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**FINANCE AND BUDGET COMMITTEE
MAY 20, 2009**

SUBJECT: PROP A AND C BONDS

**ACTION: ADOPT RESOLUTION AUTHORIZING ISSUANCE OF
REFUNDING BONDS**

RECOMMENDATION

Adopt a resolution authorizing the issuance of refunding bonds in multiple transactions to refund the Prop A 1999-A, 1999-B and 1999-C bonds and commercial paper and Prop C 1999-A bonds and Prop C commercial paper, Attachment A.

(Requires separate, simple majority Board vote.)

RATIONALE

Low interest rates through the first ten years of the yield curve are providing an opportunity to refund up to \$310 million of outstanding Prop A and C bonds to achieve interest rate savings of as much as \$15 million on a present value basis. Portions of the Prop A and Prop C commercial paper programs will also be refunded to provide permanent financing for capital costs and certain debt service reserve deposits. See Attachment B for detail on amounts to be refunded. Lower commercial paper balances will reduce the amounts and costs of bank liquidity facilities that will need to be replaced over the next 12 months.

DISCUSSION

The four bond issues proposed for refunding are not related to our auction rate bond restructuring efforts. They are being refunded to reduce debt service by taking advantage of lower interest rates.

The commercial paper programs were used temporarily to cover costs of recent bond refundings and debt service reserve deposits related to our auction rate bond restructuring efforts and to replace a \$50 million surety policy previously provided by a recently downgraded bond insurer.

Additional portions of the outstanding commercial paper balances are being refunded to free up short-term borrowing capacity and reduce the amounts of replacement bank liquidity facilities we will need to obtain over the next 12 months. We will have to replace \$500 million of bank liquidity facilities as they expire through May 2010 in order to maintain the size of the programs. Liquidity facilities are extremely difficult and expensive to obtain at present, making it likely that we will not be able to replace the entire \$500 million. Downsizing the outstanding balances will reduce the amounts of liquidity facilities that will be required to keep the programs operating, perhaps at reduced levels.

The refunding bonds are planned to be sold as fixed rate bonds using the negotiated sales method. The negotiated sales method is appropriate when we need the bond underwriter to reach out to investors to provide more information than can reasonably be provided using a competitive bidding process. The current problems in the financial markets make it necessary to work more closely with individual institutional investors in order to generate the greatest demand and achieve the lowest cost. If market conditions improve sufficiently, a competitive bond sale process will be used. Underwriters for the negotiated sales will be selected via competitive request for proposal processes to be conducted by our financial advisor. The authorizing resolution delegates the selection of underwriters to the Chief Executive Officer and other Designated Officers in order to expeditiously take advantage of the current low interest rate environment.

FINANCIAL IMPACT

The costs of issuance for this refunding were not budgeted in FY09 and are not proposed in the FY10 budget because of the uncertainty related to completing any refunding. If executed, the refundings will generate favorable variances in the Debt Service Interest project number 610306 and account number 51121 for Prop A and project number 610307 and account number 51122 for Prop C that will offset the costs of issuance.

Impact on Enterprise Fund Bus and Rail Operations Budget

Prop A bonds and commercial paper were primarily issued for rail capital projects. Principal and interest payments are made from Prop A 35% Rail funds. The recommended action reduces the demand on Prop A 35% over the long term making more Prop A 35% available for new rail capital borrowing or to subsidize ongoing rail operating costs.

Prop C bonds and commercial paper were primarily issued for rail capital projects. Principal and interest payments are made from Prop C 40% Discretionary funds. Prop C 40% can be used for bus or rail operating or capital expenditures. The recommended action reduces the demand on Prop C 40% over the long term making more Prop C 40% available for new bus or rail capital borrowing, to subsidize our ongoing bus or rail operating costs or other regional transit uses. Allocations of Prop C 40% for our own bus programs require that we provide municipal bus operators a proportionate share.

ALTERNATIVES CONSIDERED

Deferring the refunding to a later date is not recommended due to the risk that interest rates could rise and potential savings be lost.

