACMTA under the Agreement to the extent the amounts in the Bond Interest Account or the Bond Principal Account are not sufficient to pay in full the principal of and interest on the First Tier Senior Lien Bonds when due. The Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement. At the time of issuance of the Series 201[ ]-A Bonds, the Reserve Fund will be funded in an amount equal to the Reserve Fund Requirement (which is expected to be \$\_\_\_\_\_ at the time of issuance of the Series 201[ ]-A Bonds). At the time of issuance of the Series 201[ ]-A Bonds, the Reserve Fund Requirement will be satisfied by a municipal bond debt service reserve insurance policy (the “AGM Reserve Policy”) provided by Assured Guaranty Municipal Corp (as successor to Financial Security Assurance Inc.) (“AGM”) with a policy limit of \$85,500,000 and cash and investments in the amount of approximately \$\_\_\_\_\_. The Reserve Fund also contains a

municipal bond debt service reserve fund policy (the “FGIC Reserve Policy”) provided by Financial Guaranty Insurance Company. The Reserve Fund Requirement is satisfied without taking into account the FGIC Reserve Policy.

In addition to the Reserve Fund, approximately \$[32.4] million is on deposit in a Surety Replacement Account established under the Agreement. These monies are being held in the Surety Replacement Account in order to assist in funding the Reserve Fund if AGM’s ratings are downgraded below specified levels. Funds in the Surety Replacement Account may be withdrawn for purposes other than the payment of debt service in certain circumstances. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 201[\_\_\_]-A BONDS—Reserve Fund for First Tier Senior Lien Bonds—Surety Replacement Account” for further discussion of the Surety Replacement Account.

#### **[Delayed Delivery of the Series 2013-A Bonds]**

LACMTA expects to deliver the Series 2013-A Bonds, in book-entry form to DTC, on or about April [2], 2013, (the “Settlement Date”) for the account of the underwriters (the “Underwriters”) identified in a purchase agreement between LACMTA and RBC Capital Markets, LLC, as representative of such underwriters (the “Delayed Delivery Purchase Agreement”).

Under the Delayed Delivery Purchase Agreement, the Underwriters are not required to purchase the Series 2013-A Bonds, if, among other conditions, (1) there has been a Change in Law (defined below); (2) as a result of any legislation, regulation, ruling, order, release, court decision or judgment or action by the U.S. Department of the Treasury, the Internal Revenue Service, or any agency of the State of California either enacted, issued, effective, adopted or proposed (but only with respect to any such proposed legislation, regulation, ruling, order, release, court decision or judgment or action which continues to be proposed as of the Settlement Date), or for any other reason Bond Counsel cannot issue an opinion substantially in the form attached to this Official Statement to the effect that (a) the interest on the Series 2013-A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (or comparable provisions of any successor federal tax laws), and (b) the interest on the Series 2013-A Bonds is exempt from the State of California income taxation; or (3) an Event of Default under the Agreement has occurred and is continuing as of the Settlement Date. The Underwriters may not refuse to purchase the Series 2013-A Bonds by reason of “general market or credit changes,” including, but not limited to, (i) changes in the ratings to be assigned to the Series 2013-A Bonds, between the date of Closing (which is expected to occur on or about [\_\_\_\_], 2012) and the Settlement Date, or changes in the credit associated with the Series 2013-A Bonds, or (ii) changes in the financial condition, operations, performance, properties or prospects of LACMTA prior to the Settlement Date.

A “Change in Law” means (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts or by federal or state agencies, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies; (ii) any legislation enacted by the Congress of the United States (if such enacted legislation has an effective date which is on or before the Settlement Date), (iii) any law, rule or regulation enacted by any governmental body, department or agency (if such enacted law, rule or regulation has an effective (late which is on or before the Settlement Date) or (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case would, (A) as to the Underwriters prohibit the Underwriters from completing the underwriting of the Series 2013-A Bonds or selling the Series 2013-A Bonds or beneficial ownership interests therein to the public, or (B) as to LACMTA, would make the completion of the issuance, sale or delivery of the Series 2013-A Bonds illegal.

The market value of the Series 2013-A Bonds as of the Settlement Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the Series 2013-A Bonds, the financial condition and business operations of LACMTA and federal, state and local income tax and other laws. The market value of the Series 2013-A Bonds as of the Settlement Date could therefore be higher or lower than the price to be paid by the initial purchasers of the Series 2013-A Bonds, and that difference could be substantial. Neither LACMTA nor the Underwriters make any representation as to the expected market price of the Series 2013-A Bonds as of the Settlement Date.

The Underwriters have advised LACMTA that Series 2013-A Bonds will be sold only to investors who execute a Delayed Delivery Contract in substantially the form of Appendix G attached hereto. The Delayed Delivery Contract restricts the ability of purchasers of the Series 2013-A Bonds to transfer their interests in the Series 2013-A Bonds prior to the Settlement Date and no representation is made that any such transfer will be permitted. The proposed form of Delayed Delivery Contract is attached as Appendix G at the request and for the convenience of the Underwriters. LACMTA will not be a party to the Delayed Delivery Contracts and is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations under the Delayed Delivery Purchase Agreement are not conditioned or dependent upon the performance of any Delayed Delivery Contract.]

### **Continuing Disclosure**

In connection with the issuance of the Series 201[\_\_\_]-A Bonds, for purposes of Rule 15c2-12 (the “Rule”) promulgated by the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended, LACMTA will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”), certain annual financial information and operating data relating to LACMTA and notice of certain enumerated events. See “CONTINUING DISCLOSURE OBLIGATION” and “APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” LACMTA has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

### **Additional Information**

Brief descriptions of the Series 201[\_\_\_]-A Bonds, the Agreement and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. The information herein is subject to change without notice, and the delivery of this Official Statement will under no circumstances, create any implication that there has been no change in the affairs of LACMTA since the date hereof. This Official Statement is not to be construed as a contract or agreement between LACMTA or the Underwriters (as defined herein) and the purchasers or Owners of any of the Series 201[\_\_\_]-A Bonds. LACMTA maintains a website, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series 201[\_\_\_]-A Bonds.

Copies of the Agreement may be obtained from LACMTA at One Gateway Plaza, 25th Floor, Treasury Department, Los Angeles, California 90012, Attention: Chief Financial Services Officer and Treasurer, or by calling (213) 922-4042.

## **PLAN OF FINANCE AND APPLICATION OF SERIES 201[ ]-A BOND PROCEEDS**

### **Plan of Finance**

LACMTA is undertaking a plan of finance that includes (a) a formal tender solicitation to purchase all of the outstanding Series 2003-A Bonds maturing on and after July 1, 201[ ], and all of the outstanding Series 2003-B maturing on and after July 1, 201[ ] (collectively, the “Tender Bond Candidates”), (b) the issuance of [the Series 2012-A Bonds] [its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2012-A (the “Series 2012-A Bonds”), the proceeds of which will be used to, among other things, purchase the Tender Bond Candidates agreed to be purchased by LACMTA, and (c) the issuance of [the Series 2013-A Bonds] [the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2013-A (the “Series 2013-A Bonds”), the proceeds of which will be used to, among other things, refund and defease all of a portion of the Series 2003-A Bonds and/or Series 2003-B Bonds that are not purchased by LACMTA pursuant to the formal tender solicitation. *LACMTA’s decisions to purchase any of the Tender Bond Candidates, issue the Series 2012-A Bonds and/or issue the Series 2013-A Bonds are subject to market conditions.*

### **Purchase of Series 2003-A Bonds and Series 2003-B Bonds**

Pursuant to a formal tender solicitation, LACMTA is offering to purchase all of the outstanding Tender Bond Candidates for cash at prices to be determined through the tender process. As of July 15, 2012, the Tender Bond Candidates were outstanding in the aggregate principal amount of \$[ ]. The owners of the Tender Bond Candidates are expected to have the opportunity to submit offers to LACMTA between July [ ], 2012 and August [ ], 2012, unless such time period is extended pursuant to the provisions of the tender process, to purchase all or a portion of their Tender Bond Candidates. LACMTA’s decisions to purchase any of the Tender Bond Candidates and the issuance of the Series 2012-A Bonds are subject to market conditions. LACMTA expects to only purchase those Tender Bond Candidates that result in sufficient benefit by refinancing them with new bonds at a lower yield than the effective yield offered to LACMTA by owners of the Tender Bond Candidates via the formal tender process. Upon purchase, the Tender Bond Candidates selected for purchase will be surrendered to the Trustee for cancellation in accordance with the Agreement. The Tender Bond Candidates not tendered by the respective owners thereof or purchased by LACMTA will remain outstanding until their respective stated maturity dates or until redeemed prior to maturity by LACMTA. See “—Refunding of Series 2003-A Bonds and Series 2003-B Bonds” below for information regarding LACMTA’s plans to refund the Series 2003-A Bonds and/or Series 2003-B Bonds not tendered to LACMTA and purchased by LACMTA. LACMTA’s offer to purchase Tender Bond Candidates is not being made pursuant to this Official Statement. Morgan Stanley & Co., LLC, the underwriter of the Series 2012-A Bonds, is serving as dealer manager with respect to LACMTA’s tender offer for the Tender Bond Candidates. Pursuant to a Dealer Manager Agreement between LACMTA and Morgan Stanley & Co., LLC, as dealer manager (the “Dealer Manager”), LACMTA expects to pay the Dealer Manager a fee (plus expenses) for its services provided under the Dealer Manager Agreement.

### **Refunding of Series 2003-A Bonds and Series 2003-B Bonds**

Following the expiration of the tender solicitation, which is expected to occur on or about August [ ], 2012, LACMTA plans to offer the Series 2013-A Bonds for sale, the proceeds of which will be used to, among other things, refund and defease the Series 2003-A Bonds and/or the Series 2003-B Bonds not otherwise purchased by LACMTA pursuant to the tender solicitation. The Series 2003-A Bonds and the Series 2003-B Bonds not otherwise purchased by LACMTA pursuant to the tender solicitation are herein referred to as the “Refunded Bond Candidates.” The specific Refunded Bond Candidates that will be refunded will be determined by LACMTA at the time LACMTA and the [Series 2013-A] Underwriters

sign the [Delayed Delivery Agreement]. The issuance of the Series 2013-A Bonds and the refunding of the Refunded Bonds is subject to market conditions, and LACMTA will only issue the Series 2013-A Bonds to refund any of the Refunded Bonds if such issuance and refunding result in acceptable debt service savings to LACMTA. [See also “INTRODUCTION—Delayed Delivery of the Series 2013-A Bonds.”]

A portion of the proceeds of the Series 2013-A Bonds, [together with certain available moneys to be contributed by LACMTA], will be deposited with The Bank of New York Mellon Trust Company, N.A., as trustee and escrow agent, and will be held in one or more escrow funds (the “Escrow Funds”) for the Refunded Bond Candidates refunded by LACMTA (the “Refunded Bonds”) to be created under the terms of an escrow agreement between LACMTA and The Bank of New York Mellon Trust Company, N.A., as trustee and escrow agent. Certain amounts deposited into the Escrow Funds will be invested in direct, noncallable obligations of the United States Treasury and all remaining amounts deposited into the Escrow Funds will be held uninvested in cash. Amounts on deposit in the Escrow Funds will be used on July 1, 2013 (the “Redemption Date”) to pay the redemption price of the Refunded Bonds of 100% of the principal amount thereof, plus accrued interest thereon.

Grant Thornton LLP, certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the maturing principal of and interest on the investments in the Escrow Funds and the other moneys in the Escrow Funds to pay, when due, the redemption price of and interest on the Refunded Bonds.. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

#### **Tender Bond Candidates/Refunded Bond Candidates**

The Tender Bond Candidates and the Refunded Bond Candidates may include some or all of the following Series 2003-A Bonds and Series 2003-B Bonds.

#### **Tender Bond Candidates/Refunded Bond Candidates**

<b>Series</b>	<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>CUSIP Number<sup>1</sup></b>
2003A	2013	\$ 2,060,000	544712TV4
2003A	2013	12,830,000	544712TW2
2003A	2014	765,000	544712TX0
2003A	2014	18,995,000	544712TY8
2003A	2015	925,000	544712TZ5
2003A	2015	19,770,000	544712UA8
2003A	2016	600,000	544712UB6
2003A	2016	16,410,000	544712UC4
2003A	2017	31,415,000	544712UD2
2003A	2018	1,225,000	544712UE0
2003A	2018	<u>55,530,000</u>	544712UF7
Total		<u>\$160,525,000</u>	
2003B	2019	\$ 67,635,000	544712US9
2003B	2020	86,140,000	544712UT7
2003B	2021	<u>89,860,000</u>	544712D82
Total		<u>\$243,635,000</u>	

<sup>1</sup>CUSIP numbers are provided only for the convenience of the reader. Neither LACMTA nor the Underwriters undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.



**Estimated Sources and Uses of Funds**

The following table presents the estimated sources and uses of funds in connection with the issuance of the Series 201[\_\_\_]-A Bonds.

<b><u>Sources</u></b>	\$
Principal Amount	
Original Issue Premium/(Discount)	
Release of Fund from Series 2003-A and Series 2003-B Debt Service Funds	
Release of Funds from Reserve Fund	_____
Total Sources	\$ _____
<b><u>Uses</u></b>	
[Deposit to Series 2003-A Escrow Fund]	\$
[Deposit to Series 2003-B Escrow Fund]	
[Purchase of Tender Bond Candidates]	
Deposit to Reserve Fund	
Costs of Issuance <sup>1</sup>	_____
Total Uses	\$ _____

<sup>1</sup> Includes Underwriters' discount, legal fees, rating agency fees and other costs of issuance.

**RISK FACTORS**

**Economic Factors May Cause Declines in Proposition A Sales Tax Revenues**

The Series 201[\_\_\_]-A Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and pledge of Pledged Revenues, consisting primarily of certain revenues of the Proposition A Sales Tax and other amounts that are held by the Trustee under the Agreement. The level of Proposition A Sales Tax revenues collected depends on the level of taxable sales transactions within the County, which, in turn, depends on the level of general economic activity in the County. In fiscal years 2009 and 2010, the national economic recession and regional general economic conditions resulted in reductions in economic activity and taxable sales within the County and correspondingly Proposition A Sales Tax revenues received by LACMTA declined. Sales tax revenues increased in fiscal years 2011 and 2012 even though the economy of the County continues to experience significant weaknesses. It is possible that Proposition A Sales Tax revenues could decline in the future, reducing amounts available to pay the principal of and interest on the Series 201[\_\_\_]-A Bonds.

Proposition A Sales Tax receipts fluctuate based on general economic conditions within the County. To project future Proposition A Sales Tax receipts for budgetary purposes, LACMTA relies on reports from local economists and other publicly available sources of data. LACMTA does not itself develop forecasts of current or future economic conditions. Furthermore, the State Board of Equalization does not provide LACMTA with any forecasts of Proposition A Sales Tax revenues for future periods. Therefore, LACMTA is unable to forecast or predict with certainty future levels of Proposition A Sales Tax receipts. Future significant declines in the amount of Proposition A Sales Tax receipts could ultimately impair the ability of LACMTA to pay principal of and interest on the Series 201[\_\_\_]-A Bonds.

See “PROPOSITION A SALES TAX AND COLLECTIONS—Historical Proposition A Sales Tax Collections.”

### **California State Legislature or Electorate May Change Items Subject to Proposition A Sales Tax**

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

### **Increases in Sales Tax Rate May Cause Declines in Proposition A Sales Tax Revenues**

In November 2008, County voters approved Measure R, which increased the sales tax rate within the County by ½ of 1% for a period of 30 years to fund LACMTA transportation projects and operations. Measure R sales tax revenues are separate from Proposition A Sales Tax revenues and do not secure the First Tier Senior Lien Bonds, including the Series 201[\_\_\_]-A Bonds. Collection of the additional sales tax rate commenced July 1, 2009. At the November 2012 election, the voters of the State will be asked to approve an additional ¼ of 1% State general sales tax, which, if approved, will become effective on January 1, 2013 and expire on December 31, 2016. Previously, in 2009, as part of its approval of the State of California’s revised budget, the California State Legislature temporarily increased the State’s general sales tax rate by 1.0 percent between April 1, 2009 and July 1, 2011. Increases in sales tax rates may affect consumer spending decisions and as a result adversely impact sales transactions in the County and, thereby, reduce Proposition A Sales Tax revenues.

