

**Metro****FINANCE & BUDGET COMMITTEE
SEPTEMBER 16, 2004****SUBJECT: PROPOSITION C BONDS****ACTION: ADOPT AUTHORIZING RESOLUTION, APPROVE NOTICE DOCUMENTS FOR THE ISSUANCE OF PROP C SERIES 2004-A BONDS AND APPROVE AGREEMENT WITH CITY OF COVINA****RECOMMENDATION**

- A. Adopt a resolution (Attachment A) authorizing the Chief Executive Officer to price and deliver up to \$200 million of fixed rate bonds, as the Proposition C Sales Tax Revenue Bonds, Series 2004-A, in one or more series of fixed rate bonds, sold by competitive sale, to refund a portion of the MTA's outstanding commercial paper programs and to fund ongoing capital costs of the Orange line and other capital projects (Attachment B), and to approve documents on file with the Board Secretary, including Attachments C & D.
- B. Authorize the Chief Executive Officer to execute a Memorandum of Understanding, an Assignment Agreement and any other documents requiring execution between MTA and the City of Covina to facilitate MTA in issuing up to \$4.4 million of bonds to provide up to \$4.0 million of project funding to Covina.

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

The proceeds from the sale of the Prop A Series 2001-A bonds will be used to refund previously issued commercial paper and to provide new proceeds to fund ongoing capital project expenditures. The commercial paper proceeds were used to fund capital projects as shown in Attachment B. The purpose for refunding the commercial paper is to replace the interim financing with permanent financing to restore capacity under the commercial paper programs. The new proceeds in excess of the commercial paper retirement will be used to fund project expenditures as also shown in Attachment B.

The City of Covina has requested that MTA provide the bond funding for the Covina Metrolink Transit Complex project, because MTA is able to borrow at lower cost than the City. Up to \$4.4 million of bonds will be issued to provide project funding of up to \$4.0 million, to be repaid over 10 years. The City will assign its Proposition C Local Return revenue to permit the MTA to be reimbursed for that portion of debt service on the bonds allocable to the City of Covina's project. A Memorandum of Understanding and an Assignment Agreement will each be executed by the City and MTA subsequent to receiving authorization from both the Covina City Council and MTA Board. Should the City fail to approve the transaction prior to MTA's issuance of the bonds in October 2004, MTA will continue to issue the additional \$4 million in anticipation of either applying the proceeds to MTA projects, or providing the proceeds to the City upon the City's authorization of the

transaction. Because the debt service attributable to the City's project will be reimbursed from the City's Proposition C Local Return revenue, that amount of debt service will not be attributed to any category of MTA's "Debt Affordability Targets and Policy Limits" specified in the MTA Debt Policy. Unless, that is, the proceeds are used by MTA following the City's failure to approve the transaction.

MTA uses its commercial paper programs to provide low cost, short-term borrowing prior to issuance of long-term bond funding and prior to receipt of grant reimbursements. This process allows MTA to issue its long-term bonds later at a time when the expenditures and the revenues are better known. MTA is then able to more precisely size the bond issue.

The bonds will be sold on a competitive basis in October 2004, based on market timing advice from the MTA's financial advisors. The bonds will be awarded to the underwriting syndicate providing the lowest interest cost. The par amount of the issue shall not exceed \$200 million, adjusted for any premium or discount in the initial sale price. The bonds shall not be outstanding for more than 30 years and the maximum interest rate for any bond maturity shall not exceed 6.5%.

The bonds will be structured to have approximately level debt service payments, modified as required to achieve approximately level debt service for the overall lien. The bond issue will initially utilize a cash funded debt service reserve fund, will not have any capitalized interest and will be pre-qualified for credit enhancement (bond insurance) prior to the bond sale.

Bids will be taken electronically using an Internet based bidding system and the Preliminary Official Statement will be distributed to investors by electronic means using an Internet based information service. Use of the Internet for disclosure and marketing purposes results in a broader and quicker dissemination of the disclosure/marketing documents and avoids much of the costs for printing and mailing. The Notice Inviting Bids incorporates additional language expanding the categories of enterprises that the underwriters will be requested to give special consideration to, to also include "emerging enterprises" and "local enterprises". It should be noted that in the circumstance of a competitive bond sale it is not possible for MTA to require the inclusion or participation of particular firms in the underwriting syndicate.

FINANCIAL IMPACT

The costs of issuance for the bonds will be paid from proceeds of the financing, and will be cash flow neutral to the budget. Bond principal and bond interest expense for this financing are budgeted in FY05, in project 610307. Amounts budgeted in the FY05 are as follows, bond principal, account 51101, \$6,295,000, and bond interest, account 51121, \$6,149,000.

ALTERNATIVES CONSIDERED

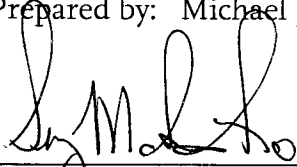
Issuance of the Proposition C Series 2004-A bonds could be delayed. However, this would delay the planned replenishment of capacity for the tax-exempt and taxable commercial paper programs. At the time of this writing, long-term tax-exempt interest rates are attractive relative to rates over the past 10 years. However, during the past 14 months interest rates have increased fairly consistently and the consensus in the market is for rates

to continue to rise. A delayed issuance would subject MTA to the risk that interest rates increase further prior to completing the financing. It is recommended that MTA proceed with the issuance of the bonds.

ATTACHMENTS

- A. Authorizing Resolution
- B. Uses of Bond Proceeds
- C. Notice Inviting Bids
- D. Notice of Intention to Sell Bonds

Prepared by: Michael J. Smith, Assistant Treasurer



Terry Matsumoto
Executive Officer, Finance and Treasurer



Roger Snoble
Chief Executive Officer

Attachment A - Authorizing Resolution

Draft of 8/24/04

RESOLUTION OF THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
AUTHORIZING THE ISSUANCE AND SALE OF
ITS PROPOSITION C SALES TAX REVENUE BONDS,
SECOND SENIOR BONDS AND APPROVING
OTHER RELATED MATTERS

(PROPOSITION C SALES TAX)

