Metro
Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012-2952
213.922.2000 Tel
metro.net

FINANCE & BUDGET COMMITTEE
JUNE 16, 2005

SUBJECT: FULL FUNDING GRANT AGREEMENT BONDS

ACTION: ADOPT AUTHORIZING RESOLUTION FOR THE ISSUANCE OF THE FULL FUNDING GRANT AGREEMENT BONDS

RECOMMENDATION

Adopt a resolution, Attachment A, and approve documents on file with the Board Secretary authorizing the Chief Executive Officer to price by negotiated sale and deliver up to $300 million of bonds in one or more series in a combined issuance of variable rate and fixed rate bonds.

(Requires separate, simple majority Board vote.)

RATIONALE

The project cash flow schedule of the full funding grant agreement (FFGA) for the Gold Line Eastside Extension anticipates a cumulative cash flow deficit of more than $130 million by the end of FY08. Accordingly, the project budget includes a Project Finance Cost line item in the amount of $14.8 million. This interest cost estimate is based on the assumption that our Prop A tax-exempt commercial paper program would be used to provide "bridge funding" until grant monies are received.

Now that the FFGA has been executed, we have access to a new source of credit, the Federal Section 5309 funds promised by the FFGA. This source is accessible via a financing technique similar to a GARVEE, grant anticipation revenue vehicle, which has emerged in the market over the past 5 or more years. Under this technique, the grantee, pledges the future Federal funds as security for the bonds issued. Bond proceeds provide the cash to pay for construction costs. The Federal Grant proceeds, to the extent needed, are used to pay the debt service on the bonds. To improve the credit ratings of the bonds and significantly reduce the financing cost, Federal Section 5307 grant reimbursements will also be pledged as security. They are not the planned funding source to pay debt service or any other costs of the financing or the project.

Utilizing a combination of fixed rate and variable rate, auction rate securities, "ARS", bonds secured by the Federal funds, the financing costs of the bridge funding would not be significantly greater than anticipated in the project budget, assuming all other things being equal.

Advantages of utilizing this new credit source, the FFGA receipts, include improved accountability of project specific financing costs since the debt proceeds can only be used for the Eastside project, and preservation of short-term borrowing capacity for future contingencies. The actual financing costs are tied to the success of obtaining the future Federal appropriations in the amounts and at the times promised in the FFGA. To improve the credit rating, scheduled debt service for the bonds is stretched out and slightly back-loaded. If actual receipts arrive on the original FFGA schedule, the bonds may be retired early to minimize the financing cost. Actual construction outflows impact interest earnings on the bond proceeds. These interest earnings can be used to reduce the interest cost of the financing. Delays in FFGA receipts will increase the financing costs. Our local credit capacity for commercial paper and long-term bonds is preserved for future contingencies and other projects' needs.

A new bond indenture is being developed in order to pledge the Section 5309 and 5307 revenues as security to the bonds and to set out all other matters regarding the administration of the FFGA bonds. Negotiations with the credit rating agencies and the bond insurers are in progress at this writing but will be concluded before the committee meeting.

Features that are under consideration for inclusion in the indenture are:

- Additional reserves to fund debt service
- Provision allowing FFGA receipts and construction bond proceeds to be used to pay debt service in the event of a shortfall
- Test prior to allocation of FFGA receipts to construction
- Test prior to expenditure of monies from FFGA or bond proceeds construction accounts
- Interest rate cap or collar, "hedge", to limit exposure to changes in variable interest rates related to the variable rate bonds
- Covenant to issue commercial paper or long-term bonds to fund shortfalls in construction funding or to refund the bonds in the event of significant grant revenue shortfalls.

The current Debt Policy affordability target for federal funds is "no further issuance" and it discourages the use of capitalized interest. However, due to uncertainties in the Federal appropriations, the use of capitalized interest is necessary. Approval of this transaction waives these Debt Policy considerations on a one-time basis.

The general terms of the financing is provided in the Transaction Term Sheet, Attachment B.