Various bond structuring alternatives were considered, such as issuance of variable rate bonds, but a fixed rate bond issue is currently the best approach given considerations of cost, ongoing interest rate risk and the lack of available liquidity facilities.

Deferring the refunding of some or all of the commercial paper is possible, but would result in higher balances in the programs when there is substantial risk that sufficient bank

liquidity facilities will not be available when the current liquidity facilities expire in May and June 2010.

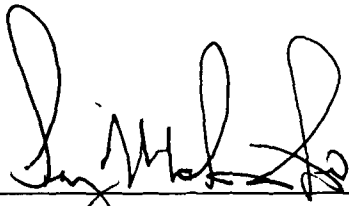
NEXT STEPS

- Determine bonds to be refunded and debt structure
- Select underwriters
- Obtain ratings on the bonds
- Distribute the Preliminary Official Statement to potential investors
- Initiate pre-marketing effort
- Sell the bonds in June or July 2009.

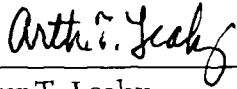
ATTACHMENT

- A. Authorizing Resolution
- B. Summary of Refunding Candidates

Prepared by: Michael J. Smith, Assistant Treasurer



Terry Matsumoto
Chief Financial Services Officer and Treasurer



Arthur T. Leahy
Chief Executive Officer

Attachment A

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 BONDS AND/OR ITS PROPOSITION C SALES TAX REVENUE BONDS,
SECOND SENIOR BONDS AND APPROVING OTHER RELATED MATTERS

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "LACMTA"), 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 of 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 LACMTA 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 LACMTA is planning and engineering a countywide 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, as authorized by the Act, pursuant to the terms of a Trust Agreement dated as of July 1, 1986, as amended and supplemented (the "Proposition A Trust Agreement") between the Commission, as predecessor to the LACMTA, and First Interstate Bank of California, the predecessor trustee to The Bank of New York Mellon Trust Company, N.A. (the "Proposition A Trustee"), the LACMTA has issued several series of bonds, including its Sales Tax Revenue Refunding Bonds, Series 1991-B (the "Proposition A Series 1991-B Bonds"), its Sales Tax Revenue Refunding Bonds Series 1992-A (the "Proposition A Series 1992-A Bonds"), its First Tier Senior Sales Tax Revenue Refunding Bonds Series 1999-A (the "Proposition A Series 1999-A Bonds"), its First Tier Senior Sales Tax Revenue Bonds Series 1999-B (the "Proposition A Series 1999-B Bonds"), its First Tier Senior Sales Tax Revenue Bonds Series 1999-C (the "Proposition A Series 1999-C Bonds"), its First Tier Senior Sales Tax Revenue Bonds Series 2001-A (the "Proposition A Series 2001-A Bonds"), its First Tier Senior Sales Tax Revenue Refunding Bonds Series 2001-B (the "Proposition A Series 2001-B Bonds"), its First Tier Senior Sales Tax Revenue Refunding Bonds Series 2003-A (the "Proposition A Series 2003-A Bonds"), its First Tier Senior Sales Tax Revenue Refunding Bonds Series 2003-B (the "Proposition A Series 2003-B Bonds"), its First Tier Senior