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

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

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

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

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

WHEREAS, to facilitate the development and construction of the Rail, Bus and Highway Transit System, the MTA, as authorized by the Act, pursuant to the terms of a Trust Agreement, dated as of October 1, 1992, as amended and supplemented (the "Trust Agreement"), by and between the Commission, as predecessor to the MTA, and Bank of America National Trust and Savings Association, the predecessor trustee to U.S. Bank Trust National Association, as succeeded by merger by U.S. Bank National Association (the "Trustee"), issued \$516,855,000 of its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 1992-A (the "Series 1992-A Bonds") pursuant to a First Supplemental Trust Agreement, dated as of October 1, 1992, by and between the Commission, as predecessor to the MTA, and the Trustee; issued \$204,095,000 of its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1993-A (the "Series 1993-A Bonds") pursuant to a Third Supplemental Trust Agreement, dated as of June 1, 1993, by and between the MTA and the Trustee; issued \$312,350,000 of its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 1993-B (the "Series 1993-B Bonds") pursuant to a Fourth Supplemental Trust Agreement, dated as of November 15, 1993, by and between the MTA and the Trustee; issued \$250,000,000 of its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 1995-A (the "Series 1995-A Bonds") pursuant to a Fifth Supplemental Trust Agreement dated as of June 1, 1995, by and between the MTA and the Trustee; issued \$219,710,000 of its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1998-A (the "Series 1998-A Bonds") pursuant to a Sixth Supplemental Trust Agreement, dated as of March 1, 1998, by and between the MTA and the Trustee; issued \$124,805,000 of its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 1999-A (the "Series 1999-A Bonds") pursuant to a Seventh Supplemental Trust Agreement, dated as of February 1, 1999, by and between the MTA and the Trustee; issued \$161,995,000 of its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2000-A (the "Series 2000-A Bonds") pursuant to an Eighth Supplemental Trust Agreement dated as of November 1, 2000, by and between the MTA and the Trustee; issued \$94,840,000 of its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2003-A (the "Series 2003-A Bonds") pursuant to a Ninth Supplemental Trust Agreement dated as of March 1, 2003, by and between the MTA and the Trustee; issued \$170,775,000 of its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2003-B (the "Series 2003-B Bonds") pursuant to a Tenth Supplemental Trust Agreement dated as of October 1, 2003, by and between the MTA and the Trustee; and issued \$221,850,000 of its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2003-C (the "Series 2003-C Bonds") pursuant to an Eleventh Supplemental Trust Agreement dated as of October 1, 2003, by and between the MTA and the Trustee (collectively, the "Prior Bonds"); and

WHEREAS, the MTA has pledged the Proposition C Tax (less the 20% local allocation and the State Board of Equalization's costs of administering such tax) to secure the Prior Bonds; and

WHEREAS, the MTA now desires to provide for the issuance of one or more series from time to time of its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds (the "Bonds") (a) to finance and refinance the acquisition and construction of certain capital improvements relating to the Rail, Bus and Highway Transit System (including a commuter parking garage for the City of Covina); (b) to fund or make provision for a reserve fund for the Bonds; and (c) to pay certain costs related thereto; and

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

(a) a Twelfth Supplemental Trust Agreement (the “Twelfth Supplemental Trust Agreement”) by and between the MTA and the Trustee, the form of which will be used in connection with the issuance of the Bonds;

(b) an Assignment Agreement (the “Assignment Agreement”) by and among the MTA, the City of Covina (“Covina”) and the Trustee, the form of which will be used to assign Covina’s share of the Proposition C Tax to the Authority, so such revenue can be used to reimburse the Authority for Covina’s allocable share of debt service on the Bonds;

(c) a Preliminary Official Statement (the “Preliminary Official Statement”), the form of which will be used in connection with the sale of the Bonds, which describes the Bonds, the MTA and its operations;

(d) a Notice Inviting Bids for the Bonds (the “Notice Inviting Bids”), the form of which will be used in connection with the sale of the Bonds, describing the terms of the sale of the Bonds;

(e) a Notice of Intention to Sell Bonds (the “Notice of Intention to Sell Bonds”), the form of which will be used in connection with the sale of the Bonds; and

(f) a Continuing Disclosure Certificate by the MTA, the form of which will be used in connection with the issuance of the Bonds, in order to assist the underwriter(s) of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12 (the “Continuing Disclosure Certificate”).

WHEREAS, the MTA has been advised by its Bond Counsel that such documents are in appropriate form, and the MTA hereby acknowledges that said documents will be modified and amended to reflect the various details applicable to the Bonds and said documents are subject to completion to reflect the results of the sale or sales, from time to time, of the Bonds; and

WHEREAS, the MTA has determined that it is in the best interests of the public transportation needs of the County to provide for the issuance and sale of one or more series of the Bonds, to finance and refinance the acquisition and construction of certain capital improvements relating to the Rail, Bus and Highway Transit System; and

WHEREAS, the Proposition C Tax, less the 20% allocated to local jurisdictions and less the costs of the State Board of Equalization for administering the Proposition C Tax, are herein referred to as the “Pledged Taxes”; and

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

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

Section 1. Findings. The MTA hereby finds and determines that:

(a) The issuance of the Bonds to finance and refinance the acquisition and construction of certain capital improvements relating to the Rail, Bus and Highway Transit System, to fund or provide for a reserve fund, and to pay certain costs related thereto is in the public interest.

(b) Under the provisions of Ordinance No. 49, all of the Pledged Taxes are revenues of the MTA available for rail, bus and highway transit purposes and are available to be and are, by the terms of the resolutions and the Trust Agreement under which the Prior Bonds were issued, pledged to secure the Prior Bonds and are pledged to secure the Bonds, and, by this Resolution, such pledge is reaffirmed.

(c) The provisions contained in the Trust Agreement, as previously amended and supplemented, and in the form of the Twelfth Supplemental Trust Agreement are reasonable and proper for the security of the holders of the Bonds.

Section 2. Issuance of Bonds; Terms of Bonds. For the purposes of financing and refinancing the acquisition and construction of certain capital improvements relating to the Rail, Bus and Highway Transit System, funding or providing for a portion of the Reserve Fund established under the Trust Agreement and paying certain costs related thereto, the MTA hereby authorizes the issuance of one or more series of its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, from time to time or at the same time. The total aggregate principal amount of Bonds issued from time to time under this Resolution (whether in one series or multiple series) shall not exceed \$200,000,000 (in the aggregate) plus the amount of any original issue discount at which the Bonds may be sold. The Chair of the MTA, any Vice Chair of the MTA, the Chief Executive Officer of the MTA, any Deputy Chief Executive Officer of the MTA, the Chief Financial Officer of the MTA, the Executive Officer, Finance of the MTA, the Treasurer of the MTA and any written designee of any of them (each a "Designated Officer"), acting in accordance with this Section 2, are each hereby authorized to determine the actual aggregate principal amount of the Bonds to be issued from time to time (not in excess of the maximum amount set forth above) and to direct the execution and authentication of the Bonds in such amounts. Such direction shall be conclusive as to the principal amounts hereby authorized. The Bonds shall be in fully registered form and may be issued as Book-Entry Bonds as provided in the form of the Twelfth Supplemental Trust Agreement. Payment of principal of, interest on and premium, if any, on the Bonds shall be made at the place or places and in the manner provided in the Twelfth Supplemental Trust Agreement.

