

**Metro****FINANCE AND BUDGET COMMITTEE
AUGUST 16, 2006****SUBJECT: PROP A BONDS****ACTION: ADOPT RESOLUTION AUTHORIZING ISSUANCE OF
REFUNDING BONDS****RECOMMENDATION**

Authorize the negotiated sale and issuance of up to \$55 million of Prop A refunding bonds and approve the Authorizing Resolution (Attachment 1).
(Requires separate, simple majority Board vote.)

RATIONALE

This report requests the Board to approve the bond documents and authorize issuance of the refunding bonds. A companion item on this agenda requests the appointment of the underwriting team for this transaction.

Due to generally low interest rates and the current flatness of the interest rate yield curve, Metro has the opportunity to refund up to \$50 million of the Prop A 1997-A bonds and lock in as much as \$2.3 million in present value savings. Approval of the recommendation will position Metro to be able to expeditiously sell the refunding bonds so long as the savings meet the Debt Policy refunding criteria.

A forward delivery bond sale is proposed to lock in the current interest rate and refunding savings. For tax reasons the bonds to be refunded may not be refunded using an advance refunding, which is the more common approach used when bonds are not currently callable. These bonds are not callable until April 2007.

Use of a negotiated bond sale is recommended for this transaction in order to achieve the lowest cost. A negotiated bond sale is justified under the Debt Policy criteria for Method of Bond Sale since forward delivery bonds are a more complex product and have far fewer potential investors. To generate investor interest the underwriters need to begin early to contact investors and explain the transaction. Due to the delayed delivery of the bonds, there are contractual and credit matters that must be resolved prior to the pricing. These factors necessitate the use of a negotiated sale in order that the underwriters may begin working with investors well before the pricing and generate as much investor demand for the bonds as possible.

The preliminary official statement was previously provided to the Board for review and comment in a Board Box Report distributed in early August. Other documents being approved are on file with the Board Secretary.

FINANCIAL IMPACT

The costs of issuance for this refunding were not budgeted in FY07 because of the uncertainty related to completing a refunding. If executed, the refunding will generate a favorable variance in debt service interest, project 610306, account 51121, in FY07 to offset costs of issuance.

ALTERNATIVES CONSIDERED

Various bond structuring alternatives were considered including the issuance of auction rate securities in combination with a LIBOR indexed interest rate swap or the use of hedging products to lock-in interest rates until the bonds become callable and subject to early redemption in July 2007. The interest rate swap alternative does not currently produce sufficient savings to meet the Debt Policy refunding criteria. The use of an interest rate hedge may provide similar savings to the recommended approach but adds additional complexity and is therefore not recommended.

Approval of the recommendation allows Metro to be positioned to take advantage of this refunding opportunity in the face of potentially adverse market fluctuations.

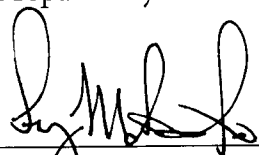
NEXT STEPS

- Distribute the Preliminary Official Statement to potential investors
- Initiate pre-marketing effort
- Price the bonds in September.
- Deliver the bonds in April 2007

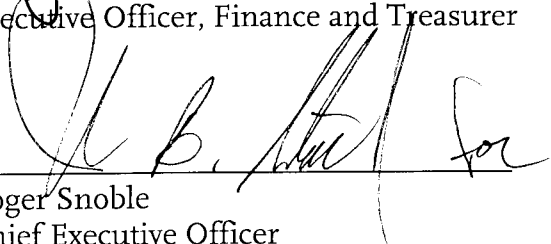
ATTACHMENT

1. Authorizing Resolution

Prepared by: Michael J. Smith, Assistant Treasurer



Terry Matsumoto
Executive Officer, Finance and Treasurer



Roger Snoble
Chief Executive Officer

Attachment 1

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF ITS PROPOSITION A FIRST TIER SENIOR SALES TAX REVENUE REFUNDING BONDS AND APPROVING OTHER RELATED MATTERS

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

WHEREAS, the revenues received by the MTA from the imposition of the Proposition A Tax are, by statute, directed to be used for public transit purposes, which purposes include a pledge of such tax to secure any bonds issued pursuant to the Act and include the payments or provision for the payment of the principal of 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 County-wide public transportation system (the "Public Transportation System") to serve the County and has commenced construction of portions of the Public Transportation System; and