### **Increased Internet Use May Reduce Proposition A Sales Tax Revenues**

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

### **Impact of Bankruptcy of LACMTA**

As a municipal entity, LACMTA may be qualified to file a petition under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”) under certain circumstances. Under Chapter 9, the pledge of Proposition A Sales Tax is fully enforceable only if a bankruptcy court determines that the Proposition A

Sales Tax revenues are “Special Revenues” under Chapter 9 and that the pledge is valid and binding under Chapter 9. The Proposition A Sales Tax revenues may not constitute “Special Revenues” under Chapter 9 because, among other reasons, the Proposition A Sales Tax was not levied for a particular project and is available for the general purposes of LACMTA. If a bankruptcy court were to hold the pledge of Proposition A Sales Tax to be unenforceable under Chapter 9, then the owners of the First Tier Senior Lien Bonds (including the Series 201[\_\_\_]-A Bonds) would no longer be entitled to any special priority to the Proposition A Sales Tax revenues and may be treated as general unsecured creditors of LACMTA as to the Proposition A Sales Tax revenues.

Furthermore, since the obligations of LACMTA under the Agreement, including its obligations to pay principal of and interest on the Series 201[\_\_\_]-A Bonds, are limited obligations and are payable solely from a first lien and pledge of the Proposition A Sales Tax and certain other amounts held by the Trustee under the Agreement, if LACMTA filed a petition for bankruptcy under Chapter 9, the owners of the First Tier Senior Lien Bonds (including the Series 201[\_\_\_]-A Bonds) may not have any recourse to any assets or revenues of LACMTA other than the Proposition A Sales Tax revenues.

### **Voter Initiatives and California State Legislative Action May Impact Proposition A Sales Tax**

Voters have the right to place measures before the electorate in the County or the State of California and the California State Legislature may take actions to limit the collection and use of the Proposition A Sales Tax. Such initiatives or actions may impact various aspects of the security, source of payment and other credit aspects of the Series 201[\_\_\_]-A Bonds. See “PROPOSITION A SALES TAX AND COLLECTIONS—Initiatives and Changes to Proposition A Sales Tax.”

### **Risks Related to Variable-Rate Bonds and Interest Rate Swaps**

LACMTA has issued and may issue in the future First Tier Senior Lien Bonds that bear interest at a variable rate. The First Tier Senior Lien Bonds, including the Series 201[\_\_\_]-A Bonds, are limited obligations of LACMTA payable from the Proposition A Sales Tax and certain other amounts held by the Trustee under the Agreement. If any series of First Tier Senior Lien Bonds that bears interest at a variable rate experiences a substantial increase in that rate, then that increase may adversely affect the amount of Proposition A Sales Tax revenues available for payment of debt service on the First Tier Senior Lien Bonds, including the Series 201[\_\_\_]-A Bonds.

LACMTA is party to two interest rate swap agreements that are intended to manage its interest rate exposure with respect to the Series 2008-A1 Bonds, Series 2008-A2 Bonds, Series 2008-A3 Bonds and Series 2008-A4 Bonds. See “PROPOSITION A SALES TAX OBLIGATIONS—Outstanding Proposition A Sales Tax Obligations—Second Tier Obligations” below. Under each of these interest rate swap agreements, the total notional amount of the interest rate swap agreements is equal to the aggregate principal amount of the related bonds. In accordance with the provisions of each of these interest rate swap agreements, LACMTA pays a fixed rate of interest to the applicable counterparty and receives a floating rate of interest from the applicable counterparty that is based on a percentage of the one-month London Interbank Offered Rate for deposits of U.S. dollars. The intended effect of these interest rate swap agreements is to hedge LACMTA’s exposure to the volatility of interest rates.

Although LACMTA has entered into these interest rate swap agreements to hedge its exposure to the volatility of interest rates, amounts that LACMTA receives under these interest rate swap agreements do not constitute Pledged Revenues. If interest rates on the variable rate First Tier Senior Lien Bonds increase, so will the amounts of debt service that LACMTA will need to pay on the First Tier Senior Lien Bonds. LACMTA has no obligation to offset that increase by applying amounts it receives under the interest rate swap agreements to the payment of debt service on the First Tier Senior Lien Bonds,

including the Series 201[ ]-A Bonds. Accordingly, the holders of the First Tier Senior Lien Bonds cannot rely on these interest rate swap agreements to hedge the risk of interest rate volatility of any series of First Tier Senior Lien Bonds issued as variable rate bonds.

In addition, these interest rate swap agreements entail risk to LACMTA. The swap counterparties (Bank of Montreal and Deutsche Bank AG) may fail or be unable to perform, interest rates may vary from assumptions or LACMTA may be required to post collateral in favor of its counterparties (and has done so in the past) or to make significant payments to its counterparties in the event of an early termination of an interest rate swap. Such termination payments would be secured by a lien on certain remaining Proposition A Sales Tax revenues on a basis subordinate to the First Tier Senior Lien Bonds (including the Series 201[ ]-A Bonds). An early termination of an interest rate swap agreement could occur due to a default by either party or the occurrence of a termination event.

See “PROPOSITION A SALES TAX OBLIGATIONS—Outstanding Proposition A Sales Tax Obligations—Second Tier Obligations” in this Official Statement for further discussion of these interest rate swap agreements.

### **Potential Limitation of Tax Exemption of Interest on Series 201[ ]-A Bonds**

On September 12, 2011, the President released a legislative proposal that would, among other things, subject interest on tax-exempt bonds (including the Series 201[ ]-A Bonds) to a Federal income tax for taxpayers with incomes above certain thresholds for tax years beginning after 2012. The proposal has not yet passed either of the two Houses of Congress and it is not possible to predict whether this proposal will be enacted into law. If enacted into law, such a proposal could affect the value or marketability of tax-exempt bonds (including the Series 201[ ]-A Bonds). Prospective purchasers of the Series 201[ ]-A Bonds should consult their own tax advisers regarding the impact of any such change in law on the Series 201[ ]-A Bonds. See [“INTRODUCTION—Delayed Delivery of the Series 201[ ]-A Bonds.” And] “TAX MATTERS—Changes in Law and Post Issuance Events.”

## **DESCRIPTION OF THE SERIES 201[ ]-A BONDS**

### **General**

The Series 201[ ]-A Bonds are limited obligations of LACMTA to be issued pursuant to and secured under the Agreement. In connection with the issuance of the Series 201[ ]-A Bonds, LACMTA will enter into the [ ] Supplemental Agreement to provide for the issuance of the Series 201[ ]-A Bonds and related matters.

The Series 201[ ]-A Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the inside cover of this Official Statement. LACMTA will pay interest on each January 1 and July 1, beginning [January/July] 1, 201[ ]. Interest on the Series 201[ ]-A Bonds will be calculated on the basis of a 360 day year consisting of twelve 30 day months.

The Series 201[ ]-A Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Upon initial issuance, the Series 201[ ]-A Bonds will be registered in the name of Cede & Co. as registered owner and nominee of DTC. As long as the Series 201[ ]-A Bonds are registered in such name or in the name of a successor nominee, the ownership of the Series 201[ ]-A Bonds will be evidenced by book entry as described in “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.” Purchasers will not receive certificated Series 201[ ]-A Bonds. So long as Cede & Co. is the registered owner of the Series 201[ ]-A Bonds, reference herein to the Bondholders or registered

owners will mean Cede & Co. as aforesaid and will not mean the Beneficial Owners (as defined herein) of the Series 201[ ]-A Bonds.

So long as Cede & Co. is the registered owner of the Series 201[ ]-A Bonds, principal and redemption price of and interest on the Series 201[ ]-A Bonds are payable by wire transfer of funds by the Trustee to Cede & Co., as nominee of DTC. DTC is obligated, in turn, to remit such amounts to its participants as described herein for subsequent disbursement to the Beneficial Owners. If the Series 201[ ]-A Bonds cease to be held by DTC or by a successor securities depository, the principal and redemption price of the Series 201[ ]-A Bonds will be payable at maturity or earlier redemption upon presentation and surrender of the Series 201[ ]-A Bonds at the corporate trust office or agency of the Trustee in St. Paul, Minnesota, and interest on the Series 201[ ]-A Bonds will be payable by check mailed by first class mail on each Interest Payment Date to the Owners of the Series 201[ ]-A Bonds as of the Record Date; provided, that Owners of \$1,000,000 or more in aggregate principal amount of Series 201[ ]-A Bonds may arrange for payment by wire transfer of immediately available funds upon written request given to the Trustee at least 15 days prior to an Interest Payment Date.

## Redemption

**Optional Redemption.** The Series 201[ ]-A Bonds maturing on or before July 1, 20\_\_ are not subject to redemption prior to their stated maturities. The Series 201[ ]-A Bonds maturing on or after July 1, 20\_\_ are subject to redemption at the option of LACMTA on or after July 1, 20\_\_, in whole or in part in Authorized Denominations at any time, from any moneys that may be provided for such purpose and at a redemption price of \_\_\_% of the principal amount of such Series 201[ ]-A Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

**Mandatory Sinking Fund Redemption.** The Series 201[ ]-A Bonds maturing on July 1, 20\_\_ (the “Series 201[ ]-A Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

<b>Redemption Date (July 1)</b>	<b>Principal Amount</b>
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\_\_\_\_\_  
\*Final Maturity

If some but not all of the applicable Series 201[ ]-A Term Bonds have been redeemed as described under “–Optional Redemption” above, the total of all sinking account payments will be reduced by the aggregate principal amount of the applicable Series 201[ ]-A Term Bonds so redeemed to be allocated among sinking account payments as determined by LACMTA.

At the option of LACMTA, it may (a) deliver to the Trustee for cancellation any Series 201[ ]-A Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by LACMTA or (b) specify a principal amount of such Series 201[ ]-A Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been purchased and

previously cancelled by the Trustee at the request of LACMTA but not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

***Selection of Series 201[ ]-A Bonds To Be Redeemed.*** The Series 201[ ]-A Bonds are subject to redemption in such order of Series, maturity and interest rate (except mandatory sinking fund payments on the Series 201[ ]-A Term Bonds) as LACMTA may direct and by lot within such Series, maturity and interest rate selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 201[ ]-A Bonds), deems appropriate.

Except as otherwise provided under the procedures of DTC, on or before the 45<sup>th</sup> day prior to any mandatory sinking fund redemption date, the Trustee will proceed to select for redemption (by lot in such manner as the Trustee may determine), from all Series 201[ ]-A Term Bonds subject to such redemption, an aggregate principal amount of such Series 201[ ]-A Term Bonds equal to the amount for such year as set forth in the applicable table under “Mandatory Sinking Fund Redemption” above and will call such Series 201[ ]-A Term Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

***Notice of Redemption.*** The Trustee is required to give notice of redemption to the registered owners affected by such redemption at least 20 days but not more than 60 days before each redemption date, and to send such notice of redemption by first class mail (or, with respect to Series 201[ ]-A Bonds held by DTC, by an express delivery service for delivery on the next following Business Day). Each notice of redemption will specify the Series 201[ ]-A Bonds to be redeemed; the Series, maturity date and interest rate of the Series 201[ ]-A Bonds to be redeemed; the redemption date; the CUSIP numbers of the Series 201[ ]-A Bonds to be redeemed, the redemption price and the place or places where amounts due upon such redemption will be payable and if less than all of the Series 201[ ]-A Bonds of a Series, maturity date and interest rate are to be redeemed, the numbers of the Series 201[ ]-A Bonds and the portions of Series 201[ ]-A Bonds to be redeemed; any condition to the redemption; and that on the redemption date, and upon the satisfaction of any such condition, the Series 201[ ]-A Bonds to be redeemed shall cease to bear interest.

If at the time of mailing of notice of an optional redemption moneys sufficient to redeem all the Series 201[ ]-A Bonds called for redemption have not been deposited with the Trustee, at the election of LACMTA such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be canceled and on such cancellation date notice will be mailed to the holders of such Series 201[ ]-A Bonds to be redeemed in the same manner as the notice of redemption.

Failure to give any required notice of redemption or any defect therein will not affect the validity of the call for redemption of any Series 201[ ]-A Bonds in respect of which no failure or defect occurs. Any notice sent as provided above will be conclusively presumed to have been given whether or not actually received by the addressee.

***Effect of Redemption.*** If notice is given as described above under “Notice of Redemption” and the moneys for payment of the redemption price are on deposit with the Trustee, the Series 201[ ]-A Bonds called for redemption will be due and payable on the redemption date, interest on such Series 201[ ]-A Bonds will cease to accrue after such date, such Series 201[ ]-A Bonds will cease to be entitled to any lien, benefit or security under the Agreement, and the registered owners of the redeemed Series 201[ ]-A Bonds will have no rights under the Agreement after the redemption date other than the right to receive the redemption price for such Series 201[ ]-A Bonds.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 201[ ]-A BONDS

### General

The Series 201[ ]-A Bonds are limited obligations of LACMTA payable from and secured by a first lien on and a pledge of the Pledged Revenues, which are moneys collected as a result of the imposition of the Proposition A Sales Tax, less 25% thereof which constitutes the Local Allocation and less an administrative fee paid to the State Board of Equalization in connection with the collection and disbursement of the Proposition A Sales Tax. In addition, the Series 201[ ]-A Bonds are secured by all other amounts held by the Trustee under the Agreement except for amounts held in any rebate fund and any redemption fund. Additionally, the Agreement provides that Pledged Revenues also include any Local Allocation that a local jurisdiction authorizes to be pledged to secure the Series 201[ ]-A Bonds, plus such additional sources of revenue, if any, which are hereafter pledged to pay the Series 201[ ]-A Bonds under a subsequent supplemental trust agreement. As of the date of this Official Statement, no local jurisdiction has pledged any of its Local Allocation to secure any bonds issued under the Agreement, including the Series 201[ ]-A Bonds. Pledged Revenues do not include any Proposition A Sales Tax revenues that are released by the Trustee to (a) the payment of the Second Tier Obligations (as defined herein), (b) the payment of the Proposition A Commercial Paper Notes, or (c) LACMTA for the payment, if necessary, of the General Revenue Bonds (as defined herein) and certain other amounts described herein and any other lawful purposes of LACMTA.

**Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or public agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 201[ ]-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 201[ ]-A Bonds.**

**The Series 201[ ]-A Bonds are limited obligations of LACMTA and are payable, as to both principal and interest, solely from a first lien on and pledge of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, for the payment of the Series 201[ ]-A Bonds or interest on the Series 201[ ]-A Bonds.**

### Proposition A Sales Tax Obligations

LACMTA has outstanding a variety of obligations that are payable from the Proposition A Sales Tax, including sales tax revenue bonds, commercial paper notes and certain amounts owed under interest rate swap agreements, standby bond purchase agreements and pledge agreements. At this time, LACMTA has three priority levels of obligations: its First Tier Senior Obligations (which include all First Tier Senior Lien Bonds (including the Series 201[ ]-A Bonds)), its Second Tier Obligations (which include certain payments under interest rate swap agreements and certain other obligations) and its Third Tier Obligations (which include the Proposition A Commercial Paper Notes). Additionally, LACMTA has incurred other obligations which are secured by certain “remaining” Proposition A Sales Tax cash receipts. LACMTA has the ability to issue additional obligations that are payable from the Proposition A Sales tax if it satisfies certain tests. See “PROPOSITION A SALES TAX OBLIGATIONS.”

### Flow of Funds

Pursuant to an agreement between LACMTA and the State Board of Equalization, the State Board of Equalization is required to remit monthly directly to the Trustee the Proposition A Sales Tax

receipts after deducting the State Board of Equalization's costs of administering the Proposition A Sales Tax and after paying directly to LACMTA the Local Allocation (25% of net Proposition A Sales Tax cash receipts) (which for purposes of administrative ease is actually transferred first to the Trustee who then disburses the Local Allocation to LACMTA). Under the Agreement, the Trustee is required to deposit and apply the moneys received from the State Board of Equalization, as needed (75% of net Proposition A Sales Tax cash receipts), taking into consideration any other funds previously deposited or applied in such month for such purposes, as follows:

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

SECOND, to the credit of the Bond Principal Account for the First Tier Senior Lien Bonds, the Aggregate Accrued Principal for the current calendar month plus any Accrued Premium and any Deficiency existing on the first day of the calendar month plus any amount of principal which has become due and has not been paid and for which there are insufficient funds in the Bond Principal Account or other special account to be used to make such payment;

THIRD, to the credit of the Reserve Fund for the First Tier Senior Lien Bonds, such portion of the balance, if any, remaining after making the deposits to the Bond Interest Account and the Bond Principal Account described above, as is necessary to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement for the First Tier Senior Lien Bonds, or if the entire balance is less than the amount necessary, then the entire balance will be deposited into the Reserve Fund; provided, however, that so long as any Reserve Fund Insurance Policy is in effect and the Reserve Insurer is not in default of its obligations thereunder, the Trustee will pay the Reserve Insurer the greater of (i) the minimum amount required to be paid in accordance with the provisions of such Reserve Fund Insurance Policy and any related agreements between LACMTA and the Reserve Insurer, or (ii) the amount necessary to reinstate the amount available to be drawn under such Reserve Fund Insurance Policy in order to meet the Reserve Fund Requirement for the First Tier Senior Lien Bonds (see “—Reserve Fund for First Tier Senior Lien Bonds” below);

FOURTH, to make deposits for the payment of Second Tier Obligations; provided that the Trustee may not use any portion of the remaining allocation for the Rail Development Program (See “Table 2—Proposition A Sales Tax Apportionment”) to make payments under the Pledge Agreements; and

FIFTH, to pay any remaining amount to the trustee under a subordinate trust agreement in such amounts and at such times as will be needed to provide for payment of such obligations in accordance with a Supplemental Trust Agreement or Supplemental Trust Agreements relating to such subordinate debt, including but not limited to the obligation of LACMTA with respect to the Proposition A Commercial Paper Notes described herein.