The Bonds issued as current interest bonds shall be available in denominations of \$5,000 and integral multiples thereof. The Bonds issued as capital appreciation bonds, if any, shall be available in denominations of \$5,000 final maturity amount and integral multiples thereof. The Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the final form of the Twelfth Supplemental Trust Agreement. The Bonds may be issued as serial bonds or as term bonds or as both serial bonds and term bonds, all as set forth in the Twelfth Supplemental Trust Agreement. No Bond shall bear interest at a rate in excess of six and one-half percent (6.5%) per annum. Interest on the Bonds shall be paid on the dates as shall be set forth in the Twelfth Supplemental Trust Agreement. Interest on the Bonds issued as capital appreciation bonds shall be paid at maturity or prior redemption of the Bonds. The Bonds shall be subject to redemption at the option of the MTA on such terms and conditions as shall be set forth in the Twelfth Supplemental Trust Agreement. The Bonds which are term bonds shall also be subject to mandatory sinking fund redemption as shall be set forth in the Twelfth Supplemental Trust Agreement.

Execution and delivery of the Twelfth Supplemental Trust Agreement, which document contains the maturities, interest rates and the fixed interest payment obligations of the MTA within parameters set forth in this Resolution, shall constitute conclusive evidence of the MTA's approval of such maturities, interest rates and payment obligations for the Bonds.

Section 3. Pledge of Pledged Taxes. The Pledged Taxes are hereby irrevocably pledged in accordance with the terms of the Trust Agreement to secure the Prior Bonds, the Bonds, and any additional bonds which may subsequently be issued under and secured by the terms of the Trust Agreement. Except for the Prior Bonds, the MTA hereby confirms that it has not previously granted any prior or parity security interest in such Pledged Taxes, and the MTA hereby agrees that, except as permitted by the Trust Agreement (as amended in accordance with its terms), it will not, as long as any of the Bonds remain outstanding, grant or attempt to grant any prior or parity pledge, lien or other security interest in the Pledged Taxes to secure any other obligations of the MTA.

Section 4. Special Obligations. The Bonds shall be special obligations of the MTA secured by and payable from the Pledged Taxes and from the funds and accounts held by the Trustee under the Trust Agreement. The Bonds shall also be secured by and be paid from such other sources as the MTA may hereafter provide.

Section 5. Forms of Bonds. The Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the forms set forth in the exhibit to the Twelfth Supplemental Trust Agreement, with such necessary or appropriate variations, omissions and insertions as permitted or required by the Trust Agreement or the Twelfth Supplemental Trust Agreement or as appropriate to adequately reflect the terms of the Bonds and the obligation represented thereby.

Section 6. Execution of Bonds. The Bonds shall be executed on behalf of the MTA by any Designated Officer and any such execution may be by manual or facsimile signature, and each Bond shall be authenticated by the endorsement of the Trustee or an agent of the Trustee. Any facsimile signature of such Designated Officer shall have the same force and effect as if such officer had manually signed such Bonds.

Section 7. Approval of Documents; Authorization for Execution. The form, terms and provisions of the Twelfth Supplemental Trust Agreement and the Assignment Agreement within the parameters set forth in this Resolution are in all respects approved, and any Designated Officer, any one or more thereof, are hereby authorized empowered and directed to execute, acknowledge and deliver from time to time the Twelfth Supplemental Trust Agreement and the Assignment Agreement, including counterparts thereof, in the name of and on behalf of the MTA. The Twelfth Supplemental Trust Agreement and the Assignment Agreement, as executed and delivered, shall be in substantially the forms now before this meeting and hereby approved, or with such changes therein as shall be approved by the hereinabove specified officer or officers of the MTA executing the same; the execution thereof shall constitute conclusive evidence of the MTA's approval of any and all changes or revisions therein from the form of the Twelfth Supplemental Trust Agreement and the Assignment Agreement now before this meeting; and from and after the execution and delivery of the Twelfth Supplemental Trust Agreement and the Assignment Agreement, the officers, agents and employees of the MTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Twelfth Supplemental Trust Agreement and the Assignment Agreement.

Section 8. Sale of Bonds.

(a) The Designated Officers are each hereby authorized from time to time to choose such times and dates (as such Designated Officer shall, in his or her discretion, deem to be necessary or desirable to provide for the sale of the Bonds) to receive proposals for the purchase of the Bonds to be received from qualified bidders (through the receipt of sealed written bids and/or the receipt of bids through the use of computerized bidding systems) upon the terms and in the manner set forth in the applicable Notice Inviting Bids (approved below).

(b) The form of Notice Inviting Bids presented to this meeting is hereby approved for publication and distribution from time to time (including, without limitation, via electronic methods) in the offering and sale of the Bonds substantially in the form presented at this meeting. Any Designated Officer is hereby authorized and directed to execute the Notice Inviting Bids (substantially in the form presented at this meeting) from time to time on behalf of the MTA (after completion, modification or correction thereof approved by said Designated Officer) and to call for bids for the sale of the Bonds from qualified bidders in accordance with the Notice Inviting Bids. The Designated Officers shall cause the Notice Inviting Bids to be published at least once in *The Los Angeles Daily Journal* (or such other publication as may be selected by a Designated Officer) not less than five days prior to the sale of the Bonds and the Notice Inviting Bids may be printed and distributed (including, without limitation, via electronic methods) to such municipal broker-dealers, banking and financial institutions and other persons as the Designated Officers deem necessary or desirable, and any such action previously taken is hereby confirmed, ratified and approved.

(c) The form of Notice of Intention to Sell Bonds presented at this meeting is hereby approved substantially in the form presented to this meeting. Any Designated Officer is hereby authorized and directed to cause the Notice of Intention to Sell Bonds to

be published from time to time (after completion, modification or correction thereof reflecting the terms of the Bonds, as approved by said Designated Officer) in *The Bond Buyer* (or such other publication as may be selected by a Designated Officer), a financial publication generally circulated throughout the State, at least 15 days prior to the sale of the Bonds in accordance with Section 53692 of the California Government Code and any such action previously taken is hereby confirmed, ratified and approved.

(d) In connection therewith, the MTA hereby approves the form of the Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement") presented at this meeting and authorizes the circulation of the Preliminary Official Statement, from time to time (including, without limitation, via electronic methods), with such additions, deletions and changes as the Designated Officers, or any of them, deem to be appropriate, and to prepare and execute a final official statement substantially in the form of the Preliminary Official Statement, the execution of such document by a Designated Officer to be conclusive evidence of the MTA's approval of such additions, deletions and changes. The Preliminary Official Statement shall be circulated for use in selling the Bonds at such time or times as a Designated Officer (after consultation with the MTA's Financial Advisor and Bond Counsel and such other advisors as the Designated Officer believes to be useful) shall determine that the Preliminary Official Statement is substantially final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, said determination to be conclusively evidenced by a certificate signed by the Designated Officer to such effect, and any such action previously taken is hereby confirmed, ratified and approved.

(e) The form and content of the Continuing Disclosure Certificate presented at this meeting to be dated the applicable date of delivery of the Bonds, is hereby approved and the MTA's obligation to provide the information as described therein is approved and any Designated Officer is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate in substantially the form and substance presented at this meeting but with such changes and additions as the Designated Officer shall approve as being in the best interests of the MTA or required to comply with applicable securities laws and regulations, such approval to be conclusively evidenced by the Designated Officer's execution and delivery of the Continuing Disclosure Certificate.