Sales Tax Revenue Bonds Series 2005-A (the "Proposition A Series 2005-A Bonds"), its First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-B (the "Proposition A Series 2005-B Bonds"), its First Tier Senior Sales Tax Revenue Refunding Bonds Series 2007-A (the "Proposition A Series 2007-A Bonds"), its First Tier Senior Sales Tax Revenue Refunding Bonds Series 2008-A (the "Proposition A Series 2008-A Bonds") and its First Tier Senior Sales Tax Revenue Refunding Bonds Series 2008-B (the "Proposition A Series 2008-B Bonds" and together with the Proposition A Series 1991-B Bonds, the Proposition A Series 1992-A Bonds, the Proposition A Series 1999-A Bonds, the Proposition A Series 1999-B Bonds, the Proposition A Series 1999-C Bonds, the Proposition A Series 2001-A Bonds, the Proposition A Series 2001-B Bonds, the Proposition A Series 2003-A Bonds, the Proposition A Series 2003-B Bonds, the Proposition A Series 2005-A Bonds, the Proposition A Series 2005-B Bonds, the Proposition A Series 2007-A Bonds and the Proposition A Series 2008-A Bonds, the "Prior Proposition A Senior Lien Bonds"); 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 LACMTA from the imposition of the Proposition C 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 LACMTA 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, as authorized by the Act, pursuant to the terms of a Trust Agreement, dated as of October 1, 1992, as amended and supplemented (the "Proposition C Trust Agreement"), by and between the Commission, as predecessor to the LACMTA, 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 "Proposition C Trustee"), the LACMTA has issued several series of bonds, including its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1993-A (the "Proposition C Series 1993-A Bonds"), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1998-A (the "Proposition C Series 1998-A Bonds"), its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 1999-A (the "Proposition C Series 1999-A Bonds"), its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2000-A (the "Proposition C Series 2000-A Bonds"), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2003-A (the "Proposition C Series 2003-A Bonds"), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series-C (the "Proposition C Series 2003-C Bonds"), its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2004-A (the "Proposition C Series 2004-A Bonds"), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2006-A (the "Proposition C Series 2006-A Bonds"), its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2008-A (the "Proposition C Series 2008-A Bonds") and its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-A (the "Proposition C Series 2009-A Bonds" and together with the Proposition C Series 1993-A Bonds, the Proposition C Series 1998-A Bonds, the Proposition C Series 1999-A Bonds, the Proposition C Series 2000-A Bonds, the Proposition C Series 2003-A Bonds, the Proposition C Series 2003-C Bonds, the

Proposition C Series 2004-A Bonds, the Proposition C Series 2006-A Bonds and the Proposition C Series 2008-A Bonds, the "Proposition C Prior Second Senior Bonds"; and

WHEREAS, the LACMTA now desires to provide for the issuance of one or more Series from time to time of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds and/or its Proposition A First Tier Senior Sales Tax Revenue Bonds (the "Proposition A Bonds") (a) to refund all or a portion of the Proposition A Series 1999-A Bonds, the Proposition A Series 1999-B Bonds and/or the Proposition A Series 1999-C Bonds (the "Refunded Proposition A Bonds"), provided that any such refunding shall meet or exceed the target savings set forth in the LACMTA's Debt Policy as in effect at the time of issuance of any Proposition A Bonds, (b) to refund up to \$145,000,000 of its Second Subordinate Sales Tax Revenue Commercial Paper Notes Series A (the "Proposition A Commercial Paper"), including interest thereon, (c) to pay termination payments related to the termination of any interest rate swap associated with any Prior Proposition A Bonds (each, a "Proposition A Swap Termination Payment") and/or to refund any Proposition A Commercial Paper issued for the purpose of paying a Proposition A Swap Termination Payment ("Proposition A Swap Termination Commercial Paper"), including interest thereon, (d) to fund or make provision for one or more reserve funds or accounts and (e) to pay certain costs related thereto (as described below); and

WHEREAS, the LACMTA now desires to provide for the issuance of one or more Series from time to time of its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds and/or its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds (the "Proposition C Bonds" and together with the Proposition A Bonds, the "Bonds") (a) to refund all or a portion of the Proposition C Series 1999-A Bonds (the "Refunded Proposition C Bonds" and together with the Refunded Proposition A Bonds, the "Refunded Bonds"), provided that any such refunding shall meet or exceed the target savings set forth in the LACMTA's Debt Policy as in effect at the time of issuance of any Proposition C Bonds, (b) to refund up to \$90,000,000 of its Subordinate Proposition C Sales Tax Revenue Commercial Paper Notes Series A (the "Proposition C Commercial Paper"), including interest thereon, (c) to pay termination payments related to the termination of any interest rate swap associated with any Prior Proposition C Bonds (each, a "Proposition C Swap Termination Payment") and/or to refund any Proposition C Commercial Paper issued for the purpose of paying a Proposition C Swap Termination Payment ("Proposition C Swap Termination Commercial Paper"), including interest thereon, (d) to fund or make provision for one or more reserve funds or accounts and (e) to pay certain costs related thereto (as described below); and