WHEREAS, to facilitate the development and construction of the Public Transportation System, the Commission, as authorized by the Act, pursuant to the terms of a Trust Agreement dated as of July 1, 1986 (the "Trust Agreement") between the Commission and First Interstate Bank of California (the "Original Trustee") and a First Supplemental Trust Agreement also dated as of July 1, 1986, issued \$707,615,000 of its Sales Tax Revenue Bonds, Series 1986-A through Series 1986-E (collectively, the "Series 1986 Bonds"); and

WHEREAS, the Commission in May 1987 issued \$271,550,000 of its Sales Tax Revenue Refunding Bonds Series 1987-A (the "Series 1987-A Bonds") under the terms of the Trust Agreement and a Second Supplemental Trust Agreement dated as of May 1, 1987, and

such Series 1987-A Bonds were issued for the purpose of refunding that portion of the Series 1986 Bonds designated as Series 1986-B; and

WHEREAS, the Commission in May 1988 issued \$112,274,128.75 of its Sales Tax Revenue Refunding Bonds Series 1988-A (the "Series 1988-A Bonds") under the terms of the Trust Agreement and a Third Supplemental Trust Agreement dated as of May 1, 1988, and such Series 1988-A Bonds were issued for the purpose of refunding that portion of the Series 1986 Bonds designated as Series 1986-C; and

WHEREAS, the Commission in January 1989 issued \$174,303,858.10 of its Sales Tax Revenue Refunding Bonds Series 1989-A (the "Series 1989-A Bonds") under the terms of the Trust Agreement and a Fourth Supplemental Trust Agreement dated as of January 1, 1989, and such Series 1989-A Bonds were issued for the purpose of refunding that portion of the Series 1986 Bonds designated as Series 1986-D and Series 1986-E; and

WHEREAS, the Commission entered into a Fifth Supplemental Trust Agreement dated as of December 1, 1990 (the "Fifth Supplement") creating certain accounts and releasing certain moneys held under the Trust Agreement related to the lease of certain railroad cars payable from and secured by a pledge of Pledged Revenues junior and subordinate to the pledge securing the Commission's Sales Tax Revenue Bonds issued under the Trust Agreement (the "Railroad Car Pledge"); and

WHEREAS, the Commission entered into a Sixth Supplemental Trust Agreement dated as of January 1, 1991 (the "Sixth Supplement") providing for payment of certain excess Pledged Revenues under the Trust Agreement and supplementing certain terms of the Trust Agreement relating to the Commission's Subordinate Sales Tax Revenue Commercial Paper Notes (the "Commercial Paper Notes"); and

WHEREAS, the Commission in January 1991 entered into a Subordinate Trust Agreement dated as of January 1, 1991 by and between the Commission and Security Pacific National Trust Company (New York) and a Subordinate First Supplemental Trust Agreement dated as of January 1, 1991 providing for the issuance of the Commercial Paper Notes; and

WHEREAS, the Commission in June 1991 issued \$500,000,000 of its Sales Tax Revenue Bonds, Series 1991-A (the "Series 1991-A Bonds") under the terms of the Trust Agreement and a Seventh Supplemental Trust Agreement dated as of June 1, 1991, and such Series 1991-A Bonds were issued for the purpose of financing additional portions of the Public Transportation System and refunding a portion of the Commercial Paper Notes; and

WHEREAS, the Commission in December 1991 issued \$281,425,000 of its Sales Tax Revenue Refunding Bonds, Series 1991-B (the "Series 1991-B Bonds") under the terms of the Trust Agreement and an Eighth Supplemental Trust Agreement dated as of December 1, 1991, and such Series 1991-B Bonds were issued for the purpose of refunding a portion of the Series 1986 Bonds, a portion of the Series 1987-A Bonds and a portion of the Series 1988-A Bonds; and

WHEREAS, the Commission authorized certain amendments to the Trust Agreement and the supplements thereto by approving and entering into a Ninth Supplemental Trust Agreement dated as of December 20, 1991; and

WHEREAS, the Commission in June 1992 issued \$98,700,000 of its Sales Tax Revenue Refunding Bonds Series 1992-A (the "Series 1992-A Bonds") and \$107,665,000 of its Sales Tax Revenue Refunding Bonds Series 1992-B (the "Series 1992-B Bonds"), both under the terms of the Trust Agreement and a Tenth Supplemental Trust Agreement dated as of June 1, 1992 (the "Tenth Supplement"), and such Series 1992-A Bonds and Series 1992-B Bonds were issued for the purpose of refunding certain maturities of that portion of the Series 1986 Bonds designated as the Series 1986-A Bonds, certain maturities of the Series 1987-A Bonds and certain maturities of the Series 1988-A Bonds; and