(f) Any Designated Officer, on behalf of the MTA, is further authorized and directed to cause a written notice to be provided to the California Debt and Investment Advisory Commission ("CDIAC") of the proposed sale of the Bonds, said notice to be provided in accordance with Section 8855 et seq. of the California Government Code, to file the notice of final sale with CDIAC, to file the rebates and notices required under sections 148(f) and 149(e) of the Internal Revenue Code of 1986, as amended, and to file such additional notices and reports as are deemed necessary or desirable by such Designated Officer in connection with the Bonds, and any prior such notices are hereby ratified, confirmed and approved.

(g) The Designated Officers or any of them are hereby authorized and directed for and on behalf of the MTA (i) to accept the best bid for the Bonds received from qualified bidders pursuant to and subject to the terms and conditions set forth in this

Resolution and the Notice Inviting Bids herein approved and to award the Bonds to the best bidder and (ii) to execute and deliver any financial guaranty or reimbursement agreement with any provider of a guarantee of payment of the principal of or interest on the Bonds or with any provider of a surety bond covering all or a portion of the Reserve Fund (as defined in the Trust Agreement), all upon such terms as shall be satisfactory to such Designated Officer.

Section 9. Trustee, Paying Agent and Registrar. The MTA hereby appoints U.S. Bank National Association as Trustee, Paying Agent and as Registrar for the Bonds. Such appointment shall be effective upon the issuance of the Bonds and shall remain in effect until the MTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 10. Bond Insurance. In connection with advertising for and accepting the best bids for the Bonds, the Designated Officers are hereby authorized to purchase on behalf of the MTA one or more policies of municipal bond insurance for some or all of the Bonds or to permit the successful bidder to purchase municipal bond insurance, if available, for some or all of the Bonds. If purchased by the MTA or the successful bidders, said insurance shall contain such terms and conditions as shall be acceptable to the Designated Officers.

Section 11. Additional Authorization. The Designated Officers and all officers, agents and employees of the MTA, for and on behalf of the MTA, be and they hereby are authorized and directed to do any and all things necessary to effect the execution and delivery of the Bonds, the Twelfth Supplemental Trust Agreement, the Assignment Agreement, the final Official Statement, the Notice Inviting Bids and the Continuing Disclosure Certificate and to carry out the terms thereof. The Designated Officers and all other officers, agents and employees of the MTA are further authorized and directed, for and on behalf of the MTA, to execute all papers, documents, certificates and other instruments that may be required in order to carry out the authority conferred by this Resolution and by the Trust Agreement, the Twelfth Supplemental Trust Agreement, the Assignment Agreement or to evidence said authority and its exercise. The foregoing authorization includes, but is in no way limited to, the direction (from time to time) by a Designated Officer of the investments in Permitted Investments (defined in the Trust Agreement) of the proceeds of the Bonds and of the Pledged Taxes, including the execution and delivery of investment agreements related thereto, the execution by a Designated Officer and the delivery of a Tax Certificate for the Bonds as required by the Twelfth Supplemental Trust Agreement for the purpose of complying with the rebate and arbitrage requirements of the Internal Revenue Code of 1986, as amended; and documents required by The Depository Trust Company in connection with the Book-Entry Bonds.

Section 12. Costs of Issuance. The MTA authorizes funds of the MTA together with the proceeds of the Bonds to be used to pay costs of issuance of the Bonds, including but not limited to, costs of attorneys, accountants, the financial advisor, the costs associated with rating agencies, bond insurance and surety bonds, printing, publication and mailing expenses and any related filing fees.

Section 13. Severability. The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid,

such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

Section 14. Effective Date. This Resolution shall be effective upon adoption.

File No. 45490410.4

Attachment B

Uses of Proceeds Proposition C 2004-A Bond					
<i>Project Name</i>	<i>CP Refunding TECP 10th Sub</i>	<i>CP Refunding TECP 11th Sub</i>	<i>CP Refunding TCP 6th Sub</i>	<i>New Money</i>	<i>Total</i>
Orange Line			59,476,359	81,716,292	141,192,651
Green Line	3,236,928		460,427	3,951,928	7,649,283
Four PGL Traction Power Substations				4,070,565	4,070,565
Midway Yard Facility Expansion				4,492,783	4,492,783
Mid-City Expo.				6,000,141	6,000,141
Red Seg 3 -East Ext.	25,628			1,114,816	1,140,444
MRL Seg 1 Radio Retrofit	645,072	4,107			649,179
Imperial Grade Separation	24,329				24,329
Gold Line	925,742		63,214		988,956
Planning & Conceptual Engineering	13,545				13,545
Funding	4,871,245	4,107	60,000,000	101,346,525	166,221,877
City of Covina Transit Center Funding				4,000,000	4,000,000
DSRF & COI					14,652,627
Total Par to Issue	4,871,245	4,107	60,000,000	101,346,525	184,874,505

Attachment C

NOTICE INVITING BIDS

\$ _____^{*}
Los Angeles County Metropolitan Transportation Authority
(California)
Proposition C Sales Tax Revenue Bonds
Second Senior Bonds, Series 2004-A
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that proposals will be received by the Los Angeles County Metropolitan Transportation Authority (the "MTA") for the purchase of \$ _____^{*} original principal amount of its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2004-A (the "Bonds"). Proposals for the purchase of such Bonds will be accepted through the receipt of bids through the use of electronic bidding systems. The bids will be received at the place and up to the time specified below:

Time: _____, 2004
9:00 a.m. California Time

Submission
of Electronic Bids:

Electronic proposals may be submitted only through PARITY®, the "Approved Provider." The Approved Provider will act as agent of the bidder and not of the MTA in connection with the submission of bids and the MTA assumes no responsibility or liability for bids submitted through the Approved Provider. **None of the MTA, the Financial Advisor or Bond Counsel shall be responsible for, and each bidder expressly assumes the risk of, any incomplete, inaccurate or untimely bid submitted through the Approved Provider by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telephone or telecommunications lines or any other cause arising from delivery through the Approved Provider.** See "TERMS OF SALE—Information Regarding Electronic Proposals" herein.

No bids will be accepted by facsimile. All proposals shall be deemed to incorporate the provisions of the Bid Form. See instructions under "TERMS OF SALE—Form of Bid; Interest Rates; Maximum Discount" and "—Additional Information" herein.

Security; Purpose

The Bonds will be issued under the terms of a Trust Agreement, dated as of October 1, 1992, as amended and supplemented (the "Trust Agreement"), by and between the Los Angeles County Transportation Commission, as predecessor to the MTA, and Bank of America National Trust and

^{*} Preliminary; subject to change.

Savings Association, the predecessor trustee to U.S. Bank Trust National Association, as succeeded by merger to U.S. Bank National Association, as trustee (the "Trustee") and the Twelfth Supplemental Trust Agreement, dated as of October 1, 2004 (the "Supplement" and together with the Trust Agreement, the "Agreement"), by and between the MTA and the Trustee.