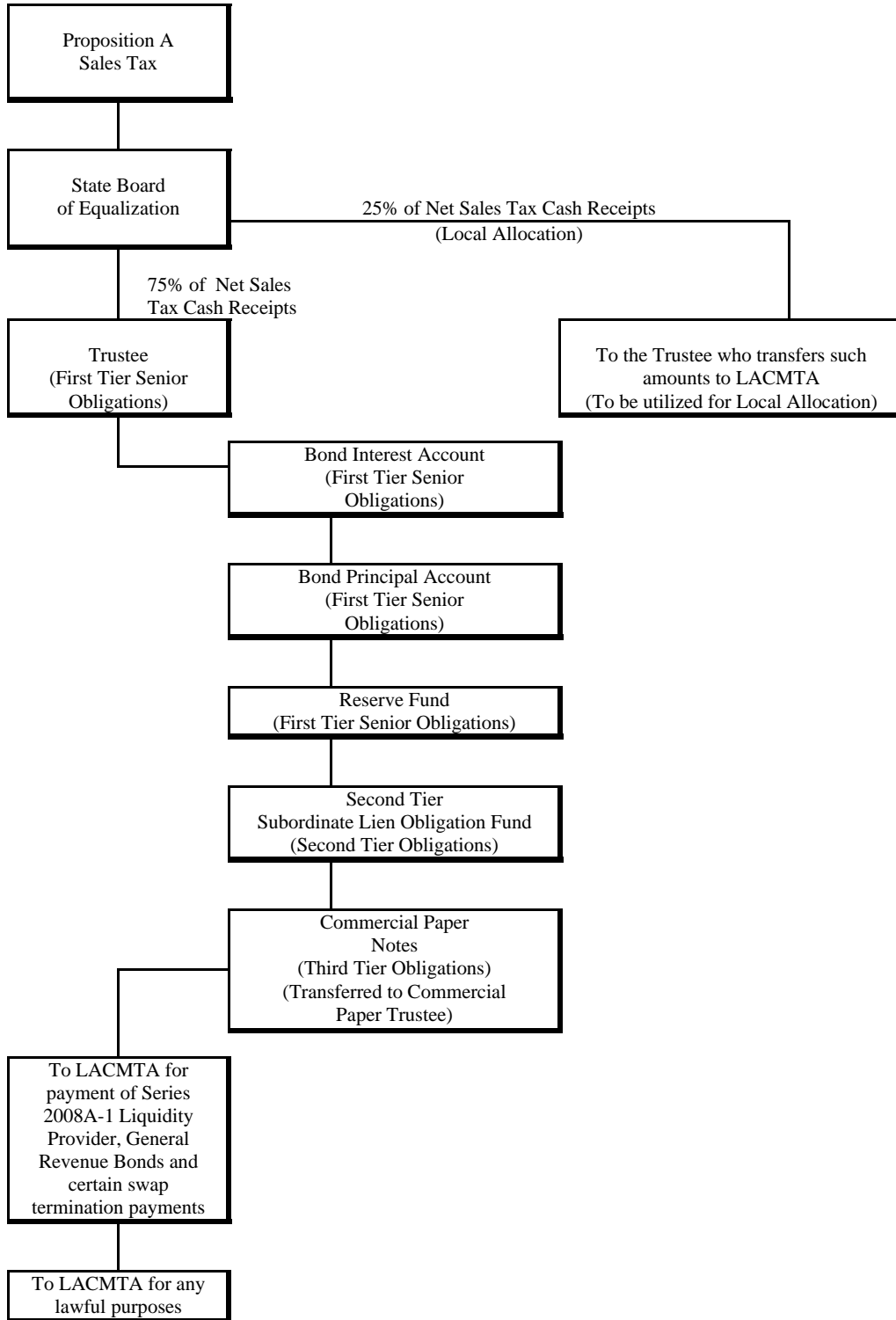
Any remaining funds will then be transferred to LACMTA and will be available to be used for any lawful purpose, and will no longer be available to pay debt service on the First Tier Senior Lien Bonds. LACMTA has granted pledges on the remaining Proposition A Sales Tax revenues to the payment of certain amounts under the [Series 2008-A1 Liquidity Facility (as defined herein), the payment of and reserve requirements for the General Revenue Bonds and termination payments under the Series



2008A Swap Agreements (as defined herein)]. See “PROPOSITION A SALES TAX OBLIGATIONS—Outstanding Proposition A Sales Tax Obligations—Other Obligations.” After the payment of the General Revenue Bonds, LACMTA may use any remaining Proposition A Sales Tax revenues in accordance with the provisions of Ordinance No. 16 (as defined herein).

Table 1 on the following page provides a graphic presentation of the flow of funds for Proposition A Sales Tax cash receipts.

**TABLE 1  
Proposition A Sales Tax  
Flow of Funds**



## **Reserve Fund for First Tier Senior Lien Bonds**

**General.** Pursuant to the Agreement, the Reserve Fund was established and is held by the Trustee and used to make payments of principal and interest with respect to all First Tier Senior Lien Bonds, including the Series 201[\_\_\_]-A Bonds, to the extent amounts in the Bond Interest Account or the Bond Principal Account are not sufficient to pay in full the interest on or principal (including accreted value) of the First Tier Senior Lien Bonds when due. The Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement, which is generally Maximum Annual Debt Service on outstanding First Tier Senior Lien Bonds. See “APPENDIX C—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS—Reserve Fund Requirement” for the complete definition of Reserve Fund Requirement.

Under the terms of the Agreement, LACMTA may substitute an insurance policy provided by a bond insurer or a letter of credit in lieu of or in partial substitution for cash or securities deposited in the Reserve Fund in order to meet the Reserve Fund Requirement. The entity providing a Reserve Fund Insurance Policy must be rated in one of the two highest classifications by Moody’s Investors Service Inc. (“Moody’s”) and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”). The Agreement provides that any Reserve Fund Insurance Policy is to be valued at its face value less any unreimbursed drawings (of which there currently are none). “APPENDIX C—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS—Reserve Fund Insurance Policy.”

On the date of delivery of the Series 201[\_\_\_]-A Bonds, the Reserve Fund Requirement is expected to equal approximately \$\_\_\_\_\_, which LACMTA anticipates will be satisfied in part by the AGM Reserve Policy with a policy limit of \$85,500,000, with the balance satisfied by cash and investments held in the Reserve Fund totaling approximately \$\_\_\_\_\_. The Reserve Fund Requirement is satisfied without taking into account the FGIC Reserve Policy described below.

**Proposed Amendments to Agreement Relating to Reserve Fund.** Pursuant to the Thirtieth Supplemental Trust Agreement, dated as of August 1, 2011, by and between LACMTA and the Trustee, upon their effectiveness, the following amendments will be made to the Agreement (the “Reserve Fund Amendments”):

- The last sentence of the definition of “Reserve Fund Insurance Policy” will be amended and restated in its entirety to read as follows:

“The entity providing such Reserve Fund Insurance Policy shall be rated, at the time such policy is delivered, in one of the two highest Rating Categories by both Moody’s and S&P.”

- The provisions relating to the Reserve Fund will be amended by adding the following provision at the end of those provisions:

“Notwithstanding the last sentence of the immediately preceding paragraph, if a Reserve Fund Insurance Policy has been deposited to the Reserve Fund, LACMTA hereby agrees that, if, at the time of valuation of the Reserve Fund, the entity providing such Reserve Fund Insurance Policy is not rated in one of the three highest Rating Categories by Moody’s and S&P, deposits shall be made into the Reserve Fund from and to the extent of Pledged Revenues (after deposits which are to be made before deposits in the Reserve Fund are made), at such times and in such amounts as directed by LACMTA, until (but in no event later than thirty-six (36) months following such valuation date) the

lesser of (a) an amount equal to the face value of such Reserve Fund Insurance Policy or (b) the amount necessary for the amount on deposit in the Reserve Fund to equal the Reserve Fund Requirement has been deposited to the Reserve Fund.”

The Reserve Fund Amendments will not become effective until such time as LACMTA receives (a) the consents, in writing, of the holders of not less than 60% in aggregate principal amount of the Outstanding First Tier Senior Lien Bonds and any other consents then required under the Agreement and (b) an opinion of Bond Counsel as required by the Agreement.

*[Under the terms of the [\_\_\_\_\_] Supplemental Agreement, the initial purchasers of the Series 201[\_\_\_]-A Bonds will be required to sign a written consent to the Reserve Fund Amendments.] [Discuss] [Make part of investor letter]*

**AGM Reserve Policy.** Generally, the AGM Reserve Policy unconditionally and irrevocably guarantees the payment of that portion of the principal of and interest on the First Tier Senior Lien Bonds that becomes due for payment but is unpaid by reason of “nonpayment” by LACMTA. “Nonpayment” means, in respect of a First Tier Senior Lien Bond, the failure of LACMTA to have provided sufficient funds for the payment in full of all principal and interest that is due for payment on such First Tier Senior Lien Bond. Nonpayment also includes any payment of principal or interest that is due for payment made to an Owner by or on behalf of LACMTA that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. The AGM Reserve Policy does not cover payments due as a result of optional redemption or acceleration of a First Tier Senior Lien Bond or payments of purchase price on tendered First Tier Senior Lien Bonds.

The AGM Reserve Policy will terminate on July 1, 2021. The AGM Reserve Policy is noncancellable and the premium therefor has been paid in full. The cash and investments that are expected to be in the Reserve Fund as of the date of delivery of the Series 201[\_\_\_]-A Bonds are in an amount at least sufficient to satisfy the Reserve Fund Requirement as of July 1, 2021 with respect to the portion of the First Tier Senior Lien Bonds that will be outstanding as of the date of delivery of the Series 201[\_\_\_]-A Bonds (excluding any future issuances of First Tier Senior Lien Bonds and assuming debt service is paid on the outstanding First Tier Senior Lien Bonds as scheduled). If LACMTA issues First Tier Senior Lien Bonds in the future or does not pay debt service on First Tier Senior Lien Bonds as scheduled, an additional deposit may be required to be made on (or before) July 1, 2021.

The AGM Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law or by the California Insurance Guaranty Association established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

If LACMTA fails to reimburse AGM for draws on the AGM Reserve Policy or to pay expenses and accrued interest thereon, AGM is entitled to exercise any remedies available to it, including those provided under the Agreement, other than (i) acceleration of the First Tier Senior Lien Bonds, or (ii) remedies which would adversely affect holders.

In addition, LACMTA and the Trustee have agreed with AGM that all cash and investments on deposit in the Reserve Fund will be used to pay debt service on the First Tier Senior Lien Bonds prior to any drawing on the AGM Reserve Policy or any other Reserve Policy and that draws on Reserve Policies will be made on a pro rata basis. Further, draws on the AGM Reserve Policy and any other Reserve Policy are required to be reimbursed on a pro rata basis prior to the replenishment of any cash withdrawn from the Reserve Fund.

***Assured Guaranty Municipal Corp.***

*The following information has been furnished by AGM for use in this Official Statement. LACMTA makes no representation as to the accuracy or the completeness of such information or as to the absence of material adverse changes in such information. Additionally, LACMTA undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of any material contained on the SEC's website or AGL's (as defined herein) website as described in this section including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.*

[Update to come]

***FGIC Reserve Policy.*** Concurrently with the issuance of the Proposition A Sales Tax Revenue Refunding Bonds, Series 1991B on December 4, 1991, Financial Guaranty Insurance Company ("Financial Guaranty"), issued the FGIC Reserve Policy in an amount not to exceed the lesser of \$111,463,547.50 or the Reserve Fund Requirement. The FGIC Reserve Policy terminates on July 1, 2021. The amount of cash and other investments in the Reserve Fund together with the AGM Reserve Policy satisfy the Reserve Fund Requirement without taking into account the FGIC Reserve Policy.

No review of the business or affairs of Financial Guaranty has been conducted in connection with the issuance of the Series 201[ ]-A Bonds. This Official Statement does not contain any financial information about Financial Guaranty or the FGIC Reserve Policy and does not refer to any such information that may be available elsewhere, and Financial Guaranty has not reviewed or approved this Official Statement.

Both before and after the occurrence of a payment or other default by LACMTA in respect of the Series 201[ ]-A Bonds, Financial Guaranty may be entitled to exercise certain rights and remedies pursuant to the Agreement and a debt service reserve policy agreement with LACMTA; such remedies will not include acceleration or remedies which would adversely affect the holders of First Tier Senior Lien Bonds. While the FGIC Reserve Policy remains in effect, and so long as Financial Guaranty is not in default with respect to its obligations thereunder, Financial Guaranty will be entitled to consent to certain changes in documents, and if past due amounts are owing to Financial Guaranty under the FGIC Reserve Policy, Financial Guaranty will have the right to consent to the issuance of additional First Tier Senior Lien Bonds. The interests of Financial Guaranty and the interests of the Bondholders may not be aligned with respect to these matters.

***Surety Replacement Account.*** Approximately \$32.4 million (the "Surety Replacement Deposit") is on deposit in the Surety Replacement Account as of July 15, 2012. These monies are being held in the Surety Replacement Account in order to assist in funding the Reserve Fund if AGM's ratings are downgraded such that it is no longer rated in one of the two highest classifications by both Moody's and S&P. The Surety Replacement Deposit will remain in the Surety Replacement Account until the earlier of such time as (a) it is transferred to the Reserve Fund as a result of a downgrade of AGM's ratings below "Aa3" by Moody's or below "AA-" by S&P, (b) Bond Counsel notifies LACMTA that the release of such monies is necessary for interest on the First Tier Senior Lien Bonds that financed the Surety Replacement Deposit to remain excluded from gross income for federal income tax purposes or to comply with applicable law, the Agreement or other related documentation or (c) LACMTA determines that AGM is no longer likely to have its rating downgraded such that it is no longer rated in one of the two highest classifications by both Moody's and S&P. In the case of (b) or (c) above, amounts in the Surety Replacement Account will be transferred to LACMTA to be used for any lawful purpose.

If AGM's ratings are downgraded such that it is no longer rated in one of the two highest classifications by both Moody's and S&P, then amounts remaining in the Surety Replacement Account will be transferred to the Reserve Fund and LACMTA will work with the Trustee to determine any other appropriate steps that should be taken. The AGM Reserve Policy may continue to be taken into consideration in determining the Reserve Fund Requirement. The monies deposited into the Surety Replacement Account are not in a sufficient amount to replace the AGM Reserve Policy in full.

### **Additional First Tier Senior Lien Bonds**

Upon compliance with the terms of the Agreement, LACMTA is permitted to issue Additional First Tier Senior Lien Bonds under the Agreement secured by Pledged Revenues on a parity basis with the Outstanding First Tier Senior Lien Bonds. First Tier Senior Lien Bonds may be issued for any purpose for which LACMTA at the time of issuance may incur debt, including, if LACMTA may then otherwise do so, for the purpose of loaning the proceeds to other entities.

Prior to issuance of any First Tier Senior Lien Bonds, including the issuance of the Series 201[ ]-A Bonds, there will be delivered to the Trustee, in addition to other items, a certificate prepared by a Consultant showing that 35% (or such greater percentage permitted by the immediately following paragraph) of the Proposition A Sales Tax collected for any 12 consecutive months out of the 15 consecutive months immediately preceding the issuance of the proposed First Tier Senior Lien Bonds was at least equal to 115% of Maximum Annual Debt Service for all First Tier Senior Lien Bonds which will be outstanding immediately after the issuance of the proposed First Tier Senior Lien Bonds.

If any city entitled to receive a Local Allocation has authorized the pledging of all or a portion of its share of the Local Allocation to secure the First Tier Senior Lien Bonds, the duration of such pledge is not less than the term of any First Tier Senior Lien Bonds then issued and Outstanding or currently proposed to be issued, and a certified copy of the city's ordinance, resolution or other official action authorizing the pledge and setting forth the terms of such pledge and a written opinion of bond counsel that the pledge of such portion of the Local Allocation is a valid pledge of LACMTA have been filed with the Trustee, then the reference to 35% in the immediately preceding paragraph will be replaced with the percentage which is equal to 35% plus the percentage determined by dividing the amount of the Local Allocation then included in Pledged Tax by the total Proposition A Sales Tax.