WHEREAS, the MTA in May 1993 issued \$560,700,000 of its Proposition A Sales Tax Revenue Refunding Bonds Series 1993-A (the "Series 1993-A Bonds") under the terms of the Trust Agreement and an Eleventh Supplemental Trust Agreement dated as of April 15, 1993, and such Series 1993-A Bonds were issued for the purpose of refunding certain maturities of that portion of the Series 1986 Bonds designated as the Series 1986-A Bonds, certain maturities of the Series 1987-A Bonds, certain maturities of the Series 1988-A Bonds, one maturity of the Series 1989-A Bonds, certain maturities of the Series 1991-A Bonds and certain maturities of the Series 1991-B Bonds; and

WHEREAS, the MTA in September 1993 entered into a Twelfth Supplemental Trust Agreement dated as of September 1, 1993 (the "Twelfth Supplement") providing for certain pledges of Pledged Revenues designated in the Twelfth Supplement as "Second Tier Subordinate Lien Obligations" which are junior and subordinate to (a) the pledges securing the Prior Senior Lien Bonds, as defined herein; and (b) the Railroad Car Pledge and making certain amendments to the Tenth Supplement in connection therewith; and

WHEREAS, the MTA supplemented the terms of the Trust Agreement and amended certain provisions of the Sixth Supplement by approving and entering into a Thirteenth Supplemental Trust Agreement dated as of January 1, 1994 (the "Thirteenth Supplement"), to facilitate the issuance of a replacement letter of credit securing the Commercial Paper Notes and providing for a subordinate obligation relating to a project sometimes referred to as Grand Central Square; and

WHEREAS, the MTA in June 1996 issued \$110,580,000 of its Proposition A First Tier Senior Sales Tax Revenue Bonds Series 1996-A (the "Series 1996-A Bonds") under the terms of the Trust Agreement and a Fourteenth Supplemental Trust Agreement dated as of June 1, 1996 (the "Fourteenth Supplement"), and such Series 1996-A Bonds were issued for the purpose of funding additional portions of the Public Transportation System; and

WHEREAS, the MTA in June 1996 issued \$104,715,000 of its Proposition A Second Tier Sales Tax Revenue Refunding Bonds Series 1996 (the "Subordinate Series 1996 Bonds") under the terms of a Fifteenth Supplemental Trust Agreement dated as of June 1, 1996 (the "Fifteenth Supplement"), and such Subordinate Series 1996 Bonds were issued for the purpose of refunding a portion of the MTA's outstanding Commercial Paper Notes; and

WHEREAS, the MTA in June 1997 issued \$256,870,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 1997-A (the "Series 1997-A Bonds") under the terms of the Trust Agreement and a Sixteenth Supplemental Trust Agreement dated as of June 1, 1997 (the "Sixteenth Supplement"), and such Series 1997-A Bonds were issued for the purpose of refunding a portion of the MTA's outstanding Commercial Paper Notes, certain maturities of that portion of the Series 1986 Bonds designated as the Series 1986-A Bonds, certain maturities of the Series 1988-A Bonds and certain maturities of the Series 1991-A Bonds; and

WHEREAS, the MTA authorized certain amendments to the Fourteenth Supplement, the Fifteenth Supplement and the Sixteenth Supplement by approving and entering into a Seventeenth Supplemental Trust Agreement dated as of February 1, 1998; and

WHEREAS, the MTA in April 1999 issued \$160,205,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 1999-A (the "Series 1999-A Bonds") under the terms of the Trust Agreement and an Eighteenth Supplemental Trust Agreement dated as of April 1, 1999, and such Series 1999-A Bonds were issued for the purpose of refunding a portion of the Series 1989-A Bonds; and

WHEREAS, the MTA in April 1999 issued \$150,340,000 of its Proposition A First Tier Senior Sales Tax Revenue Bonds Series 1999-B (the "Series 1999-B Bonds") under the terms of the Trust Agreement and a Nineteenth Supplemental Trust Agreement dated as of April 1, 1999, and such Series 1999-B Bonds were issued for the purpose of funding a portion of the Public Transportation System and refunding a portion of the MTA's outstanding Commercial Paper Notes; and