WHEREAS, the LACMTA has determined that it best serves the public transportation needs of the County to provide for the issuance and sale of the Bonds for the purposes set forth above; and

WHEREAS, in connection with the issuance of the Proposition A Bonds, the LACMTA would enter into one or more Supplemental Trust Agreements (each, a "Proposition A Supplement") by and between the LACMTA and the Proposition A Trustee, and in connection with each issuance of the Proposition C Bonds, the LACMTA would enter into one or more Supplemental Trust Agreements (each, a "Proposition C Supplement"), by and between the LACMTA and the Proposition C Trustee; and

WHEREAS, in connection with each issuance of the Bonds, the LACMTA would enter into one or more Escrow Agreements (each, an “Escrow Agreement”) among the LACMTA and the Proposition A Trustee or the Proposition C Trustee, as applicable, acting as escrow agent, each of which would provide for the deposit, investment and expenditure of moneys to refund all or a portion of the Refunded Bonds; and

WHEREAS, in connection with each issuance of the Bonds, the LACMTA would prepare one or more Preliminary Official Statements (each, a “Preliminary Official Statement”) and one or more Official Statements (each, an “Official Statement”) to be used in connection with the offer and sale of the Bonds; and

WHEREAS, in connection with each issuance of the Bonds, the LACMTA may either (a) enter into one or more Bond Purchase Agreements or Forward Delivery Bond Purchase Agreements (each, a “Purchase Agreement”), to be dated as of sale of the Bonds (which may be a date substantially in advance of delivery of the Bonds), between one or more municipal broker-dealers, banking and financial institutions and/or other persons as the Designated Officer (as defined in Section 2 of these Resolutions) deems necessary or desirable (each, an “Underwriter”) and the LACMTA or (b) undertake a competitive process for the sale of such Bonds to one or more Underwriters; and

WHEREAS, in connection with each issuance of the Bonds, the LACMTA may enter into a Continuing Disclosure Certificate (each, a “Continuing Disclosure Certificate”) to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, which will provide for the annual and periodic update of certain financial and operating information; and

WHEREAS, the LACMTA has pledged the Proposition A Tax, less the 25% allocated to local jurisdictions and less the costs of the State Board of Equalization and administering the Proposition A Tax (the “Proposition A Pledged Taxes”) to secure the Prior Proposition A Senior Lien Bonds and certain other obligations of the LACMTA; and

WHEREAS, the LACMTA has pledged the Proposition C Tax, less the 20% allocated to local jurisdictions and less the State Board of Equalization’s costs of administering such tax (the “Proposition C Pledged Taxes”) to secure the Prior Proposition C Second Senior Bonds and certain other obligations of the LACMTA; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Proposition A Trust Agreement or the Proposition C Trust Agreement, as applicable;

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

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

- (a) The issuance of the Proposition A Bonds to refund all or a portion of the Refunded Proposition A Bonds (provided that such refunding

shall meet or exceed the target savings set forth in the LACMTA's Debt Policy as in effect at the time of issuance of the applicable Proposition A Bonds), to refund up to \$145 million of the Proposition A Commercial Paper, including interest thereon, to pay any Proposition A Swap Termination Payment and/or to refund any Proposition A Swap Termination Commercial Paper, including interest thereon, to fund or make provision for one or more reserve funds or accounts and to pay certain costs related to the issuance of the Proposition A Bonds is in the public interest due to the terms or conditions of the Proposition A Bonds.