The Bonds are special limited obligations payable from and secured by (a) a certain 1/2 of 1% retail transactions and use tax applicable in the County of Los Angeles (the "County") pursuant to Ordinance No. 49 approved by the electors of the County on November 6, 1990 (the "Proposition C Sales Tax") less 20% thereof paid to local jurisdictions (if not pledged to repay the Bonds) and certain administrative fees, (b) that portion of the Proposition C Sales Tax allocable to the City of Covina, California and assigned to the MTA and (c) certain other limited amounts held under the Agreement, all as further described in the Preliminary Official Statement for the Bonds (the "Pledged Revenues").

The MTA is not obligated to make payments on the Bonds from any other source of funds. The Bonds are not an obligation of the County, the State of California or any political subdivision thereof other than the MTA, and neither the faith and credit nor the taxing power of said County, said State or any other entity is pledged to the payment of any amounts due on the Bonds.

The Bonds will be issued for the purposes of (a) financing and refinancing the acquisition and construction of certain capital improvements to the MTA's countywide public transit system, (b) funding a reserve fund with respect to the Bonds and (c) paying the costs of issuance for the Bonds. The MTA has previously issued ten series of its Revenue Bonds payable from the Pledged Revenues on a parity with the Bonds of which \$_____ in aggregate principal amount remains outstanding. Additional future series of parity bonds may be issued by the MTA, from time to time, with a lien on the Proposition C Sales Tax prior to or on a parity with the Bonds subject to the terms and conditions set forth in the Trust Agreement. Bidders are referred to the Agreement and the Preliminary Official Statement for further particulars.

Payment; Book Entry Only

The Bonds will be issued in registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds will initially be issued in book-entry form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates from the MTA representing their interest in the Bonds. Payments of principal, interest and redemption premium, if any, will be made by the Trustee to DTC for subsequent disbursement to DTC participants to then be remitted to the beneficial owners of the Bonds. See the discussion of the "Book-Entry-Only System" in the hereinafter described Preliminary Official Statement.

Interest Payment Dates

The Bonds will be dated October __, 2004.* The Bonds will bear interest from such date and such interest shall be payable on January 1, 2005 and semiannually thereafter on each January 1 and July 1 until maturity or prior redemption. The Bonds shall bear interest at the rate or rates to be fixed upon the sale thereof.

Principal Amortization

The Bonds will be issued in the aggregate original principal amount of \$_____* with principal amounts payable either through serial maturities or by sinking fund redemption or a combination

*Preliminary; subject to change.

thereof on July 1 in years and in the amounts set forth in the Bid Form (subject to adjustments described below).

Adjustments of Principal Amounts

The principal amounts set forth in the Bid Form for the Bonds will reflect certain estimates of the MTA and Public Financial Management, Inc. (the “Financial Advisor”) with respect to the likely interest rates of the winning bid and the premium/discount contained in the applicable winning bid. After selecting the winning bid, the amortization schedule contained in the Bid Form may be adjusted as necessary in the determination of the MTA’s Financial Advisor in \$5,000 increments to reflect the actual interest rates and any premium/discount in the winning bid, to create a more level annual debt service on the MTA’s bonds (including the Bonds), and/or to accommodate certain other sizing requirements or preferences of the MTA. Such adjustments will not change the aggregate principal amount of the Bonds to be issued from the amount set forth in the Bid Form by more than ___% or change the principal amount due on such Bonds in any year by the greater of \$ _____ or ___%. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect any such adjustment in the amortization schedule. The adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the per bond underwriter’s discount (net of insurance premium, if any) provided in the winning bid. Any such adjustments will be communicated to the winning bidder within 27 hours after the opening of the bid.

Changes in the amortization schedule made as described above will not affect the determination of the winning bidder or give the winning bidder any right to reject the Bonds.

Serial Bonds and/or Term Bonds

Bidders may provide that all the Bonds be issued as serial bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term bonds.

Mandatory Sinking Fund Redemption

If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on July 1 of the first year which has been combined to form such term bond continuing on July 1 in each year thereafter until the stated maturity date of that term bond. No term bond maturing on or after July 1, 20__, may have sinking fund payments prior to July 1, 20__. The amount redeemed in any year shall be equal to the principal amount for such year set forth above as adjusted in accordance with the provisions described above under the caption “—Adjustments of Principal Amounts.” Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from among the Bonds then subject to redemption. The MTA, at its option, may credit against any mandatory sinking fund redemption requirement term bonds of the maturity then subject to redemption, which have been purchased and cancelled by the MTA or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

Optional Redemption

The Bonds due on or after July 1, 20__ are redeemable at the option of the MTA on or after July 1, 20__, in whole or in part at any time, from any moneys that may be provided for such purpose and at the redemption price of [100% of the principal amount of such Bonds so redeemed] plus accrued interest to the date fixed for redemption.

TERMS OF SALE

Form of Bid; Interest Rates; Maximum Discount

Bidders must bid to purchase all and not part of the Bonds, and must submit their bids through electronic means as provided in this Notice Inviting Bids. All proposals shall be deemed to incorporate the provisions of the Bid Form. Bidders must specify a rate of interest for each maturity of the Bonds. Each interest rate must be expressed in multiples of one-eighth (1/8th) or one-twentieth (1/20th) of one percent (1%), and no interest rate shall exceed six and one-half percent (6.5%) per annum.

Bidders may bid to purchase the Bonds from the MTA at a discount or with a premium; however, no bid will be considered if the bid is to purchase any maturity of the Bonds maturing on or after July 1, 20__ at a price less than __% of the principal amount of such maturity. A Surety Bond given in lieu of the bid check may be provided separately prior to or at the time herein specified for receiving bids. See “—Bid Check/Surety Bond” below. Each bid must be in accordance with the terms and conditions set forth in this notice.

Information Regarding Electronic Proposals

Proposals must be submitted through the Approved Provider. Any electronic proposal submitted through any other means shall be disregarded.

The MTA, the MTA’s Financial Advisor and Bond Counsel are not responsible for the proper operation of, and shall not have any liability for any delays or interruptions of or any damages caused by, the Approved Provider. Each bidder expressly assumes the risk of any incomplete, inaccurate or untimely bid submitted through the Approved Provider, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telephone or telecommunications lines or any other cause. The MTA is using the Approved Provider as a communications mechanism and not as the MTA’s agent to conduct electronic bidding for the Bonds. The MTA is not bound by any advice and determination of the Approved Provider to the effect that any particular bid complies with the terms of this Notice Inviting Bids. All costs and expenses incurred by prospective bidders in connection with their submission of bids through the Approved Provider are the sole responsibility of the bidders and the MTA is not responsible for any of such costs or expenses. Further information about the Approved Provider, including any fee charged, may be obtained from PARITY®, 395 Hudson Street, New York, NY 10014 (212-806-8304). The MTA assumes no responsibility or liability for bids submitted through the Approved Provider. To the extent any instructions or directions set forth in PARITY® conflict with this Notice Inviting Bids, the terms of this Notice Inviting Bids shall control.