WHEREAS, the MTA in May 1999 issued \$170,495,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 1999-C (the "Series 1999-C Bonds") under the terms of the Trust Agreement and a Twentieth Supplemental Trust Agreement dated as of May 1, 1999, and such Series 1999-C Bonds were issued for the purpose of refunding certain portions of the Series 1996-A Bonds and the Subordinate Series 1996 Bonds; and

WHEREAS, the MTA in April 2001 issued \$55,685,000 of its Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2001-A (the "Series 2001-A Bonds") and \$191,215,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2001-B (the "Series 2001-B Bonds," and together with the Series 2001-A Bonds, the "Series 2001 Bonds") under the terms of the Trust Agreement and a Twenty-First Supplemental Trust Agreement dated as of March 15, 2001, and such Series 2001 Bonds were issued for the purpose of funding a portion of the Public Transportation System and refunding certain portions of the Series 1991-B Bonds; and

WHEREAS, the MTA supplemented the terms of the Trust Agreement by approving and entering into a Twenty-Second Supplemental Trust Agreement dated as of April 1, 2002 (the "Twenty-Second Supplement"), providing for a pledge of the MTA to be a Second Tier Subordinate Lien Obligation, which pledge relates to certain refunding bonds issued by The

Community Redevelopment Agency of the City of Los Angeles, California for a project known as Grand Central Square; and

WHEREAS, the MTA in April 2003 issued \$273,505,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2003-A (the "Series 2003-A Bonds") under the terms of the Trust Agreement and a Twenty-Third Supplemental Trust Agreement dated as of April 1, 2003, and such Series 2003-A Bonds were issued for the purpose of refunding certain portions of the Series 1993-A Bonds; and

WHEREAS, the MTA in June 2003 issued \$243,795,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2003-B (the "Series 2003-B Bonds") under the terms of the Trust Agreement and a Twenty-Fourth Supplemental Trust Agreement dated as of June 1, 2003, and such Series 2003-A Bonds were issued for the purpose of refunding certain portions of the Series 1993-A Bonds; and

WHEREAS, the MTA in July 2005 issued \$242,795,000 of its Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2005-A (the "Series 2005-A Bonds") and \$43,655,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-B (the "Series 2005-B Bonds") under the terms of the Trust Agreement and a Twenty-Fifth Supplemental Trust Agreement dated as of July 1, 2005, and such Series 2005-A Bonds were issued for the purpose of refunding a portion of the MTA's outstanding Commercial Paper Notes and funding a portion of the Public Transportation System, and such Series 2005-B Bonds were issued for the purpose of refunding certain portions of the Series 1996-A Bonds, the Subordinate Series 1996 Bonds and the Series 1997-A Bonds; and

WHEREAS, the MTA in August 2005 issued \$66,450,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-C1 (the "Series 2005-C1 Bonds"), \$66,450,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-C2 (the "Series 2005-C2 Bonds"), \$66,450,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-C3 (the "Series 2005-C3 Bonds") and \$66,475,000 of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-C4 (the "Series 2005-C4 Bonds," and together with the Series 2005-C1, the Series 2005-C2 and the Series 2005-C3, the "Series 2005-C Bonds") under the terms of the Trust Agreement and a Twenty-Sixth Supplemental Trust Agreement dated as of August 1, 2005, and such Series 2005-C Bonds were issued for the purpose of refunding certain portions of the Subordinate Series 1996 Bonds, the Series 1997-A Bonds, the Series 1999-B Bonds and the Series 2001-A Bonds

WHEREAS, the MTA has pledged the Proposition A Tax (less the 25% local allocation and the State Board of Equalization's costs of administering such tax) to secure the Series 1986 Bonds, the Series 1987-A Bonds, the Series 1988-A Bonds, the Series 1989-A Bonds, the Series 1991-A Bonds, the Series 1991-B Bonds, the Series 1992-A Bonds, the Series 1992-B Bonds, the Series 1993-A Bonds, the Series 1996-A Bonds, the Series 1997-A Bonds, the Series 1999-A Bonds, the Series 1999-B Bonds, the Series 1999-C Bonds, the Series 2001 Bonds, the Series 2003-A Bonds, the Series 2003-B Bonds, the Series 2005-A Bonds, the Series 2005-B Bonds and the Series 2005-C Bonds (collectively, the "Prior Senior Lien Bonds") and certain subordinate indebtedness mentioned in the Fifth Supplement, the