For purposes of the comparisons set forth in the Consultant's certificate, the actual historical Proposition A Sales Tax revenues may be adjusted by the Consultant if there has been or upon the issuance of the proposed First Tier Senior Lien Bonds there will be a change in the base upon which the Proposition A Sales Tax is imposed, the Proposition A Sales Tax revenues for the 12 months used in the comparisons will be adjusted to reflect the amount of Proposition A Sales Tax revenues which would have resulted had the change in the base occurred on the first day of such 12 month period.

Under the Agreement, "Maximum Annual Debt Service" generally means the greatest amount of principal and interest becoming due and payable on all First Tier Senior Lien Bonds in the fiscal year in which the calculation is made or in any subsequent fiscal year. However, if LACMTA issues variable rate bonds and enters into an interest rate swap agreement related to any First Tier Senior Lien Bonds, the Agreement permits LACMTA to use the fixed rate it pays under the interest rate swap agreement for purposes of determining the maximum amount of interest becoming due and payable on such First Tier Senior Lien Bonds. For a description of the interest rate swap agreements LACMTA has entered into and the First Tier Senior Lien Bonds to which such agreements relate, see "PROPOSITION A SALES TAX OBLIGATIONS—Outstanding Proposition A Sales Tax Obligations—Second Tier Obligations." For the definition of Maximum Annual Debt Service, see "APPENDIX C—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS."

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

## **PROPOSITION A SALES TAX AND COLLECTIONS**

### **The Proposition A Sales Tax**

Under the California Public Utilities Code, LACMTA is authorized to adopt retail transactions and use tax ordinances applicable in the incorporated and unincorporated territory of the County in accordance with California's Transaction and Use Tax Law (California Revenue and Taxation Code Section 7251 et seq.), upon authorization by a specified percentage of the electors voting on the issue. In accordance with the County Transportation Commissions Act (Section 130000 et seq. of the California Public Utilities Code (the "Transportation Commissions Act")), LACMTA, on August 20, 1980, adopted Ordinance No. 16 ("Ordinance No. 16") which imposed a retail transactions and use tax. Ordinance No. 16 was submitted to the electors of the County in the form of "Proposition A" and approved at an election held on November 4, 1980. Ordinance No. 16 imposes a tax of 1/2 of 1% of the gross receipts of retailers from the sale of tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County, subject to certain limited exceptions. The retail transactions and use tax imposed by Ordinance No. 16 and approved by the voters with the passage of Proposition A is referred to in this Official Statement as the "Proposition A Sales Tax." As approved by the voters, the Proposition A Sales Tax is not limited in duration. The validity of the Proposition A Sales Tax was upheld in 1982 by the California Supreme Court in *Los Angeles County Transportation Commission v. Richmond*. See "LITIGATION."

[Remainder of page intentionally left blank.]

Collection of the Proposition A Sales Tax is administered by the State Board of Equalization, which imposes a charge for administration. Such charge is based on the actual costs incurred by the State Board of Equalization in connection with the administration of the collection of the Proposition A Sales Tax. In accordance with Ordinance No. 16, LACMTA is required to allocate the proceeds of the Proposition A Sales Tax as follows:

**TABLE 2**  
**Proposition A Sales Tax Apportionment**

Use	Percentage
Local Allocation	25%
Rail Development Program <sup>1</sup>	35
Discretionary	<u>40</u>
TOTAL	<u>100%</u> <sup>2</sup>

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

<sup>2</sup> Up to 5% of the Proposition A Sales Tax revenues received by LACMTA may be used by LACMTA to pay administrative costs. Administrative costs are payable only from Proposition A Sales Tax revenues that have been released to LACMTA and are no longer Pledged Revenues. See “—Flow of Funds” below.

Source: LACMTA

As described below, the State Board of Equalization has agreed to remit directly on a monthly basis the remaining Proposition A Sales Tax revenues to the Trustee after deducting the costs of administering the Proposition A Sales Tax and disbursing the Local Allocation to LACMTA (which for purposes of administrative ease, is first transferred to the Trustee who then disburses the Local Allocation to LACMTA). After application of Proposition A Sales Tax revenues to the funds and accounts related to the First Tier Senior Lien Bonds in accordance with the Agreement, the Trustee is required to transfer the remaining unapplied Proposition A Sales Tax revenues for deposit to the funds and accounts established and maintained for the Second Tier Obligations and the Proposition A Commercial Paper Notes. Any Proposition A Sales Tax revenues remaining after the deposits described above are required to be released to LACMTA to be used by LACMTA first, to pay certain amounts owing to the [Series 2008-A1 Liquidity Provider (as defined herein) pursuant to the Series 2008-A1 Liquidity Facility, second, if necessary, to pay debt service on the General Revenue Bonds and termination payments under the Series 2008-A Swap Agreements, and third, for any lawful purposes of LACMTA.] The First Tier Senior Lien Bonds do not have a lien on and are not secured by any Proposition A Sales Tax revenues that are released by the Trustee and deposited to the funds and accounts established and maintained for the Second Tier Obligations or the [Proposition A Commercial Paper Notes or that are transferred to LACMTA to be used to pay certain amounts owing to the Series 2008-A1 Liquidity Provider under the Series 2008-A1 Liquidity Facility, debt service on the General Revenue Bonds, termination payments under the Series 2008-A Swap Agreements, or for any lawful purposes of LACMTA.]

The amount retained by the State Board of Equalization from collections of Proposition A Sales Tax is based on the total local entity cost reflected in the annual budget of the State of California, and includes direct, shared and central agency costs incurred by the State Board of Equalization. The amount retained by the State Board of Equalization is adjusted to account for the difference between the State



Board of Equalization’s recovered costs and its actual costs during the prior two fiscal years. For fiscal years 2010-2012, the State Board of Equalization’s fee for administering the Proposition A Sales Tax was as follows:

<b>Fiscal Year Ended (June 30)</b>	<b>Fee</b>	<b>Percentage of Proposition A Sales Tax Receipts</b>
2010	\$7.0	1.2%
2011	6.9	1.2
2012	6.2	1.0

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

Under the Agreement, LACMTA has covenanted that (a) it will not take any action which will impair or adversely affect in any manner the pledge of the Pledged Revenues or the rights of the holders of the First Tier Senior Lien Bonds, including the Series 201[\_\_\_]-A Bonds; and (b) it will be unconditionally and irrevocably obligated, so long as any of the First Tier Senior Lien Bonds, including the Series 201[\_\_\_]-A Bonds, are outstanding and unpaid, to take all lawful action necessary or required to continue to entitle LACMTA to receive the Pledged Revenues at the same rates as provided by law (as of the date of the Agreement), to pay from the Pledged Revenues the principal of and interest on the First Tier Senior Lien Bonds in the manner and pursuant to the priority set forth in the Agreement, and to make the other payments provided for in the Agreement.

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

The 1/2 of 1% Proposition A Sales Tax imposed by LACMTA in the County is in addition to the general sales tax levied statewide by the State of California (currently 8.25%) and is in addition to a 1/2 of 1% sales tax imposed by LACMTA in 1990 pursuant to Ordinance No. 49 of LACMTA known as “Proposition C” (such sales tax is referred to herein as the “Proposition C Sales Tax”), a 1/2 of 1% sales tax approved by County voters in November 2008 to fund LACMTA transportation projects and operations known as the “Measure R Sales Tax,” and taxes that apply only within certain cities in the County. These tax rates and the items subject to the Proposition A Sales Tax are subject to change. See “RISK FACTORS—California State Legislature or Electorate May Change Items Subject to Proposition A Sales Tax” and “—Increases in Sales Tax Rate May Cause Declines in Proposition A Sales Tax Revenues.” See also “APPENDIX A—THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—OUTSTANDING DEBT.”

## Initiatives and Changes to Proposition A Sales Tax

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

**The Act of 1998.** One such initiative was approved by the voters of the County in 1998 in the form of the “Metropolitan Transportation Authority Reform and Accountability Act of 1998” (the “Act of 1998”). The Act of 1998 prohibits the use of Proposition A Sales Tax and Proposition C Sales Tax to pay any costs of planning, design, construction or operation of any “New Subway,” including debt service on bonds, notes or other evidences of indebtedness issued for such purposes after March 30, 1998. “New Subway” is defined in the Act of 1998 to mean any rail line which is in a tunnel below the grade level of the earth’s surface (including any extension or operating segment thereof), except for Segment 1, Segment 2 and Segment 3 (North Hollywood) of the Red Line. The Act of 1998 does not limit the use of Proposition A Sales Tax or Proposition C Sales Tax revenues to provide public mass transit improvements to railroad right-of-ways. The Act of 1998 does not limit in any way the collection of the Proposition A Sales Tax or the Proposition C Sales Tax; it only limits the uses of such taxes. LACMTA believes that the proceeds of all obligations previously issued by LACMTA which are secured by the Proposition A Sales Tax and/or the Proposition C Sales Tax have been used for permitted purposes under the Act of 1998. **Therefore, the Act of 1998 has no effect on LACMTA’s ability to continue to use the Proposition A Sales Tax or the Proposition C Sales Tax to secure payment of its outstanding obligations secured by the Proposition A Sales Tax or the Proposition C Sales Tax. Additionally, LACMTA will covenant not to use the proceeds of the Series 201[ ]-A Bonds in a manner inconsistent with the provisions of the Act of 1998, and the Act of 1998 will not limit the ability of LACMTA to secure payment of the Series 201[ ]-A Bonds with a pledge of the Proposition A Sales Tax.**

As required by the Act of 1998, LACMTA contracted with an independent auditor to complete an audit with respect to the receipt and expenditure of Proposition A Sales Tax and Proposition C Sales Tax between the effective dates of Proposition A and Proposition C and June 30, 1998. The independent auditor completed the audit in November 1999. The Act of 1998 further requires LACMTA to contract for an independent audit each subsequent fiscal year to determine LACMTA’s compliance with the provisions of Proposition A, Proposition C and the Act of 1998 relating to the receipt and expenditure of Proposition A Sales Tax revenues and Proposition C Sales Tax revenues. For fiscal years 1999 through 2010, the independent auditors determined that LACMTA was in compliance with Proposition A, Proposition C and the Act of 1998 for each such respective fiscal year (the “Annual Act of 1998 Audit”).

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

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

### Historical Proposition A Sales Tax Collections

The following table presents, among other things, collections of net Proposition A Sales Tax revenues and corresponding Pledged Revenues for the fiscal years ended June 30, 2002 through June 30, 2011.

**TABLE 3**  
**Historical Net Proposition A Sales Tax Receipts,**  
**Local Allocations and Pledged Revenues**  
**(dollars in millions)**

<b>Fiscal Year</b>	<b>Net Sales Tax Revenue<sup>1</sup></b>	<b>Annual Percentage Change</b>	<b>Allocations to Local Governments<sup>2</sup></b>	<b>Pledged Revenues<sup>3</sup></b>
2002	\$526.0	(0.44)%	\$131.5	\$394.5
2003	548.3	4.24	137.1	411.2
2004	576.7	5.18	144.2	432.5
2005	619.5	7.42	154.9	464.6
2006	669.0	7.99	167.2	501.8
2007	686.2	2.57	171.5	514.6
2008	683.3	(0.42)	170.8	512.5
2009	620.8	(9.15)	155.2	465.6
2010	565.7	(8.88)	141.4	424.3
2011	601.9	6.38	150.5	451.4

<sup>1</sup> Reflects Proposition A Sales Tax revenues, reported according to accrual basis accounting, presented in LACMTA’s audited financial statements, less administrative fees paid to the State Board of Equalization. Rounded to the closest \$100,000.

<sup>2</sup> Rounded to the closest \$100,000.

<sup>3</sup> Net Sales Tax Revenue less Allocations to Local Governments. Rounded to the closest \$100,000.

Source: LACMTA

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

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

Quarter Ended	Quarterly Receipts (\$ millions)	Change from Same Period or Prior Year	Rolling 12 Months Receipts (\$ millions)	Change from Same Period or Prior Year
June 30, 2012	\$160.2	9.0%	\$642.6	8.5%
March 31, 2012	163.0	8.2	630.0	8.4
December 31, 2011	164.2	10.5	617.9	7.9
September 30, 2011	155.3	7.9	603.4	7.5
June 30, 2011	147.8	7.9	592.1	6.6
March 31, 2011	150.6	6.3	581.3	5.2
December 31, 2010	149.7	8.1	572.4	2.0
September 30, 2010	143.9	4.3	561.2	(5.3)
June 30, 2010	137.0	1.9	555.2	(11.5)

<sup>1</sup> Reported according to cash basis accounting.  
Source: LACMTA

The Proposition A Sales Tax receipts on a cash basis for a quarterly period are determined by sales tax revenues generated by sales activity generally occurring in the last two months of the previous quarter and the first month of the current quarter. For example, for the three-month period ended June 30, 2012, reported according to cash basis accounting, Proposition A Sales Tax receipts were approximately \$160.2 million, which receipts generally represented sales activity occurring in February, March and April of 2012. Total Proposition A Sales Tax receipts on a cash basis for fiscal year 2011 were approximately \$592.1 million compared to \$555.2 million for fiscal year 2010. For fiscal year 2012, Proposition A Sales Tax revenues (on a cash basis) were \$642.6 million or 6.2% over budget. LACMTA’s fiscal year 2013 budget assumes total Proposition A Sales Tax revenues of \$629.3 million, and Proposition A Sales Tax revenues net of Local Allocation of \$472 million.

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

## PROPOSITION A SALES TAX OBLIGATIONS

### General

LACMTA currently has three priority levels of obligations for Proposition A Sales Tax revenues: its First Tier Senior Lien Bonds (which includes the Series 201[\_\_\_]-A Bonds), its Second Tier Obligations and its Third Tier Obligations (which include the Proposition A Commercial Paper Notes).

LACMTA has incurred other obligations which are secured by certain “remaining” Proposition A Sales Tax cash receipts. See “—Outstanding Proposition A Sales Tax Obligations—Other Obligations.”

LACMTA had outstanding the following Proposition A Sales Tax obligations as of July 15, 2012: First Tier Senior Lien Bonds in the aggregate principal amount of \$1,394,895,000 (including the [Refunded Bonds/Tender Bond Candidates]) and Second Tier Obligations in the aggregate principal amount of \$22,690,000 (excluding any regularly scheduled payment obligations due under certain of LACMTA’s interest rate swap agreements). No Proposition A Commercial Paper Notes was outstanding as of July 15, 2012. See “—Outstanding Proposition A Sales Tax Obligations.”

LACMTA may issue additional First Tier Senior Lien Bonds upon the satisfaction of certain conditions contained in the Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 201[\_\_\_]-A BONDS—Additional First Tier Senior Lien Bonds.”

### Debt Service Coverage

The following table presents historical Pledged Revenues and First Tier Senior Lien Bond debt service coverage ratios for the fiscal years ended June 30, 2002 through June 30, 2011.

**TABLE 5**  
**Proposition A Pledged Revenues and**  
**Debt Service Coverage**  
**(dollars in millions)**

<b>Fiscal Year</b>	<b>Pledged Revenues<sup>1</sup></b>	<b>First Tier Senior Lien Bonds Total Debt Service<sup>2</sup></b>	<b>First Tier Senior Lien Bonds Debt Service Coverage Ratio</b>	<b>Pledged Revenues After Payment of First Tier Senior Lien Bonds<sup>3</sup></b>
2002	\$394.5	\$134.3	2.94x	\$260.2
2003	411.2	132.3	3.11	278.9
2004	432.5	131.5	3.29	301.0
2005	464.6	130.4	3.56	334.2
2006	501.8	141.5	3.55	360.3
2007	514.6	147.9	3.48	366.6
2008	512.5	148.1	3.46	364.4
2009	465.6	148.7	3.13	316.9
2010	424.3	156.5	2.71	267.8
2011	451.4	150.7	3.00	300.7

<sup>1</sup> 75% of Net Sales Tax Revenue (less administrative fee, special adjustments and local allocations). Rounded to closest \$100,000. See Table 3 above.

<sup>2</sup> Calculated on a bond year ending July 1 as opposed to a fiscal year ending June 30. Rounded to closest \$100,000.

<sup>3</sup> Rounded to the closest \$100,000.

Source: LACMTA and Public Financial Management, Inc.

## Outstanding Proposition A Sales Tax Obligations

Obligations of LACMTA payable from the Proposition A Sales Tax consist of sales tax revenue bonds, commercial paper notes, and certain amounts owed under interest rate swap agreements, a standby bond purchase agreement and pledge agreements.