The MTA may regard the electronic submission of a bid through the Approved Provider (including information about the purchase price for the Bonds and interest rate to be borne by the various maturities of the Bonds and any other information included in such transmission) as though the same information were submitted by the bidder on the Bid Form and executed on the bidder’s behalf by a duly authorized signatory. If such bid is accepted by the MTA, this Notice Inviting Bids, the Bid Form and the information that is electronically transmitted through the Approved Provider shall form a contract and the successful bidder shall be bound by the terms of such contract.

In the event of any conflict between the information represented by the Approved Provider and the terms set forth in this Notice Inviting Bids and the Bid Form, the terms set forth in this Notice Inviting Bids and the Bid Form shall control.

Bid Check/Surety Bond

Each bidder must provide a certified or cashier's check dated in same day or next day funds drawn on a bank or trust company in the amount of \$2,000,000 for the Bonds payable to the order of "Los Angeles County Metropolitan Transportation Authority" or must provide a financial surety bond ("Surety Bond") in the amount of \$2,000,000 issued by an insurance company rated "AAA" by Standard & Poor's Ratings Group and licensed to issue such a bond in the State of California naming the MTA as the beneficiary and identifying the bidder whose deposit is guaranteed by the Surety Bond. Bidders must either provide a Surety Bond or ensure that their bid check has been received by the MTA no later than the time established for receipt of bids. Each Surety Bond shall provide that it will not expire prior to 12:00 p.m. (California Time) on the business day next succeeding the day of acceptance of the proposal. If the winning bidder has provided a Surety Bond, such bidder shall wire transfer to the MTA the amount of \$2,000,000 in immediately available federal funds not later than 12:00 p.m. (California Time) on the business day next succeeding the day of acceptance of the proposal which amount shall be deposited in an escrow fund and applied to the purchase price of the Bonds. In the event the MTA has not received such federal funds wire transfer by the time stated, the MTA may draw upon the Surety Bond to satisfy the winning bidder's deposit requirement. The check accompanying any accepted proposal shall be cashed and deposited in an escrow fund and applied to the purchase price of the Bonds at the time of delivery of the Bonds. If after the award of the Bonds, the successful bidder fails to complete the purchase on the terms stated in its proposal, the amount received from such bidder by the MTA, whether by bid check or pursuant to the Surety Bond procedures set forth above, will be retained by the MTA as stipulated liquidated damages. The check accompanying each unaccepted proposal will be returned promptly. **No interest will be paid upon the deposit made by any bidder.** If the aggregate principal amount of the Bonds is adjusted as described under the caption "—Adjustments of Principal Amounts," the successful bidder will not be required to deposit an additional bid check or Surety Bond and will not be entitled to the return of any portion of the bid check or deposit under the Surety Bond procedures previously delivered except as described in this paragraph.

Best Bid

If a satisfactory bid is received, the Bonds will be awarded to the lowest responsible bidder, considering the rate or rates specified and the discount bid or premium offered, if any. The lowest responsible bidder shall be the bidder submitting the best price for the Bonds, which best price shall be that resulting in the lowest true interest cost. The true interest cost shall be computed by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the dated date of the Bonds and to the price bid (including any premium or discount) not including accrued interest. For the purpose of calculating the true interest cost, the principal amount of Bonds scheduled for mandatory sinking fund redemption as part of a term bond shall be treated as serial maturity for such year. In the event two or more bids offer the same lowest true interest cost for the Bonds, the MTA reserves the right to exercise its own discretion and judgment in making the award. The successful bidder must pay accrued interest, computed on a 360-day year (30-day month) basis, from and including the dated date of the Bonds to but not including the date of delivery. The Chair of the MTA, any Vice Chair of the MTA, the Chief Executive Officer ("CEO") of the MTA, any Deputy Chief Executive Officer of the MTA, the Chief Financial Officer of the MTA, the Executive Officer, Finance of the MTA, the Treasurer of the MTA and any written designee of the CEO, or any of them (the "Designated Officer"), has been authorized to accept the best bid. Upon accepting the best bid, the Designated Officer shall notify the bidder submitting such bid and shall reject all other bids. The cost of printing the Bonds, if any, will be borne by the MTA.

Opening of Bids; Award

The bids for the Bonds will be opened and electronic proposals retrieved at the time and place shown above. The MTA intends to take action awarding the Bonds or rejecting all bids for the Bonds not later than 27 hours after the time herein prescribed for the receipt of bids, unless such time of award is waived by the successful bidder. Notice of the award will be given promptly to the successful bidder after the award is made.

Right to Reject Bids; Waive Irregularities

The MTA reserves the right, in its discretion, to reject any and all bids and, to the extent permitted by law, to waive any irregularity or nonconformity in any bid.

Delivery and Payment; Book Entry Only

Delivery of the Bonds is expected to be made in the name of Cede & Co., as nominee of The Depository Trust Company in New York, New York on or about October __, 2004 and will be available to the successful bidder in book entry form only, as more fully set forth in the Preliminary Official Statement for the Bonds. The successful bidder shall pay for the Bonds in Los Angeles in immediately available federal funds on the date of delivery of such Bonds to DTC. Any expense of providing federal funds shall be borne by the successful bidder.

Insurance

The successful bidder may purchase municipal bond insurance, if available, for some or all of the Bonds. However, the delivery of the Bonds shall not be conditioned upon the issuance of any such insurance. The MTA makes no representation as to whether the Bonds qualify for insurance. Payment of any insurance premium and satisfaction of any conditions to the issuance of a municipal bond insurance policy, including payment for any legal opinion to be delivered to any insurer, shall be the sole responsibility of the bidder. In particular, the MTA will not amend or supplement the Agreement or any other authorizing documents in any way, nor will it agree in advance of the sale of the Bonds to enter into any additional agreements with respect to the provision of any such insurance policy. FAILURE OF THE INSURANCE PROVIDER TO ISSUE ITS POLICY SHALL NOT JUSTIFY FAILURE OR REFUSAL BY THE SUCCESSFUL BIDDER TO ACCEPT DELIVERY OF, OR PAY FOR, THE BONDS. Each successful bidder must provide the MTA with the municipal bond insurance commitment, if any, including the amount of the policy premium, as well as information with respect to the municipal bond insurance policy and insurance provider for the inclusion in the final Official Statement within two business days following the award of the bid by the MTA. The successful bidder will be required, prior to the delivery of the Bonds, to furnish to the MTA a certificate acceptable to Bond Counsel with appropriation certifications regarding the present value of the premium paid and the cost of the insurance policy.

Right of Cancellation

The successful bidder shall have the right, at its option, to cancel the contract of purchase if the MTA shall fail to deliver the Bonds within 60 days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of the deposit accompanying its bid.