Sixth Supplement, the Twelfth Supplement, the Thirteenth Supplement, the Fifteenth Supplement and the Twenty-Second Supplement; and

WHEREAS, the MTA now desires to provide for the issuance of one or more series of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds (collectively, the "Refunding Bonds") to: (a) to refund and defease on or about April 2007 up to \$49,725,000 aggregate principal amount of the outstanding Series 1997-A Bonds, (b) to fund or make provision for a reserve fund, if necessary, for the Refunding 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 Supplemental Trust Agreement (the "Supplemental Trust Agreement") by and between the MTA and The Bank of New York Trust Company, N.A., as successor in interest to the Original Trustee (the "Trustee"), to be used in connection with the issuance of the Refunding Bonds;

(b) an Escrow Agreement (the "Escrow Agreement") among the MTA, the Trustee, and The Bank of New York Trust Company, N.A., as escrow agent;

(c) a Preliminary Official Statement (the "Preliminary Official Statement") to be used in connection with the sale of the Refunding Bonds which describes the Refunding Bonds, the MTA and its operations;

(d) a Forward Delivery Bond Purchase Agreement (the "Bond Purchase Agreement"), to be dated the date of sale of the Refunding Bonds, between UBS Securities LLC, as representative (the "Representative"), on its own behalf and on behalf of Morgan Stanley & Co. Incorporated and Siebert Branford Shank & Co., LLC (collectively, the "Underwriters") and the MTA; and

(e) a Continuing Disclosure Certificate by the MTA, in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Continuing Disclosure Certificate"); and

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 Refunding Bonds and said documents are subject to completion to reflect the results of the sale of the Refunding Bonds; and

WHEREAS, the MTA has determined that it best serves the public transportation needs of the County to provide for the issuance and sale of one or more series of the Refunding Bonds to refund all or a portion of the outstanding Series 1997-A Bonds; and

WHEREAS, the Proposition A Tax, less the 25% allocated to local jurisdictions and less the costs of the State Board of Equalization for administering the Proposition A Tax, is 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 and the Supplemental Trust Agreement;

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

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

(a) The issuance of its Refunding Bonds to refund up to \$49,725,000 aggregate principal amount of the outstanding Series 1997-A Bonds, to fund or provide for a reserve fund, if necessary, for the Refunding Bonds and to pay certain costs related thereto is in the public interest.

(b) Under the provisions of Ordinance No. 16, all of the Pledged Taxes are revenues of the MTA available for public transit purposes and are available to be and are, by the terms of the resolutions and the Trust Agreement under which the Prior Senior Lien Bonds were issued, pledged to secure the Prior Senior Lien Bonds and are pledged to secure the Refunding 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 Supplemental Trust Agreement are reasonable and proper for the security of the holders of the Refunding Bonds.

Section 2. Issuance of Refunding Bonds. For the purposes of refunding up to \$49,725,000 aggregate principal amount of the outstanding Series 1997-A Bonds, funding or providing for a portion of the Reserve Fund, if necessary, 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 A First Tier Senior Sales Tax Revenue Refunding Bonds. The total aggregate principal amount of Refunding Bonds issued under this Resolution shall not exceed the amount needed to refund up to \$49,725,000 aggregate principal amount of the outstanding Series 1997-A Bonds, fund or provide for a portion of the Reserve Fund, if necessary, and pay certain costs related thereto, all in accordance with the MTA's Debt Policy, and in any event shall not exceed \$55,000,000 aggregate principal amount plus the amount of any original issue premium at which the Refunding Bonds may be sold. 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 and Treasurer of the MTA, or any written designee of the CEO 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 Refunding Bonds to be issued (in no event in excess of the maximum amount set forth above) and to direct the execution and authentication of the Refunding Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized. The Refunding Bonds shall be in fully registered form and shall be issued as Book-Entry Bonds as provided in the Supplemental Trust Agreement. Payment of principal of, interest

on and premium, if any, on the Refunding Bonds shall be made at the place or places and in the manner provided in the Supplemental Trust Agreement.