**First Tier Senior Lien Bonds.** LACMTA had the following First Tier Senior Lien Bonds outstanding as of July 15, 2012.

**TABLE 6**  
**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A First Tier Senior Sales Tax Revenue Bonds**  
**(Outstanding as of July 15, 2012)**

<u>Proposition A First Tier Senior Sales Tax Revenue Bonds<sup>1</sup></u>	<u>Outstanding Principal Amount</u>
Senior Sales Tax Revenue Refunding Bonds, Series 2011-A	\$ 128,865,000
Senior Sales Tax Revenue Refunding Bonds, Series 2011-B	91,110,000
Senior Sales Tax Revenue Refunding Bonds, Series 2009-A	233,345,000
Senior Sales Tax Revenue Refunding Bonds, Series 2008-A1	64,175,000
Senior Sales Tax Revenue Refunding Bonds, Series 2008-A2	64,250,000
Senior Sales Tax Revenue Refunding Bonds, Series 2008-A3	64,250,000
Senior Sales Tax Revenue Refunding Bonds, Series 2008-A4	64,325,000
Senior Sales Tax Revenue Refunding Bonds, Series 2008-B	23,225,000
Senior Sales Tax Revenue Refunding Bonds, Series 2007-A	46,355,000
Senior Sales Tax Revenue Refunding Bonds, Series 2005-A	205,060,000
Senior Sales Tax Revenue Refunding Bonds, Series 2005-B	5,775,000
Senior Sales Tax Revenue Refunding Bonds, Series 2003-A <sup>2</sup>	160,525,000
Senior Sales Tax Revenue Refunding Bonds, Series 2003-B <sup>2</sup>	<u>243,635,000</u>
Total	<u>\$1,394,895,000</u>

<sup>1</sup> The First Tier Senior Lien Bonds are payable from and constitute prior first liens on Proposition A Sales Tax revenue.

<sup>2</sup> Upon the issuance of the Series 2012-A Bonds, \$\_\_\_\_\_ aggregate principal amount of the Series 2003-A Bonds will be purchased and cancelled by LACMTA, and \$\_\_\_\_\_ aggregate principal amount of the Series 2003-B Bonds will be purchased and cancelled by LACMTA]. Upon the issuance of the Series 2013-A Bonds, \$\_\_\_\_\_ aggregate principal amount of the Series 2003-A Bonds will be refunded and defeased, and \$\_\_\_\_\_ aggregate principal amount of the Series 2003-B Bonds will be refunded and defeased.

Source: LACMTA.

**Index Interest Rate Bonds.** On August 4, 2011, LACMTA converted the Series 2008-A2 Bonds, the Series 2008-A3 Bonds and the Series 2008-A4 Bonds (the “Index Interest Rate Bonds”) to bear interest at an Index Interest Rate. On the conversion date of the Index Interest Rate Bonds, the Series 2008-A2 Bonds were purchased by Sumitomo Mitsui Banking Corporation and the Series 2008-A3 Bonds and the Series 2008-A4 Bonds were purchased by RBC Capital Markets, LLC. The Index Interest Rate Bonds bear interest at a rate equal to the SIFMA Municipal Swap Index announced by Municipal Market Data plus an interest rate spread (currently 0.60% with respect to the Series 2008-A2 Bonds and 0.55% with respect to the Series 2008-A3 Bonds and the Series 2008-A4 Bonds). The Index Interest Rate Bonds will be subject to tender for purchase on August 1, 2014 unless extended or modified. Under the

terms of the Amended and Restated Twenty-Eighth Supplemental Trust Agreement, dated August 1, 2011, by and between LACMTA and the Trustee, the Series 2008-A2 Covenant Agreement (as defined herein) and the Series 2008-A3/A4 Bondholder's Agreement (as defined herein) the Index Interest Rate Bonds are subject to mandatory redemption upon certain specified events. See also "Other Obligations" below.

### *Second Tier Obligations.*

**Series 2008-A Swap Agreements.** In connection with the issuance of its First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2005-C1, Series 2005-C2, Series 2005-C3 and Series 2005-C4, LACMTA entered into an interest rate swap agreement with the Bank of Montreal ("BMO") and an interest rate swap agreement with Deutsche Bank AG, New York Branch ("Deutsche Bank"). These interest rate swap agreements are now associated with the Series 2008-A1, the Series 2008-A2, the Series 2008-A3 and the Series 2008-A4 (collectively, the "Series 2008-A Bonds") for purposes of calculating Maximum Annual Debt Service and are referred to herein as the "Series 2008-A BMO Swap Agreement" and the "Series 2008-A Deutsche Swap Agreement," respectively, and collectively as the "Series 2008-A Swap Agreements." BMO and Deutsche Bank are collectively referred to herein as the "Series 2008-A Swap Counterparties." Certain terms of the Series 2008-A Swap Agreements are included in "Table 7—Series 2008-A Swap Agreements" below.

LACMTA's obligations to pay the Series 2008-A Swap Counterparties a fixed amount under the respective Series 2008-A Swap Agreements are Second Tier Obligations. The terms of the Series 2008-A Swap Agreements do not alter any of the obligations of LACMTA with respect to the payment of principal of or interest on the Series 2008-A Bonds or any other First Tier Senior Lien Bonds. The payments received by LACMTA from the Series 2008-A Swap Counterparties due under the Series 2008-A Swap Agreements do not constitute Pledged Revenues and are not pledged to the payment of principal of or interest on the Series 2008-A Bonds or any other First Tier Senior Lien Bonds, although payments made by BMO and Deutsche Bank under the Series 2008-A Swap Agreements (other than termination payments) will be deposited in the Series 2008-A Interest Subaccount and will be used to pay interest on the Series 2008-A Bonds.

Under certain circumstances, LACMTA may be obligated to make termination payments to the Series 2008-A Swap Counterparties if the 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 Series 2008-A Swap Agreement is terminated. Such termination payments could be substantial. Estimated termination values that LACMTA would be required to pay are included in the table below. Such termination payments would be secured by a lien on Proposition A Remaining Sales Tax revenues on a parity with LACMTA's obligations to pay debt service on the General Revenue Bonds. See "—Other Obligations" below. However, LACMTA may have to incur additional indebtedness secured by Proposition A Sales Tax revenue and/or Proposition C Sales Tax revenue to make any termination payments on the applicable Series 2008-A Swap Agreement; any such additional indebtedness may include the issuance of First Tier Senior Lien Bonds.

Under the terms of the Series 2008-A Swap Agreements, LACMTA may be required to post collateral in favor of the applicable Series 2008-A Swap Counterparty if the estimated termination payment exceeds certain thresholds. As of July 15, 2012, LACMTA had \$1.0 million of collateral posted under the Series 2008-A BMO Swap Agreement and no collateral posted under the Series 2008-A Deutsche Swap Agreement.

The following table sets forth certain terms of the Series 2008-A Swap Agreements.

**TABLE 7**  
**Series 2008-A Swap Agreements**

	<u>Series 2008-A BMO Swap Agreement</u>	<u>Series 2008-A Deutsche Swap Agreement</u>
Counterparty	Bank of Montreal	Deutsche Bank AG, New York Branch
Associated First Tier Senior Lien Bonds	Series 2008-A1 and 2008-A2 Bonds	Series 2008-A3 and 2008-A4 Bonds
Current Notional Amount	\$128,425,000	\$128,575,000
Effective Date	August 23, 2005	August 23, 2005
Maturity Date	July 1, 2031	July 1, 2031
Fixed Rate Paid by LACMTA	3.373%	3.358%
Variable Rate Received by LACMTA	63% of USD-LIBOR + 0.14%	63% of USD-LIBOR + 0.14%
Estimated Termination Value as of July [___], 2012	\$[_____]	\$[_____]

Source: LACMTA

**Other Obligations.** On October 6, 1993, the Community Redevelopment Financing Authority of the Community Redevelopment Agency of the City of Los Angeles, California issued its Grand Central Square Multifamily Housing Bonds, 1993 Series A (the “Housing Bonds”) and its Grand Central Square Qualified Redevelopment Bonds, 1993 Series A (the “Redevelopment Bonds”). The Redevelopment Bonds were refunded on April 30, 2002 with the proceeds of The Community Redevelopment Agency of the City of Los Angeles, California Grand Central Square Qualified Redevelopment Bonds, 2002 Refunding Series A (the “Refunding Redevelopment Bonds”). The Housing Bonds were refunded on June 21, 2007 with the proceeds of The Community Redevelopment Agency of the City of Los Angeles, California Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series A (the “2007 Series A Refunding Housing Bonds”) and Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series B (the “2007 Series B Refunding Housing Bonds” and, together with the 2007 Series A Refunding Housing Bonds, the “Refunding Housing Bonds”). LACMTA is obligated (but only from LACMTA’s 40% discretionary share of Proposition A Sales Tax revenues described in Table 2 of this Official Statement) to make debt service payments with respect to the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds. To the extent the trustee for the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds has sufficient revenues and other funds, the trustee will reimburse LACMTA to the extent of its payment from such funds. As of July 15, 2012, \$22,690,000 aggregate principal amount of the 2007 Series B Refunding Housing Bonds and the Refunding Redevelopment Bonds were outstanding.

LACMTA’s regularly scheduled payment obligations under the Series 2008-A Swap Agreements, the Refunding Housing Bonds and the Refunding Redevelopment Bonds constitute “Second Tier Obligations,” and are payable from Proposition A Sales Tax revenues on a subordinate basis to the First Tier Senior Lien Bonds (including the Series 201[\_\_\_]-A Bonds).



**Third Tier Obligations.** Pursuant to the Subordinate Trust Agreement, dated as of January 1, 1991, as amended and supplemented, by and between LACMTA (as successor to the Commission) and U.S. Bank National Association, the successor to the BankAmerica Trust Company, as the successor to Security Pacific National Trust Company (New York), as trustee, LACMTA is authorized to issue up to \$350,000,000 aggregate principal amount of its Proposition A tax-exempt commercial paper notes (the “Proposition A Commercial Paper Notes”). As of July 15, 2012, no 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 First Tier Senior Lien Bonds (including the Series 201[\_\_\_]-A Bonds) and the Second Tier Obligations.

The Proposition A Commercial Paper Notes are supported by three letters of credit (the “Proposition A CP Letters of Credit”) issued by Barclays Capital PLC, Sumitomo Mitsui Banking Corporation and Union Bank. LACMTA’s reimbursement obligations under the reimbursement agreements entered into with respect to the Proposition A CP Letters of Credit are payable from Proposition A Sales Tax revenues on parity with the Proposition A Commercial Paper Notes and on a subordinate basis to the First Tier Senior Lien Bonds (including the Series 201[\_\_\_]-A Bonds) and the Second Tier Obligations. The following table sets forth certain terms of the Proposition A CP Letters of Credit.

**TABLE 8**  
**Proposition A CP Letters of Credit**

<b>Letter of Credit Provider</b>	Barclays Capital PLC	Sumitomo Mitsui Banking Corporation	Union Bank
<b>Amount of Letter of Credit</b>	\$149,999,447	\$49,996,187	\$49,996,187
<b>Issuance Date</b>	June 29, 2010	August 17, 2010	August 17, 2010
<b>Expiration Date</b>	June 29, 2013	August 17, 2012 <sup>1</sup>	August 17, 2012 <sup>1</sup>

<sup>1</sup> The LACMTA does not plan to replace the Proposition A CP Letters of Credit upon expiration. LACMTA will replace the existing Proposition A CP Letters of Credit if it issues additional Proposition A Commercial Paper Notes. As of July 15, 2012, no Proposition A Commercial Paper Notes was outstanding.  
Source: LACMTA

The Proposition A Commercial Paper Notes and LACMTA’s reimbursement obligations under the reimbursement agreements entered into with respect to the Proposition A CP Letters of Credit constitute “Third Tier Obligations.”

***Other Obligations.***

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

**Series 2008-A2 Covenant Agreement Series 2008-A3/A4 Bondholder’s Agreement.** and In connection with the purchase of the Series 2008-A2 Bonds by Sumitomo Mitsui Banking Corporation, LACMTA entered into a Covenant Agreement, dated August 4, 2011 (the “Series 2008-A2 Covenant

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

**General Revenue Bonds.** On September 22, 2004, LACMTA issued \$197,050,000 aggregate principal amount of its General Revenue Refunding Bonds (Union Station Gateway Project) Series 2004-A, Series 2004-B, Series 2004-C and Series 2004-D (the “Series 2004 General Revenue Bonds”). In July 2010, LACMTA issued \$79,620,000 aggregate principal amount of its General Revenue Refunding Bonds (Union Station Gateway Project) Series 2010-A (the “Series 2010-A General Revenue Bonds” and together with the Series 2004 General Revenue Bonds, the “General Revenue Bonds”) to finance the purchase and cancellation of a portion of the Series 2004 General Revenue Bonds. As of July 15, 2012, there was \$154,940,000 aggregate principal amount of General Revenue Bonds outstanding.

The General Revenue Bonds are secured by a pledge of farebox revenues, fee and advertising revenues (collectively, “General Revenues”) and Proposition A Sales Tax and Proposition C Sales Tax revenues that remain after the application of those revenues to the payment of principal and interest on the First Tier Senior Lien Bonds (including the Series 201[ ]-A Bonds), Second Tier Obligations and Third Tier Obligations, in the case of the Proposition A Sales Tax, and certain Proposition C Sales Tax secured obligations, in the case of the Proposition C Sales Tax (the “Proposition A Remaining Sales Tax” and the “Proposition C Remaining Sales Tax,” respectively). LACMTA’s obligation to pay principal of and interest on the General Revenue Bonds is secured by a lien on Proposition A Sales Tax that is junior and subordinate to the First Tier Senior Lien Bonds (including the Series 201[ ]-A Bonds), the Second Tier Obligations and the Third Tier Obligations as to the lien on and source and security for payment from Pledged Revenues.

LACMTA entered into an interest rate swap agreement (the “General Revenue Swap Agreement”) with Bank of Montreal (the “General Revenue Swap Provider”) in connection with the Series 2004 General Revenue Bonds. LACMTA’s obligation to make fixed payments of 3.501% under the General Revenue Swap Agreement is payable from LACMTA’s General Revenues (consisting primarily of farebox revenues), Proposition A Remaining Sales Tax and Proposition C Remaining Sales Tax on a parity with LACMTA’s obligation to pay interest on the General Revenue Bonds; however, LACMTA’s obligation to make termination payments, if any, due under the General Revenue Swap Agreement is subordinate to its obligations to pay debt service on the General Revenue Bonds. In connection with the purchase and cancellation of a portion of the Series 2004 General Revenue Bonds, LACMTA terminated the portion of the General Revenue Swap Agreement relating to the principal amount of the purchased and cancelled Series 2004 General Revenue Bonds so that the remaining notional amount of the General Revenue Swap Agreement corresponds to the principal amount of the Series 2004 General Revenue Bonds that remains outstanding, in the amount of \$86,175,000 as of July 15, 2012.

As of July [ ] , 2012, LACMTA estimates that the termination payment that LACMTA would be required to pay if the General Revenue Swap Agreement was terminated on that date would be approximately \$[ ] million. Under the terms of the General Revenue Swap Agreement, LACMTA may be required to post collateral in favor of the General Revenue Swap Provider if the estimated termination payment exceeds certain thresholds. As of July 15, 2012, LACMTA had no obligation to post collateral under the General Revenue Swap Agreement.

**COMBINED DEBT SERVICE SCHEDULE**

The following table shows the combined parity debt service requirements on LACMTA’s First Tier Senior Lien Bonds after giving effect to the issuance of the Series 201[\_\_\_]-A Bonds and the Series 201[\_\_\_]-A Bonds and [the refunding and defeasance of the Refunded Bonds][and the purchase and cancellation of the Purchased Bonds].

**TABLE 7**  
**Los Angeles County Metropolitan Transportation Authority**  
**Combined Debt Service Schedule**  
**First Tier Senior Lien Bonds<sup>1</sup>**

<b>Bond Years Ending July 1</b>	<b>Other Outstanding First Tier Senior Lien Bonds Debt Service<sup>2,3</sup></b>	<b>Series 201[___]-A Bonds Debt Service</b>			<b>Combined Total Debt Service First Tier Senior Lien Bonds</b>
		<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
Total					

<sup>1</sup> Numbers may not total due to rounding to nearest dollar.  
<sup>2</sup> Assumes the Series 2008-A1 Bonds and the Series 2008-A2 Bonds bear interest at a fixed interest rate of 3.373% (the fixed rate payable by LACMTA under the Series 2008-A BMO Swap Agreement), and the Series 2008-A3 Bonds and the Series 2008-A4 Bonds bear interest at a fixed interest rate of 3.358% (the fixed rate payable by LACMTA under the Series 2008-A Deutsche Swap Agreement).  
<sup>3</sup> Includes debt service on the Series 201[\_\_\_]-A Bonds which are expected to be issued on [\_\_\_\_\_], 201[\_\_\_] in the aggregate principal amount of \$\_\_\_\_\_.