List of Account Members

Bidders are requested to list in the place and in the manner set forth in the Bid Form the members of the bidding group on whose behalf the bid is made. Each bid shall constitute the joint and several obligation of all of the members of the bidding group.

Equal Opportunity

IT IS THE POLICY OF THE MTA TO PROVIDE MINORITY BUSINESS ENTERPRISES (MBE'S), WOMEN BUSINESS ENTERPRISES (WBE'S), SMALL BUSINESS ENTERPRISES (SBE'S), DISADVANTAGED BUSINESS ENTERPRISES (DBE'S), LOCAL ENTERPRISES, EMERGING ENTERPRISES, AND ALL OTHER BUSINESS ENTERPRISES AN EQUAL OPPORTUNITY TO PARTICIPATE IN THE PERFORMANCE OF ALL MTA CONTRACTS. BIDDERS ARE REQUESTED TO ASSIST THE MTA IN IMPLEMENTING THIS POLICY BY TAKING ALL REASONABLE STEPS TO ENSURE THAT ALL BUSINESS ENTERPRISES, INCLUDING MBE'S, SBE'S, WBE'S, LOCAL ENTERPRISES AND EMERGING ENTERPRISES, HAVE AN EQUAL OPPORTUNITY TO PARTICIPATE IN ANY SYNDICATE SUBMITTING A BID.

Statement of True Interest Cost

Each bidder is requested, but not required, to state in its proposal the total true interest cost in dollars and the percentage true interest cost determined thereby, which shall be considered as informative only and not binding.

CUSIP Numbers; Fees

It is anticipated that CUSIP numbers will be printed on the Bonds, but neither failure to print such numbers on any Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. It will be the responsibility of the successful bidder to ensure that CUSIP numbers are obtained for the Bonds. All expenses of printing the CUSIP numbers on the Bonds shall be paid for by the MTA including the CUSIP Service Bureau charge for the assignment of said numbers. The successful bidder will be required to pay the fees of the California Debt and Investment Advisory Commission in connection with the issuance of the Bonds.

Official Statement

The MTA has delivered a Preliminary Official Statement relating to the Bonds and has authorized the use of said Preliminary Official Statement in connection with the sale of the Bonds. The Preliminary Official Statement has been "deemed final" by the MTA for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). Upon the sale of the Bonds, the MTA will complete an Official Statement substantially in the same form as the Preliminary Official Statement subject to such amendments as are necessary. Not more than 300 copies of the Official Statement will be supplied to the purchaser of the Bonds for this purpose at the expense of the MTA. Additional copies may be obtained at the expense of such purchaser.

Continuing Disclosure

The MTA has covenanted and agreed to enter into a written agreement or contract, constituting an undertaking to provide ongoing disclosure about the MTA, for the benefit of the Bondholders on or before the date of delivery of the Bonds as required by Section (b)(5)(i) of Rule 15c2-12, which

undertaking shall be in the form as summarized in the Preliminary Official Statement, with such changes as may be agreed to in writing by the successful bidder.

Ratings in Effect

Each bid will be understood to be conditioned upon there being in place at the date of delivery of the Bonds the same (or higher) rating or ratings, if any, as were in place with respect to the Bonds at the time fixed for receiving bids.

Change in Tax Exempt Status

At any time before the Bonds are tendered for delivery, the successful bidder may disaffirm and withdraw its proposal if the interest received by private holders of obligations of the same type and character of the Bonds (as determined by Bond Counsel) shall be declared to be includible in gross income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable by the terms of any federal income tax law enacted subsequent to the date of this Notice Inviting Bids.

Information Required from Winning Bidder; Reoffering Price

By making a bid for the Bonds, the successful bidder agrees (a) to provide to the MTA, in writing, within 24 hours of the acceptance of the bid, pricing and other related information necessary for completion of the final Official Statement, (b) to disseminate to all members of the underwriting syndicate copies of the Official Statement, including any supplements prepared by the MTA, (c) to promptly file a copy of the final Official Statement, including any supplements prepared by the MTA, with each Nationally Recognized Municipal Securities Information Repository and (d) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

Before delivery of the Bonds, the successful bidder shall furnish to the MTA a written statement in form and substance acceptable to Bond Counsel (a) stating the initial reoffering price of each maturity of the Bonds to the general public; (b) certifying that a bona fide offering of the Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries); (c) stating the prices at which at least 10% of each maturity of the Bonds were sold to the public (excluding bond houses, brokers, and other intermediaries) prior to the sale of any Bonds of each maturity at other prices; and (d) certifying that the price at which each maturity of Bonds was sold did not exceed the fair market value of such maturity as of the sale date.

California Debt and Investment Advisory Commission Fee

All bidders are advised that pursuant to Section 8856 of the California Government Code, it will be the responsibility of the successful bidder to pay the statutory fee to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will invoice the successful bidder.

Legal Opinion; Closing Documents

Each proposal will be understood to be conditioned upon the MTA furnishing to such purchaser, without charge, concurrently with payment and delivery of the Bonds, the following closing papers, each dated the date of such delivery:

(a) **Legal Opinion; Tax Exempt Status.** The Bonds will be issued subject to the approving opinion of Fulbright & Jaworski L.L.P., Bond Counsel, to the effect that the Bonds are the legally valid and binding limited obligations of the MTA payable from the specified portion of the Proposition C Sales Tax Revenues, and that in the opinion of such Bond Counsel, under existing laws, regulations, rulings and judicial decisions, the interest paid by the MTA on the Bonds and received by the owners is exempt from present State of California personal income taxation and, assuming compliance by the MTA with certain covenants contained in the Agreement and the Tax Certificate relating to the Bonds, said interest with respect to the Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Additionally, Bond Counsel shall opine that interest on the Bonds does not constitute an item of tax preference for purposes of determining the federal alternative minimum tax for individuals and corporations;

(b) **No Litigation Certificate.** A certificate of an official of the MTA that there is no litigation pending concerning the validity of the Bonds, the corporate existence of the MTA or the entitlement of the officers legally responsible for the authorization, execution and delivery of the Bonds to their respective offices;

(c) **10b-5 Certificate.** A certificate of an official of the MTA stating that as of the date thereof, to the best of the knowledge and belief of said official after reading and reviewing the Official Statement, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and further certifying that the signatory knows of no material adverse change in the condition of the MTA which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds;

(d) **Continuing Disclosure Certificate.** A Continuing Disclosure Certificate or other undertaking for the benefit of the holders and beneficial owners of the Bonds satisfying the requirements of Rule 15c2-12, pursuant to which the MTA agrees to provide certain financial information and operating data annually and notice of certain other events; and

(e) **Receipt.** A receipt of the Trustee showing that the purchase price of the Bonds, including interest accrued to the date of delivery thereof, has been received by the Trustee.