- (b) Under the provisions of Ordinance No. 16, all of the Proposition A Pledged Taxes are revenues of the LACMTA available for public transit purposes and are available to be and are, by the terms of the resolutions and the Proposition A Trust Agreement under which the Prior Proposition A Senior Lien Bonds were issued, pledged to secure the Prior Proposition A Senior Lien Bonds and are pledged to secure the Proposition A Bonds, and, by this Resolution, such pledge is reaffirmed.
- (c) The provisions contained in the Proposition A Trust Agreement, as previously amended and supplemented, and to be set forth in one or more Proposition A Supplements are reasonable and proper for the security of the holders of the Proposition A Bonds.
- (d) The issuance of the Proposition C Bonds to refund all or a portion of the Refunded Proposition C Bonds (provided that such refunding shall meet or exceed the target savings set forth in the LACMTA's Debt Policy as in effect at the time of issuance of the applicable Proposition C Bonds), to refund up to \$90 million of the Proposition C Commercial Paper, including interest thereon, to pay any Proposition C Swap Termination Payment and/or to refund any Proposition C Swap Termination Commercial Paper, including interest thereon, to fund or make provision for one or more reserve funds or accounts and to pay certain costs related to the issuance of the Proposition C Bonds is in the public interest due to the terms or conditions of the Proposition C Bonds.
- (e) Under the provisions of Ordinance No. 49, all of the Proposition C Pledged Taxes are revenues of the LACMTA 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 Proposition C Second Senior Bonds were issued, pledged to secure the Prior Proposition C Second Senior Bonds and are pledged to secure the Proposition C Bonds, and, by this Resolution, such pledge is reaffirmed.
- (f) The provisions contained in the Proposition C Trust Agreement, as previously amended and supplemented, and to be set forth in one or

more Proposition C Supplements are reasonable and proper for the security of the holders of the Proposition C Bonds.

Section 2. Issuance of Bonds. For the purposes of refunding all or a portion of the Refunded Proposition A Bonds (provided that such refunding shall meet or exceed the target savings set forth in the LACMTA's Debt Policy as in effect at the time of issuance of the applicable Proposition A Bonds), to refund up to \$145 million of the Proposition A Commercial Paper, including interest thereon, to pay any Proposition A Swap Termination Payment and/or to refund any Proposition A Swap Termination Commercial Paper, including interest thereon, to fund or make provision for one or more reserve funds or accounts and to pay certain costs related to the issuance of the Proposition A Bonds, the LACMTA hereby authorizes the issuance of one or more Series of its Proposition A Bonds. For the purposes of refunding all or a portion of the Refunded Proposition C Bonds (provided that such refunding shall meet or exceed the target savings set forth in the LACMTA's Debt Policy as in effect at the time of issuance of the applicable Proposition C Bonds), to refund up to \$90 million of the Proposition C Commercial Paper, including interest thereon, to pay any Proposition C Swap Termination Payment and/or to refund any Proposition C Swap Termination Commercial Paper, including interest thereon, to fund or make provision for one or more reserve funds or accounts and to pay certain costs related to the issuance of the Proposition C Bonds, the LACMTA hereby authorizes the issuance of one or more Series of its Proposition C Bonds. The LACMTA hereby specifies that (a) the aggregate principal amount of the Proposition A Bonds shall be an amount sufficient, but not in excess of, the amount required (taking into account any original issue discount), to refund the Refunded Proposition A Bonds (provided that such refunding shall meet or exceed the target savings set forth in the LACMTA's Debt Policy as in effect at the time of issuance of the applicable Proposition A Bonds), to refund up to \$145 million of the Proposition A Commercial Paper, including interest thereon, to pay any Proposition A Swap Termination Payment and/or to refund any Proposition A Swap Termination Commercial Paper, including interest thereon, to fund or make provision for one or more reserve funds or accounts and to provide for the underwriters' discount and payment of costs of issuance and (b) the aggregate principal amount of the Proposition C Bonds shall be an amount sufficient, but not in excess of, the amount required (taking into account any original issue discount), to refund the Refunded Proposition C Bonds (provided that such refunding shall meet or exceed the target savings set forth in the LACMTA's Debt Policy as in effect at the time of issuance of the applicable Proposition C Bonds), to refund up to \$90 million of the Proposition C Commercial Paper, including interest thereon, to pay any Proposition C Swap Termination Payment and/or to refund any Proposition C Swap Termination Commercial Paper, including interest thereon, to fund or make provision for one or more reserve funds or accounts and to provide for the underwriters' discount and payment of costs of issuance, all in accordance with the LACMTA's Debt Policy. The LACMTA hereby specifies that the Bonds shall not mature later than July 1, 2040. The Chair of the LACMTA, any Vice Chair of the LACMTA, any Chief Executive Officer ("CEO") of the LACMTA, any Chief Financial Services Officer of the LACMTA, any Treasurer, any Assistant Treasurer of the LACMTA, or any such officer serving in an acting or interim capacity, 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 Bonds to be issued (not in excess of the maximum amount set forth above) and to direct the execution and authentication of the Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized.