Source: LACMTA and Public Financial Management Inc.

**LITIGATION**

There is no litigation pending or, to the knowledge of LACMTA, threatened, in any way questioning or affecting the validity of the Series 201[\_\_\_]-A Bonds, the imposition and collection of the Proposition A Sales Tax or the pledge of the Pledged Revenues. 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. Various claims of other types have been asserted against

LACMTA. See “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—Litigation.”

## LEGAL MATTERS

Legal matters incident to the issuance of the Series 201[ ]-A Bonds are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to LACMTA. The proposed form of the opinion to be delivered by Bond Counsel is attached hereto as Appendix D. As Bond Counsel, Kutak Rock LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for LACMTA by the Los Angeles County Counsel, General Counsel to LACMTA. Certain legal matters will be passed upon for LACMTA by Kutak Rock LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P.

## TAX MATTERS

*[It is a condition to the issuance of the Series 2013-A Bonds on the Settlement Date that Kutak Rock, LLP, Bond Counsel to LACMTA, deliver its approving opinion in substantially the form attached hereto as Appendix D. The ability of Bond Counsel to deliver such opinion is subject to the future activity of LACMTA, the receipt of certain certifications and Bond Counsel’s review and analysis at the time of the Series 2013-A Bonds and the related transactions in light of pertinent provisions of the laws, regulations, rulings and court decisions and interpretations thereof, then in effect or proposed to be in effect.]*

*The following discussion is provided to the prospective purchaser for the purposes of alerting them to the tax consequences that would be applicable if the Series 2013-A Bonds were issued and delivered as of the date of this Official Statement. HOWEVER, THERE IS NO ASSURANCE THAT THE FEDERAL AND STATE TAX LAW WILL REMAIN UNCHANGED BETWEEN THE DATE OF THIS OFFICIAL STATEMENT AND THE SETTLEMENT DATE. THE ACTUAL TAX CONSEQUENCES WILL BE ASSESSED BY BOND COUNSEL AT THE TIME OF THE ISSUANCE OF THE SERIES 2013-A BONDS.]*

### General

In the opinion of Kutak Rock LLP, Bond Counsel to LACMTA, under existing laws, regulations, rulings and judicial decisions, interest on the Series 201[ ]-A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by LACMTA with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be met subsequent to the issuance of the Series 201[ ]-A Bonds. Failure to comply with such requirements could cause interest on the Series 201[ ]-A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 201[ ]-A Bonds. LACMTA will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 201[ ]-A Bonds.

Notwithstanding Bond Counsel’s opinion that interest on the Series 201[ ]-A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such

corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 201[\_\_\_]-A Bonds is exempt from State of California personal income taxes.

The accrual or receipt of interest on the Series 201[\_\_\_]-A Bonds may otherwise affect the federal income tax liability of the owners of the Series 201[\_\_\_]-A Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 201[\_\_\_]-A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 201[\_\_\_]-A Bonds.

### **Backup Withholding**

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 201[\_\_\_]-A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 201[\_\_\_]-A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Series 201[\_\_\_]-A Bonds. An example is the American Jobs Act of 2011, proposed by President Obama on September 12, 2011 and introduced in the United States Senate on September 13, 2011. If enacted as introduced, a provision of the American Jobs Act of 2011 would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012, and as a result could affect the market price or marketability of the Series 201[\_\_\_]-A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 201[\_\_\_]-A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 201[\_\_\_]-A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 201[\_\_\_]-A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 201[\_\_\_]-A Bonds and Bond Counsel has expressed no opinion

as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

### **Tax Treatment of Original Issue Discount**

The Series 201[\_\_\_]-A Bonds maturing on July 1, 20\_\_ through, and including, July 1, 20\_\_, and the Series 201[\_\_\_]-A Bonds maturing on July 1, 20\_\_ through, and including, July 1, 20\_\_ (collectively, the “Discount Bonds”) are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described under “-General” above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

### **Tax Treatment of Original Issue Premium**

The Series 201[\_\_\_]-A Bonds maturing on July 1, 20\_\_ through, and including, July 1, 20\_\_, and the Series 201[\_\_\_]-A Bonds maturing on July 1, 20\_\_ through, and including, July 1, 20\_\_ (collectively, the “Premium Bonds”) are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal

income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

### **[Delayed Settlement; Delivery of Opinion of Bond Counsel]**

[The Series 2013-A Bonds will be sold pursuant to the terms of the Delayed Delivery Purchase Agreement pursuant to which LACMTA will agree to execute and deliver to the Underwriters, and the Underwriters will agree to accept and purchase from LACMTA, the Series 2013-A Bonds on the Settlement Date, subject to the satisfaction of certain conditions provided in the Delayed Delivery Purchase Agreement. Bond Counsel expects to be able to deliver on the Settlement Date opinions with respect to the exclusion of interest on the Series 2013-A Bonds from gross income for federal income tax purposes and from State personal income taxes and, assuming no material adverse changes in fact or in federal or State law and based upon certain representations, certifications and covenants of LACMTA, it will render an opinion substantially in the form and to the effect set forth in Appendix D. The issuance and delivery of the Series 2013-A Bonds on the Settlement Date will be subject to, among other things, receipt of such opinion of Bond Counsel.]

### **CONTINUING DISCLOSURE OBLIGATION**

At the time of issuance of the Series 201[\_\_\_]-A Bonds, LACMTA will execute a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), which will provide for disclosure obligations on the part of LACMTA. Under the Continuing Disclosure Certificate, LACMTA will covenant for the benefit of Owners and Beneficial Owners of the Series 201[\_\_\_]-A Bonds to provide certain financial information and operating data relating to LACMTA by not later than 195 days after the end of the prior fiscal year (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Listed Events”), if material. The Annual Reports and the notices of Listed Events will be filed with the MSRB through its EMMA System. LACMTA has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events. See “APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

### **UNDERWRITING**

[The Series 2013-A Bonds will be purchased by the Underwriters from LACMTA at a price of \$\_\_\_\_\_ (which is the par amount of the Series 2013-A Bonds, plus/less an original issue premium/discount of \$\_\_\_\_\_, less an underwriters’ discount of \$\_\_\_\_\_), subject to the terms of the Delayed Delivery Purchase Agreement. The Delayed Delivery Purchase Agreement provides that the Underwriters will purchase all of the Series 2013-A Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Delayed Delivery Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. [See “INTRODUCTION—Delayed Delivery of the Series 2013-A Bonds.”] The initial public offering prices of the Series 2013-A Bonds set forth on the inside of the front cover page hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2013-A Bonds to certain dealers (including dealers depositing the Series 2013-A Bonds into unit investment trusts or money market funds), at prices lower than the public offering prices or yields higher than the offering yields set forth on the inside of the front cover page hereof.]

[The Series 2012-A Bonds will be purchased by Morgan Stanley & Co., LLC, on its own and on behalf of [\_\_\_\_\_] (collectively, the “Underwriters”), from LACMTA at a price of \$\_\_\_\_\_ (which is the par amount of the Series 2012-A Bonds, plus/less an original issue premium/discount of

\$ \_\_\_\_\_, less an underwriters' discount of \$ \_\_\_\_\_), subject to the terms of a bond purchase agreement (the "Bond Purchase Agreement"), between Morgan Stanley & Co., LLC, as representative of the Underwriters, and LACMTA. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2012-A Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2012-A Bonds set forth on the inside of the front cover page hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2012-A Bonds to certain dealers (including dealers depositing the Series 2012-A Bonds into unit investment trusts or money market funds), at prices lower than the public offering prices or yields higher than the offering yields set forth on the inside of the front cover page hereof.]

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for LACMTA, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of LACMTA.

[Morgan Stanley & Co., LLC provided the information contained in this paragraph for inclusion in this Official Statement. Morgan Stanley, parent company of Morgan Stanley & Co., LLC, one of the underwriters of the Series 2012-A Bonds, has entered into a retail brokerage joint venture with Citigroup, Inc. As part of the joint venture, Morgan Stanley & Co., LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co., LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2012-A Bonds.]

[Other distribution agreements?]

### **FINANCIAL ADVISOR**

LACMTA has retained Public Financial Management, Inc. as Financial Advisor for the sale of the Series 201[ ]-A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Public Financial Management, Inc. is an independent advisory firm with its principal office in Philadelphia, Pennsylvania and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

### **FINANCIAL STATEMENTS**

The financial statements of LACMTA for the fiscal year ended June 30, 2011 and the Management's Discussion and Analysis and certain supplementary information, and the Independent Auditors' Report of KPMG LLP, independent accountants, dated December 29, 2011 (collectively, the



“2011 Financial Statements”) are included as “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011.” LACMTA’s financial statements as of June 30, 2011 and for the year then ended, included in this Official Statement, have been audited by KPMG LLP, independent accountants, as stated in their Report appearing in Appendix B. LACMTA has not requested, nor has KPMG LLP given, KPMG LLP’s consent to the inclusion in Appendix B of its Report on such financial statements. In addition, KPMG LLP has not performed any post-audit review of the financial condition of LACMTA and has not reviewed this Official Statement.

#### **[VERIFICATION OF MATHEMATICAL COMPUTATIONS]**

Grant Thornton LLP, a firm of independent public accountants (the “Verification Agent”), will deliver to LACMTA, its verification report indicating that it has verified the mathematical accuracy of the computations of (a) the adequacy of the maturing principal of and interest on the investments in the Escrow Funds and the other moneys in the Escrow Funds to pay, when due, the redemption price of and interest on the Refunded Bonds.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by LACMTA and [the Underwriters]. The Verification Agent will restrict its procedures to recalculating the computations provided by LACMTA and [the Underwriters] and will not evaluate or examine the assumptions or information used in the computations.]

#### **RATINGS**

Moody’s and S&P have assigned the Series 201[\_\_\_]-A Bonds ratings of “[\_\_\_]” ([\_\_\_] outlook) and “[\_\_\_]” ([\_\_\_] outlook), respectively. [See “INTRODUCTION—Delayed Delivery of the Series 201[\_\_\_]-A Bonds.”] Such credit ratings reflect only the views of such organizations and any desired explanation of the meaning and significance of such credit ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses, which are current as of the date of this Official Statement: Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007; and Standard & Poor’s, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the ratings will remain in effect for any given period of time or that any such rating will not be revised, either downward or upward, or withdrawn entirely, or a positive, negative or stable outlook announced, by the applicable rating agency, if, in its judgment, circumstances so warrant. LACMTA undertakes no responsibility to bring to the attention of the Owners of the Series 201[\_\_\_]-A Bonds any announcement regarding the outlook of any rating agency with respect to the Series 201[\_\_\_]-A Bonds. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series 201[\_\_\_]-A Bonds. Maintenance of ratings will require periodic review of current financial data and other updating information by assigning agencies.

#### **ADDITIONAL INFORMATION**

Additional information may be obtained upon request from the office of the Treasurer of the Los Angeles County Metropolitan Transportation Authority, One Gateway Plaza, Los Angeles, California 90012, Attention: Treasury Department, Telephone: (213) 922-4042, or from LACMTA’s Financial Advisor, Public Financial Management, Inc., Suite 6700, 633 West Fifth Street, Los Angeles, California 90071, Telephone: (213) 489-4075. LACMTA maintains a website at <http://www.metro.net>. Information on such website is not part of this Official Statement and such information has not been incorporated by

reference in this Official Statement and should not be relied upon in deciding whether to invest in the Series 201[\_\_\_]-A Bonds.

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY

By \_\_\_\_\_  
Chief Financial Services Officer and Treasurer

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## APPENDIX A

### LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

#### GENERAL

The Los Angeles County Metropolitan Transportation Authority (“LACMTA”) is the largest public transit operator west of Chicago. As the principal transit provider in the southern California region, LACMTA serves about 75% of all transit trips within its 1,433 square mile service area, carrying an estimated 1.1 million passengers per day on buses and nearly 300,000 passengers on rail. LACMTA operates three light rail lines, serving 56 stations along 60.7 miles of track and two heavy rail lines that serve 16 stations along 17.4 miles of track. In addition to the transit services provided by LACMTA, it also funds 40 other municipal operators that offer fixed-route service and more than 100 other local return and non-profit agencies that provide community-based transportation. LACMTA also provides highway construction funding and traffic flow management.

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code. LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Los Angeles County Transportation Commission (the “Commission”). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the “County”), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 4, 1980, the voters of the County approved the Proposition A Sales Tax pursuant to Ordinance No. 16. The Proposition A Sales Tax is in addition to a ½ of 1 percent sales tax imposed by LACMTA in 1990 known as “Proposition C Sales Tax” and a ½ of 1 percent sales tax imposed by LACMTA beginning in 2009 known as the “Measure R Sales Tax.”

#### **Board of Directors**

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

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

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

**Michael D. Antonovich, 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 and master's degree from California State University, Los Angeles.

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

**Richard Katz, Second Vice-Chair.** 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 10 years, he chaired the Assembly Transportation Committee and, in 1990, authored Proposition 111, a 10-year Transportation Blueprint that provided additional funding for mass transit and highways. Mr. Katz was instrumental in drafting legislation that created LACMTA 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.

**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 LACMTA'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 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 and 2011. 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 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 from UCLA School of Law.

**Don Knabe.** Mr. Knabe is the Los Angeles County Supervisor representing the Fourth Supervisorial District, having been elected in 1996 and re-elected in 2000, 2004 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.

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

**Ara Najarian.** Mr. Najarian was elected to the Glendale City Council in April of 2005 and re-elected in 2009 and 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 in Economics and later earned his Juris Doctor from University of Southern California School of Law.

**Pam C. O'Connor.** Ms. O'Connor has served on the Santa Monica City Council since 1994 and 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 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 to 2008) and chaired the Senate Committee on Business, Professions and Economic Development. Mr. Ridley-Thomas was first elected to public office in 1991, serving on the Los Angeles City Council for nearly a dozen years during which time he sat on the Board. He later served two terms in the California State Assembly, where he chaired the Committee on Jobs, Economic Development and the Economy and the Assembly Democratic Caucus. He earned a baccalaureate degree in Social Relations (minor in Government) and a master's degree in Religious Studies (concentration in Christian Ethics) from Immaculate Heart College. Mr. Ridley-Thomas received his Ph.D. in Social Ethics and Policy Analysis from the University of Southern California.

**Antonio Villaraigosa.** 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 LACMTA. 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 from UCLA and a law degree from the People's College of Law.

**Mel Wilson.** Mr. Wilson was appointed to the Board in 2011. Mr. Wilson is a broker-owner of ALTERA Real Estate Mel Wilson & Associates. He is a former NFL & Kodak All-American football player. Mr. Wilson is on the Board of Directors of the California Association of Realtors and is an active member of the National Association of Realtors. He served as President of the L.A. Countywide Citizens Planning Council and of the Chambers of Commerce of the San Fernando Valley and Pacoima. He was founding Chairman of the Pacoima Enterprise Zone Advisory Commission and a founding board member of the Valley Economic Alliance. Mr. Wilson previously served on the Board from 1993 to 1997.

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

**Michael Miles, Ex Officio Member.** Mr. Miles is the Director of the California Department of Transportation District 7 (Los Angeles and Ventura counties), having been appointed to this position in February 2010. Previously, he served as Deputy Director of Maintenance and Operations and was responsible for the division's day-to-day internal operations. Mr. Miles has been a member of the Caltrans organization since 1989 and has served on its executive management team. Mr. Miles serves on a number of national committees, including the National Academy of Science and the National Cooperative Highway Research Programs Innovations Deserving Exploratory Analysis. He earned his Bachelor of Science from California State Polytechnic University, Pomona.

## **Management**

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

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

**Chief Financial Services Officer and Treasurer.** Terry Matsumoto was appointed Chief Financial Services Officer and Treasurer in December 2006. Prior to this appointment, Mr. Matsumoto served as LACMTA'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 LACMTA. As Chief Financial Services Officer and Treasurer, he is responsible for the oversight of LACMTA's accounting, risk management and treasury functions,

including debt, investment, pension and benefits. He has also served as Executive Officer, Administration and Controller of LACMTA and as Director of Strategic Funding Analysis for LACMTA's Regional Transportation Planning and Development Division. Prior to joining LACMTA, Mr. Matsumoto was the Controller with the Community Redevelopment Agency of the City of Los Angeles. His prior experience includes managing financial functions for Republic Geothermal, Inc., divisional finance and administration for Tetra Tech, Inc., in Arlington, Virginia, and auditing functions for Coopers & Lybrand. He is a Certified Public Accountant and holds a Bachelor of Arts in Economics and an MBA from the UCLA.