Right to Modify or Amend

The MTA reserves the right to modify or amend this official Notice Inviting Bids and the Bid Form, including, but not limited to, the right to adjust and change the principal amount of the Bonds being offered; however, such notifications or amendments shall be made not later than 24 hours prior to the bid opening and communicated through TM3 and by facsimile transmission to any bidder timely requesting such notice.

Postponement

The MTA reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced through TM3 given not later than 1:00 p.m. (New York Time), on the last business date prior to any date scheduled for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date (either a Tuesday, Wednesday or Thursday) will be announced through TM3 at least 48 hours prior to such alternative sale date and will be provided by facsimile transmission to any bidder timely requesting such notice. On any such alternative sale date, any bidder may submit a sealed written bid or electronic proposal for the

purchase of the Bonds in conformity in all respects with the provisions of this Notice Inviting Bids except for the date of sale and except for the changes announced through TM3 at the time the sale date and time are announced.

Blue Sky Laws

The winning bidder will be responsible for the clearance or exemption with respect to the status of the Bonds for sale under the securities or “Blue Sky” laws of the several states and the preparation of any surveys or memoranda in connection therewith.

Governing Law

This Notice Inviting Bids and the Bonds shall be governed by and construed in accordance with the laws of the State of California.

Additional Information

For further information respecting the terms and conditions of the Bonds bidders are referred to the Trust Agreement, the Supplement and the Preliminary Official Statement. A copy of the Preliminary Official Statement and other information concerning the proposed financing will be furnished upon request made to the Financial Advisor of the MTA: Public Financial Management, Inc., 660 Newport Center Drive, Suite 750, Newport Beach, California, 92660 Attention: Craig Hoshijima. Additionally, a copy of the Preliminary Official Statement can be obtained in electronic format from _____.

Given by order of the Los Angeles County Metropolitan Transportation Authority on _____, 2004.

Terry Matsumoto, Executive Officer, Finance and Treasurer
Los Angeles County Metropolitan Transportation Authority

BID FORM

\$ _____ *
Los Angeles County Metropolitan Transportation Authority
(California)
Proposition C Sales Tax Revenue Bonds
Second Senior Bonds, Series 2004-A

[Date]

The Honorable Board of Directors of
the Los Angeles County Metropolitan
Transportation Authority
c/o Treasurer
One Gateway Plaza
21st Floor, Treasury Department
Los Angeles, California 90012

Ladies and Gentlemen:

Subject to the provisions of and in accordance with the terms of the Notice Inviting Bids, dated _____, 2004 of the Los Angeles County Metropolitan Transportation Authority (the "MTA") for its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2004-A (the "Bonds"), which is incorporated herein and hereby made a part hereof:

We hereby offer to purchase all, but not less than all, of the \$ _____ * aggregate principal amount of the Bonds described in the Notice Inviting Bids and to pay therefor the amount of \$ _____, constituting ____% of the aggregate principal amount of the Bonds, plus the interest accrued, if any, on the Bonds from October __, 2004 to the date of their delivery. This offer is for the Bonds bearing interest at the rates and in the form of serial bonds and term bonds as follows:

* Aggregate principal amount and principal amortization amounts may be adjusted as set forth in the Notice Inviting Bids.

We further acknowledge and agree that in the event that any adjustments are made to the principal amount of the Bonds, we agree to purchase all of the Bonds, taking into account such adjustments on the above specified terms of this proposal for the Bonds.

If we are the successful bidder, we will (a) within one hour after being notified of the award of the Bonds, advise the MTA of the initial public offering prices of the Bonds and (b) timely furnish the additional information described under the caption “TERMS OF SALE—Information Required from Winning Bidder; Reoffering Price” in the Notice Inviting Bids.

If we are the successful bidder, we agree to provide to the MTA as soon as possible after the sale of the Bonds a complete list of syndicate members, the actual allocation of the Bonds and the orders placed by the syndicate members.

We have noted that payment of the purchase price is to be made in immediately available funds at the time of delivery of the Bonds.

We represent that we have full and complete authority to submit this bid on behalf of our bidding syndicate and that the undersigned will serve as the lead manager for the group if the Bonds are awarded pursuant to this bid.

We desire ____ copies (not exceeding 300) of the Official Statement for the Bonds (as provided in the Notice Inviting Bids). We understand that we may obtain additional copies at our own expense.

We further certify (or declare) under penalty of perjury under the laws of the State of California that this proposal is genuine, and not a sham or collusive, nor made in the interest of or on behalf of any person not herein named, and that the bidder has not directly or indirectly induced or solicited any other bidder to put in a sham bid or any other person, firm or corporation to refrain from bidding, and that the bidder has not in any manner sought by collusion to secure for itself an advantage over any other bidder.

Respectfully submitted,

By _____
Account Manager

Address for Return of
Unsuccessful Bid Checks

By _____
Address: _____
Telephone: _____
Facsimile: _____

(Names of account members are listed below.)

NOTICE OF INTENTION TO SELL BONDS

Approximately \$ _____*
Los Angeles County Metropolitan Transportation Authority
(California)
Proposition C Sales Tax Revenue Bonds,
Second Senior Bonds, Series 2004-A

The Los Angeles County Metropolitan Transportation Authority (the "MTA") intends to receive bids for the above Bonds (the "Bonds") until 9:00 a.m., California Time, on _____, 2004 through the electronic bidding services of PARITY® and through the submission of a written bid at the offices of the MTA, One Gateway Plaza, Treasury Department, 21st Floor, Los Angeles, California 90012 (at Union Station).

The MTA reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced through TM3 given not later than 1:00 p.m. (New York Time) on the last business date prior to any date scheduled for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date (either a Tuesday, Wednesday or Thursday) will be announced through TM3 at least 48 hours prior to such alternative sale date and will also be provided by facsimile transmission to any bidder timely requesting such notice. On any such alternative sale date, any bidder may submit a sealed written bid or electronic bid for the purchase of the Bonds in conformity in all respects with the provisions of the official Notice Inviting Bids except for the date of sale and except for the changes announced through TM3 at the time the sale date and time are announced.

The Bonds will be dated October __, 2004.** The principal amount of Bonds sold may be adjusted after the award of the Bonds, as set forth in the Notice Inviting Bids.

Copies of the Notice Inviting Bids, together with copies of the Preliminary Official Statement issued in connection with the sale of the Bonds, the Resolution of the MTA authorizing the issuance of the Bonds, the Trust Agreement and the Twelfth Supplemental Trust Agreement related thereto may be obtained from the offices of the MTA's financial advisor: Public Financial Management, Inc., 660 Newport Center Drive, Suite 750, Newport Beach, California, 92260, Attention: Craig Hoshijima, (949) 721-9422. Additionally, copies of the Preliminary Official Statement and the Notice Inviting Bids can be obtained in electronic format at _____.

Terry Matsumoto, Executive Officer, Finance & Treasurer
Los Angeles County Metropolitan Transportation Authority

* Subject to change as set forth in the Notice Inviting Bids.

** Preliminary; subject to change.