Section 3. Terms of Refunding Bonds. The Refunding Bonds may be issued as current interest bonds or capital appreciation bonds or as a combination thereof. The Refunding Bonds issued as current interest bonds shall be available in denominations of \$5,000 and integral multiples thereof. The Refunding Bonds issued as capital appreciation bonds, if any, shall be available in denominations of \$5,000 final maturity amount and integral multiples thereof. The Refunding Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the final form of the Supplemental Trust Agreement. The Refunding 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 Supplemental Trust Agreement. No Refunding Bonds shall bear interest at a rate in excess of 6.5% per annum. Interest on the Refunding Bonds shall be paid on the dates set forth in the Supplemental Trust Agreement. Interest on Refunding Bonds issued as capital appreciation bonds, if any, shall be paid at maturity or prior redemption of such Refunding Bonds. The Refunding Bonds shall be subject to redemption at the option of the MTA on such terms and conditions as shall be set forth in the Supplemental Trust Agreement. The Refunding Bonds which are term bonds shall also be subject to mandatory sinking fund redemption as shall be set forth in the Supplemental Trust Agreement.

Execution and delivery of the 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.

Section 4. Pledge of Pledged Taxes. The Pledged Taxes are hereby irrevocably pledged in accordance with the terms of the Trust Agreement to secure the Prior Senior Lien Bonds, the Refunding Bonds and any additional bonds which may subsequently be issued under and secured by the terms of the Trust Agreement. Except for the Prior Senior Lien Bonds, the MTA hereby confirms that it has not previously granted any prior or parity 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 Refunding Bonds remain outstanding, grant or attempt to grant any prior or parity pledge, lien or other interest in the Pledged Taxes to secure any other obligations of the MTA.

Section 5. Special Obligations. The Refunding 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 and the Supplemental Trust Agreement. The Refunding Bonds shall also be secured by and be paid from such other sources as the MTA may hereafter provide.

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

Section 7. Execution of Refunding Bonds. Each of the Refunding 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(s) shall have the same force and effect as if such officer(s) had manually signed each of such Refunding Bonds.

Section 8. Approval of Documents, Authorization for Execution. The form, terms and provisions of the Supplemental Trust Agreement and the Escrow Agreement within the parameters set forth in this Resolution are in all respects approved, and each of the Designated Officers is hereby authorized, empowered and directed to execute, acknowledge and deliver the Supplemental Trust Agreement and the Escrow Agreement, including counterparts thereof, in the name of and on behalf of the MTA. The Supplemental Trust Agreement and the Escrow Agreement, as executed and delivered, shall be in substantially the forms now before this Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer 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 Supplemental Trust Agreement and the Escrow Agreement now before this Board; and from and after the execution and delivery of the Supplemental Trust Agreement and the Escrow 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 Supplemental Trust Agreement and the Escrow Agreement.

Section 9. Sale of Refunding Bonds.

(a) The MTA hereby authorizes the sale of the Refunding Bonds through a private, negotiated sale to UBS Securities LLC, Morgan Stanley & Co. Incorporated and Siebert Branford Shank & Co., LLC (the "Underwriters"). In connection therewith, the MTA hereby approves the form of the Preliminary Official Statement (the "Preliminary Official Statement") presented at this meeting and authorizes the Underwriters to distribute (via written format and/or through electronic means) the Preliminary Official Statement to market the Refunding Bonds from time to time, with such additions, deletions and changes as the Designated Officers, or any of them, deemed to be appropriate. The Underwriters are hereby further authorized to distribute (via written format and/or through electronic means) copies of the MTA's most recent annual audited financial statements and such other financial statements of the MTA as any Designated Officer, any one or more thereof, shall approve. The Preliminary Official Statement shall be circulated for use in selling the Refunding 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.

(b) The Refunding Bonds, if sold to the Underwriters from time to time, shall be sold subject to an underwriters' discount (excluding original issue discount and premium) not to exceed \$4.00 per \$1000 of principal amount of the Refunding Bonds and subject to the terms and conditions set forth in the form of the Bond Purchase Agreement. The form, terms and provisions of the Bond Purchase Agreement as presented at this meeting, 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 Bond Purchase Agreement, including counterparts thereof, in the name of and on behalf of the MTA. The Bond Purchase Agreement, as executed and delivered, shall be in substantially the form 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 Bond Purchase Agreement now before this meeting; and from and after the execution and delivery of the Bond Purchase 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 Bond Purchase Agreement.