### **Public Transportation Services Corporation**

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

### **RAPID TRANSIT SYSTEM**

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

### **Bus System**

LACMTA operates the second largest bus system in the United States. LACMTA provides bus service within its service area in the County and to portions of Orange and Ventura Counties, operating a vehicle fleet of over 2,200 buses. LACMTA's bus system covers more than 185 routes and serves approximately 16,000 bus stops, including two premium bus rapid transit dedicated busways. Systemwide, LACMTA buses provide more than 7.2 million revenue service hours annually with an average of approximately 1.1 million weekday boardings as of May 2012. In addition, LACMTA contracts with outside service providers, with approximately 46,600 average weekday boardings as of May 2012. Virtually all of LACMTA's bus fleet is composed of compressed-natural gas ("CNG") powered buses. The last diesel bus in the vehicle fleet directly operated by LACMTA was retired in January 2011, making LACMTA the first major transit agency in the United States to operate only alternative clean fueled buses. As of May 2012, the average age of LACMTA's bus fleet was approximately 8.5 years.

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



identified additional Metro Rapid corridors to be implemented through Fiscal Year 2007-08. Twenty-four of the 25 Metro Rapid corridors are now operating, representing nearly 400 miles in the City of Los Angeles, the County and 33 other cities. In addition to LACMTA, Santa Monica's Big Blue Bus and Culver CityBus operate Metro Rapid, and the remaining planned Metro Rapid corridor is expected to be provided by Torrance Transit. The Metro Rapid Program provides fast, frequent regional bus service throughout the County. Key features of the Metro Rapid Program include simple route layouts, frequent service, fewer stops, low-floor buses to facilitate boarding and alighting, color-coded buses and stations, and traffic signal priority. Currently, more than 350 CNG-powered buses serve 21 of the 24 major corridors now operating 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 LACMTA-owned right-of-way and one mile in mixed flow traffic on public streets. The Metro Orange Line has 14 stations, each located roughly one mile apart, with park and ride facilities at seven stations providing approximately 4,700 parking spaces. The Metro Orange Line opened in October 2005, at a total cost of \$273.1 million. Average weekday ridership was approximately 26,700 in May 2012. The Metro Orange Line Extension Project (the "MOL Extension"), a four-mile extension of the Metro Orange Line extending from the Canoga park-and-ride lot to the Chatsworth Metrolink Station, will open in Summer 2012. The MOL Extension includes: the busway, new station platforms at the Canoga park-and-ride lot, and new stations at Sherman Way (with park-and-ride), Roscoe Boulevard, Nordhoff Street, and the Chatsworth Metrolink Station (with park-and-ride). The estimated total cost for the MOL Extension is \$215.6 million.

## **Highway System**

The High Occupancy Vehicle ("HOV") lane program is a cooperative effort between Caltrans and LACMTA, and is funded through a combination of federal, State and local resources. In November 2002, the Board approved a comprehensive evaluation report for its HOV Performance Program that fully documents the user and regional mobility benefits of HOV investments. Freeways were analyzed to determine the best and most cost-effective way to use HOV lanes with other transit services. There were 535 lane miles of HOV lanes on Los Angeles freeways as of May 1, 2012. Some HOV lanes are being converted to allow not only high occupancy vehicles but other vehicles whose drivers pay a toll to drive in the converted HOV lanes.

LACMTA also provides highway construction funding and traffic flow management.

## **Rail System**

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

***Metro Blue Line.*** The Metro Blue Line was designed as a modern, state-of-the-art light rail transit line, which extends approximately 22 miles from downtown Los Angeles, where it links to the Metro Red Line, to the City of Long Beach. The Metro Blue Line passes through portions of the cities of Los Angeles, Long Beach, Compton, Carson and other cities, and certain unincorporated areas of the County. A portion of the Metro Blue Line utilizes a reserved, but not necessarily grade-separated, right-of-way on which electrically powered vehicles, drawing current from overhead wire, operate singly or in trains. Passenger service began in July 1990 and had estimated average weekday boardings of approximately 83,400 in May 2012.

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

***Metro Green Line.*** The Metro Green Line is a 19.5-mile light rail line linking the El Segundo employment area near the Los Angeles International Airport to the City of Norwalk near the San Gabriel River Freeway. The Metro Green Line has 14 stations including a station that intersects the Metro Blue Line and one that provides passenger connections to the Harbor Freeway Transitway, an elevated busway developed by Caltrans. Travel time between the terminal points of the Metro Green Line is approximately 35 minutes. The Metro Green Line began operations in August 1995, and had estimated average weekday boardings of approximately 45,000 in May 2012. The Metro Green Line Project budget was \$712.3 million and the project was completed within budget.

***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 of the Metro Gold Line between the Sierra Madre Villa station and downtown Los Angeles is approximately 35 minutes. The Metro Gold Line began operations in July 2003. The Metro Gold Line project budget was \$725 million, \$451 million of which was funded by the Pasadena Metro Blue Line Construction Authority and \$274 million of which was funded by LACMTA.

***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. Estimated average weekday boardings for the Gold Line, including the Eastside Extension, were approximately 43,600 in May 2012.

***Gold Line Foothill Extension.*** LACMTA has been working with the Metro Gold Line Foothill Extension Construction Authority to extend the existing Metro Gold Line from its current terminus in Pasadena to Montclair. The proposed extension consists of two phases. 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.

\$735 million of Measure R Sales Tax revenues have been allocated 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, DC. The Metro Red Line and Metro Purple Line are dual-rail steel-wheeled, high speed rapid subway systems that originally were to consist of a 19.7 mile 18-station line that was to connect the Los Angeles central business district to the San Fernando Valley, through the Wilshire Corridor and Hollywood, and to East Los Angeles through Union Station. However, due to the Act of 1998 and federal and State funding shortfalls, the development of the Metro Red Line and the Metro Purple Line has been drastically reduced, including the indefinite suspension of certain of the extensions. The Act of 1998 prohibits LACMTA from utilizing any of the Proposition A Sales Tax or the Proposition C Sales Tax revenues for the costs of planning, design, construction or operation of any new subway, including debt service on any obligations issued for such purposes after March 30, 1998. However, LACMTA is not precluded from continuing the construction of the Metro Red Line and the Metro Purple Line as long as such design, construction and operation are paid from funds other than Proposition A Sales Tax revenues and Proposition C Sales Tax revenues.

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

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

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

The average weekday ridership estimate for the entire Metro Red Line and Metro Purple Line was approximately 151,800 in May 2012. 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 LACMTA’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 “FUTURE TRANSPORTATION IMPROVEMENTS—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 LACMTA that is being designed and constructed by the Exposition Metro Line Construction Authority (“Exposition Authority”), a single purpose entity created under State law. The light rail 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 extends approximately 8.6 miles from downtown Los Angeles to Venice/Robertson in Culver City. Construction on the Exposition Project began in September 2006. In April 2012, Phase One began operation through the LaCienega/Expo Station. The two remaining stations in Phase One opened in June 2012. Phase Two of the Exposition Project will extend westward from the Venice/Robertson station, primarily along the old Pacific Electric Exposition right-of-way to 4th Street and Colorado in downtown Santa Monica.

In April 2005, the Board approved a full funding plan for Phase One of the 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; in July 2010, increased the budget to \$898.9 million; and in December 2010, the Board increased the budget to \$927.4 million. Pursuant to the current full funding plan for Phase One, approximately 88% of the projected total costs are to be paid from State and federal sources, and the remainder are to be paid from Proposition A Sales Tax revenues, Proposition C Sales Tax revenues and other local sources. A portion of the Phase Two project is being funded with proceeds of the Measure R Bonds (defined below).

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

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

On October 26, 1992, SCRRA opened the first three Commuter Rail (“Metrolink”) lines to downtown Los Angeles initiating commuter rail service for the first time ever in the County. Service is being provided between Los Angeles and Lancaster in the County, Oxnard in Ventura County, San Bernardino in San Bernardino County, Riverside in Riverside County, San Clemente in Orange County, and Oceanside in San Diego County. Metrolink also provides service between San Bernardino in San Bernardino County and Oceanside in San Diego County. The Metrolink system consists of seven lines totaling 512 miles and 55 stations. Average weekday boardings were approximately 43,400 for the third quarter of fiscal year 2012. These facilities were constructed within their project budgets and time specifications.

## **FUTURE TRANSPORTATION IMPROVEMENTS**

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

## **Long Range Transportation Plan**

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

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

Included in the 2009 LRTP is a projection of debt financing by LACMTA of \$14.3 billion through Fiscal Year 2040, composed of a combination of Proposition A, Proposition C and Measure R-secured debt. Of the total projected amount of LACMTA debt issuance, approximately \$7.5 billion was estimated to be financed over the first ten years of the 2009 LRTP, through Fiscal Year 2019. In March 2010, the Board adopted near-term strategies and priority-setting criteria for developing the 2010 Los Angeles County Transportation Improvement Program (the “TIP”) and to address revenue shortfalls. The Board updated the March 2010 TIP action in April 2011. Projections prepared in connection with the TIP reduced the projected debt issuance to \$4.6 billion through Fiscal Year 2019, reflecting lower sales tax revenue projections and changes in project timing and costs. 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.

## **LABOR RELATIONS**

### **General**

As of June 1, 2012, LACMTA had approximately 9,200 employees, of which approximately 88% are covered by labor agreements. Full and part-time LACMTA bus and train operators are represented by the United Transportation Union (“UTU”); LACMTA mechanics and service attendants are members of the Amalgamated Transit Union (“ATU”); LACMTA clerks are members of the Transportation Communications Union (“TCU”); bus and rail transportation and maintenance supervisors are members of the American Federation of State County and Municipal Employees (“AFSCME”); and LACMTA security guards are members of the Teamsters Union. The following table summarizes the number of employees covered by, and the expiration dates of, the labor agreements of LACMTA with each of its employee bargaining units as of June 1, 2012.

<b>Employee Bargaining Unit</b>	<b>Number of Employees</b>	<b>Contract Expiration Date</b>
United Transportation Union	4,529	06/30/14
Amalgamated Transit Union	2,197	06/30/10
Transportation Communications Union	691	06/30/10
American Federation of State, County and Municipal Employees	633	06/30/11
Teamsters Union	71	09/30/10

In June 2006, LACMTA 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. In June 2008, LACMTA and AFSCME reached a successor agreement for a three-year term ending June 30, 2011. In December 2011, LACMTA and UTU reached an agreement for a four-year term for the period of July 1, 2010 through June 30, 2014. [TCU and Teamsters are operating on day-to-day contract extensions.] ATU has not signed an extension. Negotiations between LACMTA and the ATU, TCU, Teamsters and AFSCME employee bargaining units are continuing. There are not imminent job actions at this time.

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

### **Defined Benefit Pension Plan**

LACMTA has a single-employer public employee retirement system that includes five defined benefit plans (the “Plans”) that cover substantially all employees (except PTSC employees) and provides retirement, disability, and death benefits. The benefit provisions and all other requirements are established by State statute, ordinance, collective bargaining agreements or Board actions. Four of the Plans are restricted to specific union members, while the fifth provides benefits to non-represented employees and to members of the Teamsters Union. In addition, LACMTA provides pension benefits to most PTSC employees through a defined benefit plan administered by the California Public Employees’ Retirement System (“PERS”), a multiple-employer pension system. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. For a description of these defined benefit plans and LACMTA’s obligations to make contributions to these plans, see “Note III—DETAILED NOTES ON ALL FUNDS—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, 2011.”

### **Other Post-Employment Benefits**

LACMTA provides post-employment health care and life insurance benefits for retired employees and families. Pursuant to Governmental Accounting Standards Board Pronouncement No. 45,

“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB),” LACMTA is required to account for its expenses and a portion of the present value of future expenses related to these benefits. For a description of these benefits, LACMTA’s obligations to account for certain projected future costs of these benefits and other matters regarding these benefits, see “Note III—DETAILED NOTES ON ALL FUNDS—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, 2011.”

## OUTSTANDING DEBT

### General

In addition to obligations issued by LACMTA that are secured by Proposition A Sales Tax, LACMTA has issued debt secured by the Proposition C Sales Tax, the Measure R Sales Tax, and other revenues of LACMTA, and may issue additional obligations so secured upon satisfaction of certain additional bonds tests in the applicable indentures governing such debt. See “FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan” above. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 201[\_\_\_]-A BONDS” in the front part of this Official Statement for a discussion of obligations secured by the Proposition A Sales Tax.

### Debt and Interest Rate Swap Policies

In September 2011, the Board approved an updated Debt Policy for LACMTA (the “Debt Policy”). The Debt Policy sets forth guidelines for the issuance and management of LACMTA’s debt. Among other things, the Debt Policy requires LACMTA to develop a capital improvement plan which includes the capital projects LACMTA plans to undertake in future years. Capital improvement plans were adopted with the annual budgets for Fiscal Years 2000 through 2013. The Debt Policy also sets forth guidance on the type of debt that may be incurred by LACMTA (e.g., long-term versus short-term), the source of payment for such debt, and other factors to be considered when incurring debt.

In September 2011, the Board approved an updated Interest Rate Swap Policy for LACMTA (the “Swap Policy”). The Swap Policy includes guidelines to be used by LACMTA when entering into interest rate swaps and management practices that address the special risks associated with interest rate swaps. The Swap Policy requires that LACMTA evaluate the risks, on an ongoing basis, of existing interest rate swaps. The interest rate swap agreements into which LACMTA has entered are described under “PROPOSITION A SALES TAX OBLIGATIONS” in the front part of this Official Statement and below.

### Proposition C Sales Tax Obligations

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

**Proposition C Senior Sales Tax Revenue Bonds.** LACMTA had the following Proposition C Senior Sales Tax Revenue Bonds outstanding as of July 15, 2012:

**Los Angeles County Metropolitan Transportation Authority  
Proposition C Senior Sales Tax Revenue Bonds  
(Outstanding as of July 15, 2012)**

<b>Proposition C Senior Sales Tax Revenue Bonds<sup>1</sup></b>	<b>Outstanding Principal Amount<sup>2,3</sup></b>
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2010-A	\$ 37,150,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-A1	82,825,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-A2	82,800,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-B	229,765,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-C <sup>2</sup>	89,625,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-D	88,335,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-E	107,330,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2008-A	90,985,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2006-A	127,495,000
Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2004-A	148,640,000
Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2003-A	11,075,000
Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 1999-A <sup>3</sup>	<u>15,020,000</u>
Total	<u>\$1,111,045,000</u>

<sup>1</sup> The Proposition C Senior Sales Tax Revenue Bonds are payable from, and constitute prior first liens on, Proposition C Sales Tax revenue.

<sup>2</sup> On July 26, 2012, LACMTA issued \$[ ] aggregate principal amount of its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-B, the proceeds of which will be used, among other things, to refund and defease all of the outstanding Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-C.

<sup>3</sup> On July 26, 2012, LACMTA issued \$[ ] aggregate principal amount of its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-A, the proceeds of which will be used, among other things, to refund and defease all of the outstanding Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 1999-A.

Source: LACMTA.

**Index Interest Rate Bonds (Proposition C Series 2009-A1 Bonds).** On February 23, 2012, LACMTA converted the Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-A1 (the “Proposition C Series 2009-A1 Bonds”) to bear interest at an Index Interest Rate. On the conversion date, the Proposition C Series 2009-A1 Bonds were purchased by U.S. Bank National Association. The Proposition C Series 2009-A1 Bonds bear interest at a rate equal to 75% of LIBOR plus an interest rate spread (currently 0.485%). The Proposition C Series 2009-A1 Bonds will be subject to tender for purchase on February 23, 2015 unless extended or modified. Under the terms of a supplemental trust agreement and the Proposition C Series 2009-A1 Bondholder’s Agreement (as defined herein) the Proposition C Series 2009-A1 Bonds are subject to mandatory redemption upon certain specified events. See also “Other Proposition C Obligations” below.

***Proposition C Senior Parity Debt.*** LACMTA has designated as Proposition C Senior Parity Debt its obligations to make regularly scheduled payments under an interest rate swap agreement and its obligation to make certain reimbursements under a standby bond purchase agreement from Proposition C Sales Tax revenues on parity with the Proposition C Senior Sales Tax Revenue Bonds.

**Proposition C Swap Agreement.** LACMTA is party to an interest rate swap agreement (the “Proposition C Swap Agreement”) with Wells Fargo Bank N.A. (“Wells Fargo”), as successor to Wachovia Bank, National Association. Certain terms of the Proposition C Swap Agreement are set forth in the following table.