FINANCIAL IMPACT

The actual cost of the financing will depend on a number of factors, including the size of the borrowing, the split between fixed and variable rate bonds, rate of construction expenditures and the flow of all project revenue sources, especially Federal grants.

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 FY06, in project 80088. Amounts budgeted in the FY06 are as follows, bond interest, account 51121, $1,526,227.

ALTERNATIVES CONSIDERED

We could stay with the original plan to utilize Prop A tax-exempt commercial paper for the bridge financing. This alternative would forgo the "no cost" opportunity to access the additional credit provided by the FFGA and the opportunity to preserve our local capacity for future contingencies and other projects' needs.

We could delay the issuance until there is more certainty regarding our bridge financing needs, construction outflows versus grant inflows. However, we are in a rising interest rate market and it would generally be more costly to borrow later if problems had already been incurred.

ATTACHMENTS

A. Authorizing Resolution
B. Transaction Term Sheet

Prepared by: Michael J. Smith, Assistant Treasurer

Terry Matsumoto
Executive Officer, Finance and Treasurer

Roger Snoble
Chief Executive Officer

Attachment A

DRAFT OF
05/20/05

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE ISSUANCE OF ITS CAPITAL GRANT RECEIPTS REVENUE BONDS (GOLD LINE EASTSIDE EXTENSION PROJECT) SERIES 2005A, SERIES 2005B-1 AND SERIES 2005B-2 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $300,000,000, FOR THE PURPOSE OF FINANCING A PORTION OF THE COSTS OF THE GOLD LINE EASTSIDE EXTENSION PROJECT AND RELATED FINANCING COSTS; PROVIDING FOR THE FORM OF SUCH BONDS AND OTHER TERMS WITH RESPECT TO SUCH BONDS; PROVIDING FOR THE EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO; AND AUTHORIZING OFFICERS, AGENTS AND EMPLOYEES TO PERFORM DUTIES AND TAKE ACTIONS IN ACCORDANCE WITH THIS RESOLUTION

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "MTA") is a county transportation commission duly organized and existing pursuant to Section 130000 *et seq.* of the California Public Utilities Code and is authorized to issue bonds under Section 130500 *et seq.* of the California Public Utilities Code (the "Authorizing Act"); and

WHEREAS, the MTA has undertaken its "Metro Gold Line Eastside Extension Project" (the "Project"), consisting of the design and construction of a light rail transit line from Union Station in downtown Los Angeles to the East Los Angeles communities; and

WHEREAS, a portion of the construction costs of the Project is being funded by grants received or expected to be received by the MTA under the terms of a Full Funding Grant Agreement with the United States of America, acting through the Department of Transportation, Federal Transit Administration (the "Full Funding Grant Receipts"); and

WHEREAS, a portion of the financing costs of the Project may be met by the MTA's share of Section 5307 Urbanized Area Formula funds received or expected to be received by the MTA from the Federal Transit Administration (the "Section 5307 Grant Receipts"); and

WHEREAS, pursuant to the Authorizing Act, the MTA is authorized to issue bonds, which term include indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, and all of such obligations shall be special obligations of the MTA; and

WHEREAS, the MTA has determined that it is in the public interest of the MTA and the residents of Los Angeles County to issue bonds in several series entitled the Los Angeles County Metropolitan Transportation Authority Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project) Series 2005A, Series 2005B-1 and Series 2005B-2 (the "Bonds") in an aggregate principal amount not to exceed $300,000,000, secured and payable from the Full Funding Grant Receipts and Section 5307 Grant Receipts for the purpose of financing a portion of the costs of the Project and related financing costs; and

WHEREAS, there has been presented to the MTA the form of a Trust Indenture (the "Indenture") between the MTA and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), which Indenture authorizes the issuance of the Bonds; and

WHEREAS, the Indenture provides for the Series 2005B Bonds (as defined in the Indenture) to bear interest at a variable rate determined by periodic auctions; and