The Bonds shall be in fully registered form and shall be issued as Book-Entry Bonds as provided in the applicable Proposition A Supplement or Proposition C Supplement. 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 applicable Proposition A Supplement or Proposition C Supplement.

Section 3. Terms of Bonds. The Bonds may be issued as current interest bonds or capital appreciation bonds or as a combination thereof. The Bonds issued as current interest bonds, if any, shall be available in denominations of not less than \$5,000. The Bonds issued as capital appreciation bonds, if any, shall be available in denominations of not less than \$5,000 final maturity amount. 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 applicable Proposition A Supplement or Proposition C Supplement. 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 applicable Proposition A Supplement or Proposition C Supplement. No Bonds shall bear interest (without regard to original issue discount or premium) at a rate in excess of 6.50% per annum. Interest on the Bonds shall be paid on the dates set forth in the applicable Proposition A Supplement or Proposition C Supplement. The Bonds shall be subject to redemption at the option of the LACMTA on such terms and conditions as shall be set forth in the applicable Proposition A Supplement or Proposition C Supplement. The Bonds shall also be subject to mandatory sinking fund redemption as shall be set forth in the applicable Proposition A Supplement or Proposition C Supplement.

Execution and delivery of one or more Proposition A Supplements and/or Proposition C Supplements, which documents contains the maturities, interest rates and the fixed or variable interest payment obligations of the LACMTA within parameters set forth in this Resolution, shall constitute conclusive evidence of the LACMTA's approval of such maturities, interest rates and payment obligations.

Section 4. Pledge of Proposition A Pledged Taxes. The Proposition A Pledged Taxes are hereby irrevocably pledged in accordance with the terms of the Proposition A Trust Agreement to secure the Prior Proposition A Senior Lien Bonds, the Proposition A Bonds and any additional bonds which may subsequently be issued under and secured by the terms of the Proposition A Trust Agreement. Except for the Prior Proposition A Senior Lien Bonds, the LACMTA hereby confirms that it has not previously granted any prior or parity interest in such Proposition A Pledged Taxes that remains outstanding, and the LACMTA hereby agrees that, except as permitted by the Proposition A Trust Agreement (as amended in accordance with its terms), it will not, as long as any of the Proposition A Bonds remain outstanding, grant or attempt to grant any prior or parity pledge, lien or other interest in the Proposition A Pledged Taxes to secure any other obligations of the LACMTA.

Section 5. Pledge of Proposition C Pledged Taxes. The Proposition C Pledged Taxes are hereby irrevocably pledged in accordance with the terms of the Proposition C Trust Agreement to secure the Prior Proposition C Second Senior Bonds, the Proposition C Bonds and any additional bonds which may subsequently be issued under and secured by the terms of the Proposition C Trust Agreement. Except for the Prior Proposition C Second Senior Bonds and the Second Senior Parity Debt (as defined in the Proposition C Trust Agreement), the LACMTA hereby confirms that it has not previously granted any

prior or parity interest in such Proposition C Pledged Taxes that remains outstanding, and the LACMTA hereby agrees that, except as permitted by the Proposition C Trust Agreement (as amended in accordance with its terms), it will not, as long as any of the Proposition C Bonds remain outstanding, grant or attempt to grant any prior or parity pledge, lien or other interest in the Proposition C Pledged Taxes to secure any other obligations of the LACMTA.