## Proposition C Swap Agreement

	<b>Proposition C Wells Fargo Swap Agreement</b>
Counterparty	Wells Fargo Bank N.A.
Associated Proposition C Senior Bonds	Proposition C Series 2009-A1 and Series 2009-A2 Bonds
Current Notional Amount	\$165,625,000
Effective Date	November 18, 2010
Maturity Date	July 1, 2023
Fixed Rate Paid by LACMTA	3.454%
Variable Rate Received by LACMTA	68% of USD-LIBOR
Estimated Termination Value as of July [___], 2012	\$[_____]

Source: LACMTA

LACMTA's obligations to pay Wells Fargo (the "Proposition C Swap Counterparty") the applicable net regularly scheduled payment under the Proposition C Swap Agreement constitutes Proposition C Senior Parity Debt and, as such, is secured on a parity basis with the Proposition C Senior Sales Tax Revenue Bonds. The terms of the Proposition C Swap Agreement does not alter any of the obligations of LACMTA with respect to the payment of principal of or interest on the related Proposition C Senior Sales Tax Revenue Bonds. The payments received by LACMTA from the Proposition C Swap Counterparty due under the Proposition C Swap Agreement is not pledged to the payment of principal of or interest on any Proposition C Senior Sales Tax Revenue Bonds.

Under certain circumstances, LACMTA may be obligated to make a termination payment to the Proposition C Swap Counterparty if the Proposition C Swap Agreement is terminated in whole or in part prior to its scheduled termination date. The amount of any such termination payment will be determined by several factors, including the level of comparable interest rates at the time the Proposition C Swap Agreement is terminated. Any such termination payment could be substantial and would be due immediately upon termination of the Proposition C Swap Agreement. The Proposition C Swap Agreement 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. The estimated termination amount that would be payable by LACMTA under the Proposition C Swap Agreement is included in the table below.

Under the terms of the Proposition C Swap Agreement, LACMTA may be required to post collateral in favor of the Proposition C Swap Counterparty if the estimated termination payment exceeds certain thresholds. The Proposition C Swap Agreements provides that LACMTA'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 Sales Tax Revenue Bonds. As of July 15, 2012, LACMTA had \$500,000 in collateral posted under the Proposition C Wells Fargo Swap Agreement.

**Proposition C Liquidity Facility.** LACMTA has entered into a standby bond purchase agreement to support certain of its Proposition C variable rate obligations. In connection with its Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-A2 Bonds, LACMTA entered into a standby bond purchase agreement (the “Proposition C Series 2009-A2 Standby Bond Purchase Agreement”) with Mizuho Corporate Bank, Ltd., acting through its New York Branch (“Mizuho”). LACMTA’s obligation to make reimbursement payments to Mizuho under the Proposition C Series 2009-A2 Standby Bond Purchase Agreement constitutes Proposition C Senior Parity Debt and is secured on a parity basis with the Proposition C Senior Sales Tax Revenue Bonds.

The following table sets forth certain terms of the Proposition C Series 2009-A2 Standby Bond Purchase Agreement and the Proposition C Series 2009-A2 Bonds.

<b>Proposition C Series 2009-A2 Standby Bond Purchase Agreement</b>	
Outstanding Principal of Proposition C Series 2009-A2 Bonds	\$[83,025,000]
Liquidity Provider	Mizuho Corporate Bank, Ltd.
Issuance Date	February 23, 2012
Expiration Date	February 23, 2015
Current Interest Rate Mode	Daily

Source: LACMTA

**Additional Proposition C Senior Sales Tax Revenue Bonds and Senior Parity Debt.** LACMTA may incur additional Proposition C Senior Sales Tax Revenue Bonds and Senior Parity Debt upon the satisfaction of certain additional bonds tests.

***Proposition C Subordinate Lien Obligations.*** On June 9, 1993, LACMTA 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 July 15, 2012, the Proposition C Commercial Paper Notes were outstanding with a maturity value of \$22,603,000. 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 Sales Tax Revenue Bonds and the Proposition C Senior Parity Debt.

The Proposition C Commercial Paper Notes are supported by a letter of credit (the “Proposition C CP Letter of Credit”) issued by Bank of America, N.A. The following table sets forth certain terms of the Proposition C CP Letter of Credit.

## Proposition C CP Letter of Credit

<b>Letter of Credit Provider</b>	Bank of America, N.A.
<b>Amount of Letter of Credit</b>	\$150,000,000
<b>Issuance Date</b>	May 12, 2010
<b>Expiration Date</b>	May 12, 2013

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Source: LACMTA

### *Other Proposition C Obligations.*

**Proposition C Series 2009-A1 Bondholder's Agreement.** In connection with the purchase of the Proposition C Series 2009-A1 Bonds by U.S. Bank National Association, LACMTA entered into a Bondholder's Agreement, dated February 23, 2012 (the "Proposition C Series 2009-A1 Bondholder's Agreement"), by and between U.S. Bank National Association and LACMTA. Pursuant to the Proposition C Series 2009-A1 Bondholder's Agreement, LACMTA is obligated to pay certain specified fees and other amounts, which are payable from Proposition C revenues on a subordinate basis to the Proposition C Senior Sales Tax Revenue Bonds, the Proposition C Senior Parity Debt and the Proposition C Commercial Paper Notes.

### **Measure R**

On November 16, 2010, LACMTA issued \$732,410,000 aggregate principal amount of its Measure R Senior Sales Tax Revenue Bonds, Series 2010-A and Series 2010-B (the "Measure R Bonds") to finance certain transportation projects. These bonds are payable from the Measure R Sales Tax. As of July 15, 2012, there was \$717,210,000 aggregate principal amount of the Measure R Bonds outstanding. LACMTA may incur additional debt secured by and payable from the Measure R Sales Tax.

### **Lease/Leaseback and Lease-to-Service Obligations**

From January 1997 through July 2003, LACMTA entered into 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, LACMTA entered into a head lease as lessor with an investor and simultaneously into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments which were invested in fixed income investments in an amount that, including interest income, will be sufficient to fund all scheduled sublease payments through exercise of the early buyout option. LACMTA has realized \$64.7 million in net benefit after funding of fixed income investments and payment of transaction expenses.

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

The proceeds from the various finance obligations have been recorded as lease 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.

In the current market environment, most products specified in the lease/leaseback transaction documents as acceptable replacement facilities are not available. Since May 2011, LACMTA has reached agreements with two lessors to terminate the respective lease/leaseback transactions with minimal settlement costs and has reached agreement with two other lessors to post collateral under three leases in lieu of obtaining a replacement facility. Failure to reach a solution with the two remaining lessors could result in early termination and could require LACMTA to pay up to \$30 million, plus legal costs.

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, 2011.”

## **INVESTMENT POLICY**

### **General**

Certain features of LACMTA’s Investment Policy are summarized in “Note III—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011.”

### **Investment Balances**

As of March 31, 2012 (based on unaudited financial information), LACMTA had approximately \$2.38 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 March 31, 2012, LACMTA also had approximately \$1.75 billion in book value deposited in discretionary (operating) accounts. Such discretionary investments are summarized below:

<b>Investments</b>	<b>Percentage of Total Book Value as of March 31, 2012</b>
Los Angeles County Investment Pool	
Local Agency Investment Fund	5.6%
Bank Deposits	<u>2.1</u>
Subtotal Los Angeles County Investment Pool	7.7%
Managed Investments	
U.S. Treasuries	31.2%
Federal Agencies	26.6
Corporate Notes	19.9
Commercial Paper	8.8
Municipal securities	3.2
Money Market Funds	2.0
Asset Backed Securities	<u>0.7</u>
Sub Total Managed Investments	92.3
Total Cash and Investments*	100.0%

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

As of March 31, 2012, the liquid reserve of the discretionary accounts, which totaled approximately \$565 million in both book value and market value, was managed internally by LACMTA and had an average maturity of 39 days. LACMTA's Investment Policy prohibits investing in reverse repurchase agreements.

The total market value of the Los Angeles County Pool as of March 31, 2012 was approximately \$23.12 billion. As of March 31, 2012 approximately 50.94% of the investments mature within 60 days, with an average of 582 days to maturity for the entire portfolio.

Additional information regarding LACMTA's investments are included in "Note III—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments" in the Notes to the Financial Statements in "APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

## 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. LACMTA does not believe such decision has any effect on the validity of LACMTA's Proposition A Sales Tax.

## **Construction Litigation**

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

## **Federal Transit Administration Review**

On November 15, 2010, the Bus Riders Union (“BRU”) filed a complaint with the Federal Transit Administration (“FTA”), alleging LACMTA was prioritizing rail service over bus service to the detriment of minority and low-income communities and in violation of Title VI of the Civil Rights Act of 1964. U.S. Department of Transportation (“USDOT”) regulations require that public transportation services be provided in a nondiscriminatory manner. To implement this requirement, USDOT regulations and the FTA Title VI guidance require that transit agencies receiving federal assistance (which includes LACMTA) evaluate whether any major service change may have discriminatory (disparate) impact on minority passengers as compared to non-minority passengers before implementing the service change. On March 9, 2011, the FTA administratively closed the complaint and initiated a comprehensive Title VI compliance review of LACMTA in order to address the allegations raised in the complaint. The FTA conducted an initial Title VI compliance review of LACMTA in July 2011 and issued a final Compliance Review Report (the “Compliance Report”) in December 2011. In the Compliance Report, the FTA found LACMTA deficient in five of the twelve areas examined. LACMTA subsequently addressed three areas of deficiency to the satisfaction of the FTA, leaving two areas of deficiency open. LACMTA is currently working with the FTA to address the final two areas deficiency. In order to comply with USDOT regulations and the FTA Title VI guidance, LACMTA could be required to restore or add bus service. LACMTA will comply with all USDOT civil rights regulations and the FTA Title VI guidance. Failure to comply could result in LACMTA losing federal assistance for its operations and capital program. At this time, LACMTA expects all five deficiencies to be rectified by January 31, 2013. At this time, LACMTA cannot predict the ultimate outcome of the FTA review.

## **Other Litigation**

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

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**APPENDIX B**

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL  
STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



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**APPENDIX C**

**SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS**

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**APPENDIX D**

**PROPOSED FORM OF BOND COUNSEL'S OPINION**

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the Los Angeles County Metropolitan Transportation Authority (the “Authority”) in connection with the issuance of its \$\_\_\_\_\_ Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 201[\_\_\_]-A (the “Series 201[\_\_\_]-A Bonds”) pursuant to the terms of the Agreement (as defined herein). The Authority covenants and agrees as follows:

#### **Section 1. Definitions.**

“*Agreement*” collectively, the Trust Agreement, dated as of July 1, 1986, as amended and supplemented, by and between the Authority (as successor to the Los Angeles County Transportation Commission) and The Bank of New York Mellon Trust Company, N.A., as successor in interest to Wells Fargo Bank, N.A., the successor to First Interstate Bank of California, as trustee (the “Trustee”), and the [\_\_\_\_\_] Supplemental Trust Agreement, dated as of [\_\_\_\_\_] 1, 201[2/3], by and between the Authority and the Trustee.

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

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

“*Holder*” means any registered owner of Series 201[\_\_\_]-A Bonds and any beneficial owner of Series 201[\_\_\_]-A Bonds within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

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

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

“*Official Statement*” means the Official Statement, dated \_\_\_\_\_, 201[\_\_\_], prepared and distributed in connection with the initial sale of the Series 201[\_\_\_]-A 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 201[\_\_\_]-A Bonds in order to assist the participating underwriters in complying with Rule 15c2-12.

### **Section 3. Provision of Annual Information.**

(a) The Authority shall, not later than 195 days following the end of each Fiscal Year of the Authority (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year 2012, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, the Annual Information relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which Annual Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that any audited financial statements may be submitted separately from the balance of the Annual Information and later than the date required above for the filing of the Annual Information if they are not available by that date. If the Fiscal Year for the Authority changes, the Authority shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

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

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

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

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

(c) Updated information of the type set forth in "TABLE 7—Los Angeles County Metropolitan Transportation Authority, Combined Debt Service Schedule First Tier Senior Lien Bonds" of the Official Statement, but only the information in the columns entitled "Principal Requirements on Series 201[\_\_\_]-A Bonds," "Interest Requirements on Series 201[\_\_\_]-A Bonds" and "Combined Total Debt Service Senior Bonds" and only to the extent the information in these columns has changed.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, that have been submitted to the MSRB through the EMMA System.

### **Section 5. Reporting of Listed Events.**

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 201[\_\_\_]-A Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions with respect to the tax status of the Series 201[\_\_\_]-A Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Series 201[\_\_\_]-A Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

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

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 201[\_\_\_]-A Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 201[\_\_\_]-A Bonds or other material events affecting the tax status of the Series 201[\_\_\_]-A Bonds;
2. Modifications to rights of the Owners of the Series 201[\_\_\_]-A Bonds;
3. Optional, unscheduled or contingent bond calls;
4. Release, substitution or sale of property securing repayment of the Series 201[\_\_\_]-A Bonds;
5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

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

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

(e) If the Authority learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Authority shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 201[\_\_\_]-A Bonds pursuant to the Agreement.

**Section 6. Remedies.** If the Authority shall fail to comply with any provision of this Certificate, then any Holder may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding in law or in equity, this Certificate against the Authority and any of the officers, agents and employees of the Authority, and may compel the Authority or any such officers, agents or employees to perform and carry out their duties under this Certificate; provided that the sole and exclusive remedy for breach of this Certificate shall be an action to compel specific performance of the obligations of the Authority hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and, provided further, that any challenge to the adequacy of any information provided pursuant to Section 4 or 5 hereof may be brought only by the Holders of 25% in aggregate principal amount of the Series 201[\_\_\_]-A 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 201[\_\_\_]-A 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 201[\_\_\_]-A 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 201[\_\_\_]-A Bonds on or prior to the time of such amendment or change.

**Section 9. Termination of Obligation.** This Certificate shall remain in full force and effect until such time as all principal of and interest on the Series 201[\_\_\_]-A 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 201[\_\_\_]-A Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

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

IN WITNESS WHEREOF, the undersigned has executed this Continuing Disclosure Certificate this \_\_\_ day of \_\_\_\_\_, 201[\_\_\_].

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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## APPENDIX F

### BOOK-ENTRY-ONLY SYSTEM

#### Introduction

*Unless otherwise noted, the information contained under the subcaption “—General” below has been provided by DTC. LACMTA makes no representations as to the accuracy or completeness of such information. The beneficial owners of the Series 201[\_\_\_]-A Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.*

NEITHER LACMTA NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 201[\_\_\_]-A BONDS UNDER THE AGREEMENT, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 201[\_\_\_]-A BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT OF ANY AMOUNT WITH RESPECT TO THE OWNER OF THE SERIES 201[\_\_\_]-A BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 201[\_\_\_]-A BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

#### General

DTC will act as securities depository for the Series 201[\_\_\_]-A Bonds. The Series 201[\_\_\_]-A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 201[\_\_\_]-A Bond certificate will be issued for each maturity of the Series 201[\_\_\_]-A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 201[\_\_\_]-A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 201[\_\_\_]-A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 201[\_\_\_]-A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 201[\_\_\_]-A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 201[\_\_\_]-A Bonds, except in the event that use of the book-entry system for the Series 201[\_\_\_]-A Bonds is discontinued.

To facilitate subsequent transfers, all Series 201[\_\_\_]-A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 201[\_\_\_]-A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 201[\_\_\_]-A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 201[\_\_\_]-A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 201[\_\_\_]-A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 201[\_\_\_]-A Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 201[\_\_\_]-A Bond documents. For example, Beneficial Owners of Series 201[\_\_\_]-A Bonds may wish to ascertain that the nominee holding the Series 201[\_\_\_]-A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Series 201[\_\_\_]-A Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 201[\_\_\_]-A Bonds of a maturity 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 201[\_\_\_]-A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to LACMTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 201[\_\_\_]-A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 201[\_\_\_]-A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from LACMTA, the Trustee on the 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, the Trustee or LACMTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of LACMTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 201[\_\_\_]-A Bonds at any time by giving reasonable notice to LACMTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 201[\_\_\_]-A Bonds are required to be printed and delivered.

LACMTA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 201[\_\_\_]-A Bonds will be printed and delivered to DTC.

The information in this Appendix G concerning DTC and DTC's book-entry system has been obtained from sources that LACMTA believes to be reliable, but neither LACMTA nor the Underwriters take any responsibility for the accuracy thereof.

**BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 201[\_\_\_]-A BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.**

In the event that the book-entry-only system is discontinued, payments of principal of and interest on the Series 201[\_\_\_]-A Bonds and payment of the maturity amount of the Series 201[\_\_\_]-A Bonds will be payable as described herein under the caption "DESCRIPTION OF THE SERIES 201[\_\_\_]-A BONDS—General."

**[APPENDIX G]**

**[PROPOSED FORM OF DELAYED DELIVERY CONTRACT]**

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