WHEREAS, there has been presented to the MTA the form of a Broker-Dealer Agreement (the "Citigroup Broker-Dealer Agreement") among ___________________________, as auction agent (the "Auction Agent"), Citigroup Global Markets, Inc., as broker-dealer (the "Citigroup Broker-Dealer") and the MTA, providing for certain broker-dealer services in connection with the auction rate provisions of the Series 2005B-1 Bonds (as defined in the Indenture); and

WHEREAS, there has been presented to the MTA the form of a Broker-Dealer Agreement (the "Goldman Broker-Dealer Agreement" and together with the Citigroup Broker-Dealer Agreement, the "Broker-Dealer Agreements") among the Auction Agent, Goldman, Sachs & Co., as broker-dealer (the "Goldman Broker-Dealer" and together with the Citigroup Broker-Dealer, the "Broker-Dealers") and the MTA, providing for certain broker-dealer services in connection with the auction rate provisions of the Series 2005B-2 Bonds (as defined in the Indenture); and

WHEREAS, there has been presented to the MTA the form of an Auction Agent Agreement (the "Auction Agreement") between the Auction Agent and the Trustee, providing for certain auction agent services in connection with the auction rate provisions of the Series 2005B Bonds; and

WHEREAS, the MTA intends to integrate the Series 2005B Bonds with a qualified hedge for tax purposes so that such hedge payment shall be reflected in the yield of the Series 2005B Bonds; and

WHEREAS, such qualified hedge shall be in the form of an interest rate cap agreement for which the MTA intends to receive competitive bids, with the assistance of the MTA's financial advisor, Public Financial Management, Inc. (the "Financial Advisor"), as bidding agent; and

WHEREAS, there has been presented to the MTA the forms of an ISDA Master Agreement and the related Schedule, Credit Support Annex and Confirmation (collectively, the "Cap Agreement") providing a hedge against the MTA's exposure to the variable interest cost of the Series 2005B Bonds; and

WHEREAS, there has been presented to the MTA the form of Request for Interest Rate Cap (the "Request for Interest Rate Cap") prepared by the Financial Advisor, in connection with the competitive bid of the Cap Agreement; and

WHEREAS, there has been presented to the MTA a form of a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") to be executed by the MTA as required by Securities and Exchange Commission Rule 15c2-12; and

WHEREAS, there has been presented to the MTA the form of a Preliminary Official Statement to be used in connection with the sale of the Bonds (the "Preliminary Official Statement") which describes the Bonds, the MTA and the MTA's operations and finances; and

WHEREAS, the MTA has been advised by its bond counsel, Fulbright & Jaworski L.L.P. ("Bond Counsel"), that the foregoing documents are in appropriate form, and the MTA hereby acknowledges that said documents will be modified and amended to reflect the various final terms of the Bonds and said documents are subject to completion to reflect the results of the sale of the Bonds; and

WHEREAS, the MTA has determined that it is in its best interest to provide for the private, negotiated sale of the Bonds to Citigroup Global Markets, Inc., Goldman, Sachs & Co. and UBS Financial Services Inc. (collectively, the "Underwriters"); and

WHEREAS, there has been presented to the MTA the form of a Purchase Contract (the "Purchase Contract"), by and between the MTA and the Underwriters for the initial purchase and sale of the Bonds;

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

Section 1. ***Findings.*** Each of the above recitals is true and correct and the MTA so finds and determines. The issuance of the Bonds is in the public interest of the MTA and the residents of Los Angeles County. Further, the MTA hereby finds and determines that the Cap Agreement is designed to reduce the amount and duration of rate, spread or similar risk when used in combination with the issuance of the Series 2005B Bonds, pursuant to California Government Code Section 5922.