(c) Upon the execution and delivery of the Bond Purchase Agreement, from time to time, the Designated Officers shall provide for the preparation, publication, execution and delivery of one or more final Official Statement(s) in the form of the Preliminary Official Statement as presented at this meeting, with such additions, deletions and changes as the Designated Officers, or any of them, deemed to be appropriate. Any Designated Officer is hereby authorized and directed to execute and deliver the final Official Statement(s) in the name and on behalf of the MTA. One or more supplements to the final Official Statement(s) or a revised final Official Statement may be prepared and delivered to the Underwriters just prior to the delivery of the Refunding Bonds reflecting such updated and revised information as shall be acceptable to the Underwriters and as the Designated Officers, or any of them, deem to be appropriate. The Underwriters are hereby authorized to distribute (via written format and/or through electronic means) the final Official Statement, any supplement to the Official Statement and any revised final Official Statement, as the case may be, to market the Refunding Bonds from time to time.

(d) A Designated Officer's authority to approve the final terms of the sale of the Refunding Bonds and to execute or to direct the execution of the Bond Purchase Agreement shall commence upon the date of adoption of this Resolution and shall continue for eleven calendar months thereafter unless rescinded or modified by subsequent action of the MTA prior to the time that a Bond Purchase Agreement has been duly signed and delivered.

(e) The form and content of the Continuing Disclosure Certificate presented at this meeting to be dated the applicable date of delivery of the Refunding 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 securities rules, 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 written notice to be provided to the California Debt and Investment Advisory Commission of the proposed sale of the Refunding 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 said Commission, to file the rebates and notices required under section 148(f) and 149(e) of the Internal Revenue Code of 1986, as amended, and to file such additional notices and reports as are deemed necessary or desirable by such Designated Officer in connection with the Refunding Bonds, and any prior such notices are hereby ratified, confirmed and approved.

Section 10. Trustee, Paying Agent and Registrar. The MTA hereby appoints The Bank of New York Trust Company, N.A. as Trustee, Paying Agent and Registrar for the Refunding Bonds. Such appointments shall be effective upon the issuance of the Refunding Bonds and shall remain in effect until the MTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 11. Escrow Agent. The MTA hereby appoints The Bank of New York Trust Company, N.A. as Escrow Agent under the Escrow Agreement. Such appointments shall be effective upon the issuance of the Refunding Bonds and shall remain in effect until the MTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 12. Bond Insurance and Reserve Fund Surety Bond. In connection with the sale of the Refunding 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 Refunding Bonds and to purchase one or more reserve fund surety bonds for the Refunding Bonds on such terms as shall be acceptable to the Underwriters and the Designated Officer. If purchased by the MTA, said insurance and/or reserve fund surety bond shall contain such terms and conditions as shall be acceptable to said Designated Officer(s).

Section 13. 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 Refunding Bonds, the Supplemental Trust Agreement, the Escrow Agreement, the Bond Purchase Agreement, the final Official Statement (and any supplement or revision thereto) 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 or the provisions of the Trust Agreement, the

Supplemental Trust Agreement, the Bond Purchase Agreement and the Escrow 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 Refunding Bonds and of the Pledged Taxes including the execution and delivery of investment agreements or forward purchase agreements related thereto, the execution by a Designated Officer and the delivery of the Tax Compliance Certificate as required by the Supplemental Trust Agreement for the purpose of complying with the rebate requirements of the Internal Revenue Code of 1986, as amended; and the execution and delivery of documents required by The Depository Trust Company in connection with the Book-Entry Bonds. All actions heretofore taken by the officers, agents and employees of the MTA in furtherance of this Resolution are hereby confirmed, ratified and approved.

Section 14. Continuing Authority of Designated Officers. The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by the Chair of the MTA, any Vice Chair of the MTA, the CEO, any Deputy Chief Executive Officer, the Chief Financial Officer or the Executive Officer, Finance and Treasurer shall remain valid notwithstanding the fact that the individual officer of the MTA signing such designation ceases to be an officer of the MTA, unless such designation specifically provides otherwise.

Section 15. Costs of Issuance. The MTA authorizes funds of the MTA together with the proceeds of the Refunding Bonds to be used to pay costs of issuance of the Refunding Bonds, including but not limited to costs of attorneys, accountants, verification agents, financial advisors, the costs associated with rating agencies, bond insurance and surety bonds, printing, publication and mailing expenses and any related filing fees.

Section 16. 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 17. Effective Date. This Resolution shall be effective upon adoption.

Section 18. Contract. This Resolution and the pledge of the Pledged Taxes contained herein shall constitute a contract between the MTA and the holders of the Refunding Bonds.

CERTIFICATION

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 copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on August _____, 2006.

[SEAL]

By _____
Board Secretary, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2006