Section 6. Special Obligations. The Proposition A Bonds shall be special obligations of the LACMTA secured by and payable from the Proposition A Pledged Taxes and from the funds and accounts held by the Proposition A Trustee under the Proposition A Trust Agreement. The Proposition C Bonds shall be special obligations of the LACMTA secured by and payable from the Proposition C Pledged Taxes and from the funds and accounts held by the Proposition C Trustee under the Proposition C Trust Agreement. All or a portion of the Bonds shall also be secured by and be paid from such other sources as the LACMTA may hereafter provide.

Section 7. Form of Bonds. The Proposition A Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the form set forth in the applicable Proposition A Supplement, with such necessary or appropriate variations, omissions and insertions as permitted or required by the Proposition A Trust Agreement or the applicable Proposition A Supplement or as appropriate to adequately reflect the terms of such Proposition A Bonds and the obligation represented thereby. The Proposition C Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the form set forth in the applicable Proposition C Supplement, with such necessary or appropriate variations, omissions and insertions as permitted or required by the Proposition C Trust Agreement or the applicable Proposition C Supplement or as appropriate to adequately reflect the terms of such Proposition C Bonds and the obligation represented thereby.

Section 8. Execution of Bonds. Each of the Bonds shall be executed on behalf of the LACMTA 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 Proposition A Trustee or the Proposition C Trustee, as applicable, or an agent of the Proposition A Trustee or the Proposition C Trustee, as applicable. 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 Bonds.

Section 9. Approval of Documents, Authorization for Execution. Each of the Designated Officers is hereby severally authorized and directed to have prepared and to execute, acknowledge and deliver in the name of and on behalf of the LACMTA one or more Proposition A Supplements, one or more Proposition C Supplements, one or more Escrow Agreements, one or more Purchase Agreements and one or more Continuing Disclosure Certificates (any Proposition A Supplements, any Proposition C Supplements, any Escrow Agreements, any Purchase Agreements and any Continuing Disclosure Certificates shall be collectively referred to as the "Related Documents" and each a "Related Document"), in each case, to the extent, in the form, and with the terms and provisions as the Designated Officer executing the same shall determine is appropriate and necessary for the issuance of the Bonds including, but not limited to, affirmative and negative covenants relating to the Bonds and the finances and operations of the LACMTA; *provided, however,*

that (a) the interest rate (without regard to original issue discount or premium) on the Bonds shall not exceed 6.50%, (b) the aggregate principal amount of the Proposition A Bonds shall be an amount sufficient, but not in excess of, the amount required (taking into account any original issue discount), to refund the Refunded Proposition A Bonds, to refund up to \$145 million of the Proposition A Commercial Paper, including interest thereon, to pay any Proposition A Swap Termination Payment and/or to refund any Proposition A Swap Termination Commercial Paper, including interest thereon, to fund or provide for one or more reserve funds or accounts and to provide for the underwriters' discount and payment of all other costs of issuance, (c) the aggregate principal amount of the Proposition C Bonds shall be an amount sufficient, but not in excess of, the amount required (taking into account any original issue discount), to refund the Refunded Proposition C Bonds, to refund up to \$90 million of the Proposition C Commercial Paper, including interest thereon, to pay any Proposition C Swap Termination Payment and/or to refund any Proposition C Swap Termination Commercial Paper, including interest thereon, to fund or provide for one or more reserve funds or accounts and to provide for the underwriters' discount and payment of all other costs of issuance, and (d) any refunding of Refunded Bonds shall meet or exceed the target savings set forth in the Debt Policy.

Section 10. Sale of Bonds.

(a) The LACMTA hereby authorizes the sale of the Bonds from time to time in one or more series through one or more competitive sales and/or one or more private, negotiated sales to one or more Underwriters, as determined by a Designated Officer.

(b) The Bonds, if sold to the Underwriter or Underwriters, shall be sold subject to an underwriters' discount (excluding original issue discount) not to exceed \$7 per \$1,000 of principal amount of Bonds and subject to the terms and conditions set forth in the Purchase Agreement or the published bid notice.