Section 2. ***Issuance of Bonds; Term of Bonds.*** For the purpose of financing a portion of the costs of the Project, the MTA hereby authorizes the issuance of its Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project), Series 2005A, Series 2005B-1 and Series 2005-B2. The MTA hereby specifies that the aggregate principal amount of the Bonds shall be an amount sufficient to finance such Project costs, fund a reserve fund for the Bonds, provide for the Underwriters' discount and pay costs of issuance. The total aggregate principal amount of Bonds in any event shall not exceed $300,000,000. The Bonds shall mature not later than October 1, 2013, shall bear interest at the rates per annum, be subject to redemption and have such other terms, all as set forth in the Indenture. The Bonds shall be in substantially the form set forth in the Indenture with necessary or appropriate variations, omissions and insertions as permitted or required by the Indenture or as appropriate to adequately reflect the terms of the Bonds and the obligations represented thereby. No Bonds shall bear interest at a rate in excess of 15% per annum. Each of the Chief Executive Officer of the MTA, the Chief Financial Officer of the MTA and the Executive Officer, Finance and Treasurer of the MTA, or any other Designated Officer (as defined below), acting in accordance with this Section 2, is hereby authorized to determine the actual aggregate principal amount of Bonds to be issued and to direct the execution and authentication of said Bonds in such amounts. Such direction shall be conclusive as to the principal amounts hereby authorized.

Section 3. ***Designated Officers.*** The MTA hereby appoints the Chief Executive Officer, the Chief Financial Officer, the Executive Officer, Finance and Treasurer and such other persons as the Chief Executive Officer may designate under the terms of this Resolution and the Indenture as designated officers (each, a "Designated Officer"). The Designated Officers are, and each of them is, hereby authorized and directed to perform those duties set forth in the Documents (as defined below). The Designated Officers are, and each of them is, also authorized to make representations, certificates and warranties concerning the Bonds and to take such other actions and execute such other documents as are necessary to issue the Bonds and to purchase bond insurance, if available, for some or all of the Bonds.

Section 4. ***Special Obligations.*** The Bonds shall be special obligations of the MTA secured by and payable from Full Funding Grant Receipts and Section 5307 Grant Receipts (as such terms are defined in the Indenture) and other amounts pledged therefor.

Section 5. ***Execution of Bonds.*** Each of the Bonds shall be executed on behalf of the MTA by a Designated Officer or any one or more thereof and any such execution may be by manual or facsimile signature, and each Bond shall be authenticated by the endorsement of the Trustee. Any facsimile signature of a Designated Officer or any one or more thereof shall have the same force and effect as if such officer had manually signed each of said Bonds.

Section 6. ***Sale of the Bonds.*** The MTA hereby authorizes the sale of the Bonds through a private, negotiated sale to the Underwriters pursuant to the Purchase Contract. The Bonds, if sold to the Underwriters, shall be sold subject to an underwriters' discount (excluding original issue discount) not to exceed 0.35% of the aggregate principal amount of the Bonds, subject to the terms and conditions set forth in the Purchase Contract.

Section 7. ***Approval of Documents.*** The forms, terms and provisions of the Indenture, the Broker-Dealer Agreements, the Cap Agreement, the Continuing Disclosure Certificate and the Purchase Contract (collectively, the "Documents") are in all respects approved, and the Designated Officers are, and each of them is, hereby authorized and directed to execute, acknowledge and deliver each of the Documents including counterparts thereof, in the name and on behalf of the MTA and the MTA's corporate seal is hereby authorized (but not required) to be affixed or imprinted on each of the Documents. The form, terms and provisions of the Auction Agreement are also approved. The Documents, as executed and delivered, shall be in substantially the forms on file with the Board Secretary and hereby approved, with such changes therein as shall be approved by the Designated Officer or Officers executing the same, which execution shall constitute conclusive evidence of the MTA's approval of any and all changes or revisions therein from the forms of the Documents now before this meeting; and from and after the execution and delivery of the Documents the officers, agents and employees of the MTA are, and each of them is, hereby authorized and directed to take all such actions and to execute all such documents as may be necessary to carry out and comply with the provisions of the Documents.

Section 8. ***Bid of Cap Agreement.*** The Designated Officers are each hereby authorized to arrange for the competitive bid of the Cap Agreement among counterparties (or the guarantors thereof) whose long-term, unsecured and unsubordinated obligations are rated AA- or better by Standard & Poor's Rating Services or Fitch, Inc. or Aa3 or better by Moody's Investors Service Inc., on such terms as described in the Request for Interest Rate Swap, with such changes thereto as may be determined by any Designated Officer, upon consultation with the Financial Advisor and Bond Counsel.

Section 9. ***Preliminary Official Statement.*** The distribution of the Preliminary Official Statement in connection with the offering and sale of the Bonds in substantially the form of the draft thereof presented at this meeting, with such changes therein as shall be approved by the Designated Officers, individually or collectively, is hereby authorized and approved. The Preliminary Official Statement shall be circulated for use in selling the Bonds at such time as a Designated Officer (after consultation with the Financial Advisor and Bond Counsel and such other advisors as the Designated Officer believes to be useful) shall deem the Preliminary Official Statement to be final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, said determination to be conclusively evidenced by a certificate signed by the Designated Officer to such effect. Each Designated Officer is hereby authorized to make such determination.

Section 10. ***Official Statement.*** Prior to the delivery of the Bonds, the MTA shall provide for the preparation, execution, delivery, publication and distribution of a final Official Statement relating to the Bonds in substantially the form of the draft Preliminary Official Statement on file with the Board Secretary. The Designated Officers are, and each of them is, hereby authorized and directed to execute and deliver the final Official Statement in the name and on behalf of the MTA. 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 Preliminary Official Statement now before this meeting.

Section 11. ***Credit Enhancement; Surety.*** Each of the Designated Officers is hereby authorized to obtain municipal bond insurance or any other guarantee of payment of the principal of and interest on the Bonds as well as the MTA's payment obligations under the Cap Agreement and to obtain a surety bond or other credit facility covering all or a portion of the reserve fund for the Bonds, and to execute and deliver any financial guaranty or reimbursement agreement with the providers thereof, all upon such terms as shall be satisfactory to such Designated Officer.

Section 12. ***Investment of Bond Proceeds.*** Each of the Designated Officers is hereby authorized to invest and reinvest Bond proceeds and other moneys deposited in the funds and accounts established pursuant to the Indenture in investments permitted for such funds and accounts under the Indenture, including but not limited to repurchase agreements and investments agreements described therein.

Section 13. ***Additional Authorization.*** The Designated Officers and all officers, agents and employees of the MTA, for and on behalf of the MTA, are hereby authorized and directed to take any and all actions necessary or desirable to effect the execution and delivery of the Bonds, the Indenture, the Broker-Dealer Agreements, the Auction Agreement, the Cap Agreement, the Continuing Disclosure Certificate, the Purchase Contract and the final Official Statement and to carry out the transactions contemplated therein. 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 necessary or desirable in order to carry out the authority conferred by this Resolution or the provisions of the Documents. All actions heretofore taken by the officers, agents and employees of the MTA in furtherance of the purposes of this Resolution are hereby confirmed, ratified and approved.

Section 14. ***Bond Counsel and Disclosure Counsel.*** The MTA hereby confirms, ratifies and approves the appointment of Fulbright & Jaworski L.L.P. as bond counsel and disclosure counsel to the MTA in connection with the issuance and sale of the Bonds.

Section 15. ***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 sections, phrases and provisions shall not affect any other provision of this Resolution.

Section 16. ***Effective Date.*** The effective date of this Resolution shall be the date of its adoption.

CERTIFICATION

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
CAPITAL GRANT RECEIPTS REVENUE BONDS
(GOLD LINE EASTSIDE EXTENSION PROJECT)
SERIES 2005A, SERIES 2005B-1 AND SERIES 2005B-2

The undersigned, duly qualified and acting as Board Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on ____________, 2005.

____
Michele Jackson
Board Secretary

Date: ______________, 2005

Attachment B

DRAFT MAY 19, 2005

Transaction Term Sheet

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Capital Grant Receipts Revenue Bonds
(Gold Line Eastside Extension Project)

I. GENERAL INFORMATION

The Issuer:	Los Angeles County Metropolitan Transportation Authority ("LACMTA").
The Bonds:	Capital Grant Receipts Revenue Bonds (the "Bonds") issued under a Trust Indenture between the LACMTA and the Trustee. Interest on the Bonds is not subject to the payment of federal, state, and local income taxes.
Purpose of the Bonds:	The Bonds will be used for eligible capital costs related to the Gold Line Eastside Extension light rail project, including the acquisition, planning, and construction of the project.
Underwriters:	Citigroup Global Markets, Inc., UBS Financial Services Inc., and Goldman Sachs & Co.
Trustee:	The Bank of New York Trust Company, N.A.

II. SECURITY

Grant Receipts

The Bonds will be payable from and secured by a pledge of Grant Receipts, which are, collectively, the amounts received by the LACMTA from a Full Funding Grant Agreement with the Federal Transit Administration (the "FTA") and the LACMTA's share of amounts received from the FTA Section 5307 Urbanized Area Formula funds. The LACMTA has no parity debt outstanding.

The Full Funding Grant Agreement was approved in June 2004. The FTA has committed to provide a total of $490.7 million for costs of the project payable in accordance with the following schedule.

Federal Fiscal Year	Grant Commitment
Prior to 2005	$ 17,300,000
2005	60,000,000
2006	80,000,000
2007	100,000,000
2008	80,000,000
2009	80,000,000
2010	73,400,000
Total	$490,700,000

The LACMTA receives Section 5307 Grant Receipts for eligible transit capital and operating purposes according to population, population density, and other factors associated with transit service and ridership. The LACMTA has been allocated the following annual amounts of FTA Section 5307 Urbanized Area Formula funds for Fiscal Year 2001 through 2005.

Fiscal Year	Section 5307 Allocation
2001	$116,135,544
2002	124,700,432
2003	143,053,148
2004	129,028,252
2005	140,634,423

To the extent that, upon the deposit of amounts received under the Full Funding Grant Agreement, Section 5307 Grant Receipts exceed the amount required to be on deposit in the Interest Account and Principal Account, the Trustee shall release and remit any substituted Section 5307 Grant Receipts to the LACMTA.

Capitalized Interest Account:

Proceeds of the Bonds will be used to fund a 2005 Capitalized Interest Account that is expected, together with interest earnings thereon, to pay interest on the Bonds through October 1, 2006.

Debt Service Reserve Fund:	A Debt Service Reserve Fund will be funded from proceeds of the Bonds to be held by the Trustee and used to make payments of principal and interest on the Bonds to the extent the amounts in the Interest Account or Principal Account are not sufficient to pay in full the interest or principal on the Bonds when due. The Debt Service Reserve Fund will be funded in an amount equal to the Debt Service Reserve Requirement, which shall be the least of (a) 10% of the original principal amount of the Bonds, (b) the Maximum Annual Debt Service Requirement on the Bonds or (c) 125% of the average Annual Debt Service Requirement on the Bonds.
Full Funding Grant Receipts Construction Fund	As further described in the flow of funds, amounts received under the Full Funding Grant Agreement that are not used for payment of scheduled debt service will be deposited into a Full Funding Grant Receipts Construction Fund to be held by the Trustee for payment of eligible project costs.
Flow of Funds:	The LACMTA will deposit all Grant Receipts promptly with the Trustee. The Trustee is required to transfer monies as needed to the Interest Account and Principal Account created for the Bonds for payment of scheduled principal and interest on the Bonds. Remaining Grant Receipts will be transferred to the Reserve Fund to fund any deficiency in the Debt Service Reserve Requirement, then to the Full Funding Grant Receipts Construction Fund to be held by the Trustee for payment of eligible project costs. Any remaining Grant receipts will be transferred to the Redemption Fund for the prepayment or redemption of Bonds prior to maturity in accordance with the terms of the Trust Indenture. A flow of funds diagram is included as Exhibit A to the term sheet.
Debt Service Coverage:	The projected debt service coverage of Pledged Revenue through the scheduled maturity of the Bonds is included as Exhibit B to the term sheet.
Additional Bonds:	The LACMTA may issue additional bonds to refund the Bonds so long as annual debt service after the issuance of the additional bonds does not exceed annual debt service prior to the issuance of the refunding bonds.

Exhibit A
Flow of Funds

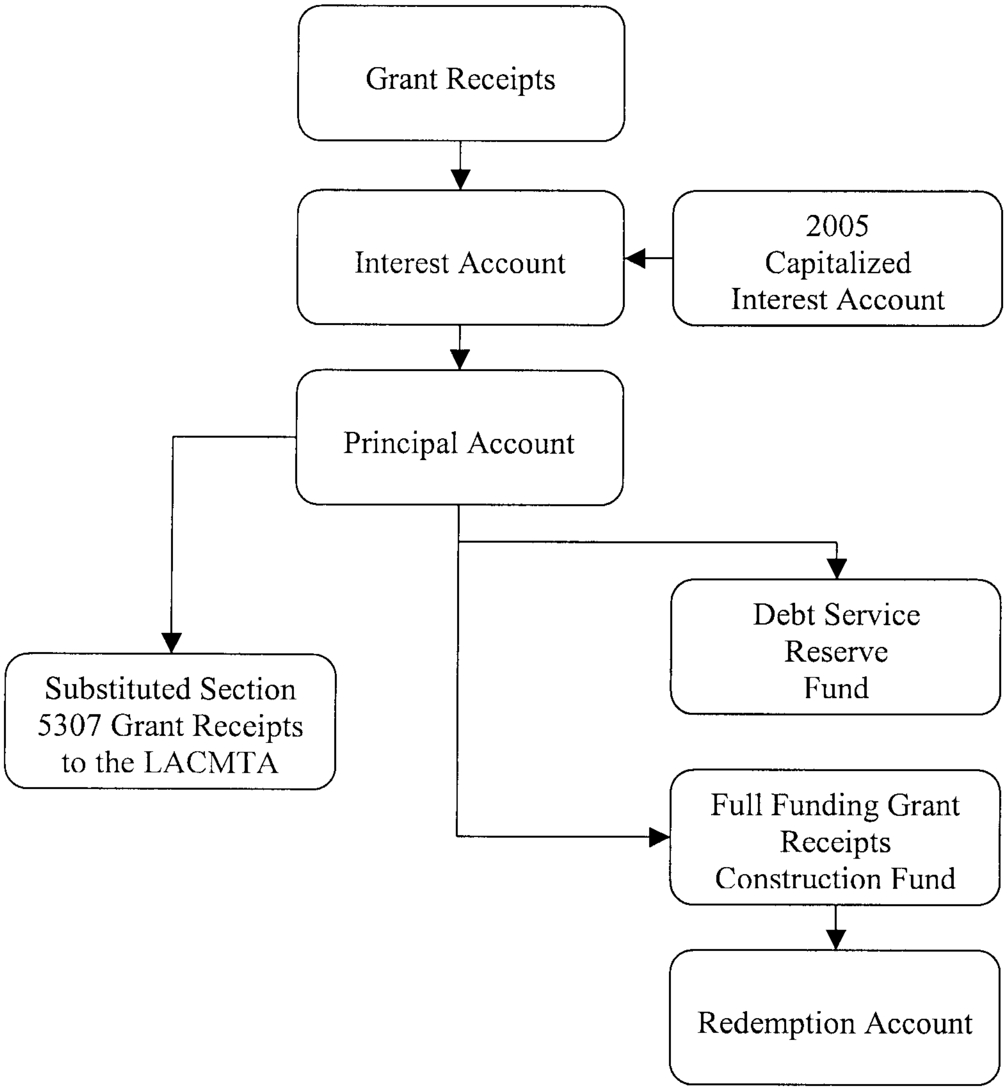

Exhibit B
Debt Service Coverage

Fiscal Year	Grant Receipts	Debt Service	Debt Service Coverage
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			