(c) If a Designated Officer determines to sell some or all of the Bonds in one or more competitive sales, the Designated Officers are each authorized to:

- (i) Choose such times and dates to receive proposals for the purchase of the applicable 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 matter set forth in the applicable Notice Inviting Bids (defined below).
- (ii) Prepare or cause to be prepared one or more Notices Inviting Bids (each a "Notice Inviting Bids"), execute each such Notice Inviting Bids and call for bids for the sale of some or all of the Bonds from qualified bidders in accordance with such Notice Inviting Bids.
- (iii) Cause each 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 applicable Bonds.

- (iv) Cause each Notice Inviting Bids to be printed and distributed (including via electronic methods) to such municipal broker-dealers, banking and financial institutions and other persons as the Designated Officer deems necessary or desirable.
 - (v) Prepare or cause to be prepared one or more Notices of Intention to Sell Bonds (each a “Notice to Sell Bonds”) and to cause each such Notice of Intention to Sell Bonds to be published from time to time in *The Bond Buyer* (or such other publication as may be selected by a Designated Officer), a financial publication generally circulated throughout the State of California, at least 15 days prior to the sale of the applicable Bonds in accordance with Section 53692 of the Government Code of the State of California.
 - (vi) Accept the best bid for the applicable Bonds received from qualified bidders pursuant to and subject to the terms and conditions set forth in this Resolution and the applicable Notice Inviting Bids herein approved and to award the applicable Bonds, from time to time, to such respective best bidder(s).
 - (vii) Take any other action a Designated Officer determines is necessary or desirable to cause any such competitive sale to comply with the Debt Policy or applicable law.
- (d) If a Designated Officer determines to sell some or all of the Bonds in one or more negotiated sales, each Designated Officer shall be authorized to appoint an Underwriter or Underwriters following a competitive request for proposal process or competitive request for proposal processes conducted by the LACMTA’s Financial Advisor or another process deemed appropriate by a Designated Officer.
- (e) Any Designated Officer, on behalf of the LACMTA, is further authorized and directed to cause 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 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 Bonds, and any prior such notices are hereby ratified, confirmed and approved.
- (f) A Designated Officer’s authority to approve the final terms of the sale of the Bonds, to accept bids for the Bonds and to execute or direct the execution of a Notice Inviting Bids or a Bond Purchase Agreement shall commence on the date of adoption of this Resolution and shall continue for twelve calendar months thereafter unless rescinded or modified by subsequent action of the LACMTA prior to the time that a Notice Inviting Bids or a Bond Purchase Agreement has been executed.

Section 11. Preliminary Official Statement and Official Statement. In connection with the issuance of the Bonds, the LACMTA hereby authorizes the circulation of one or more Preliminary Official Statements. The Preliminary Official Statement(s) shall contain a description of the finances and operations of the LACMTA, a description of the Proposition A Tax or Proposition C Tax, as applicable, and a description of historical receipts of sales tax revenues, a description of the applicable Bonds and the terms and conditions of the applicable Proposition A Supplement or Proposition C Supplement together with such information and description as a Designated Officer determines is appropriate or necessary. Each Preliminary Official Statement shall be substantially in the form of the Preliminary Official Statement distributed or otherwise made available to all of the members of the Board at least 5 Business Days prior to the the public distribution thereof and approved by a Designated Officer, with such changes as any Designated Officer determines are appropriate or necessary. Each Preliminary Official Statement shall be circulated for use in selling all or a portion of the Bonds at such time or times as a Designated Officer (after consultation with the Underwriter or Underwriters, the LACMTA's Financial Advisor and Bond Counsel and such other advisors as the Designated Officer believes to be useful) shall deem such 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 said Designated Officer to said effect.

Upon the sale of the Bonds, from time to time, the Designated Officers shall provide for the preparation, publication, execution and delivery of one or more final Official Statements in substantially the form of the Preliminary Official Statement deemed final by a Designated Officer with such changes as any Designated Officer determines are appropriate or necessary. Any Designated Officer is hereby authorized and directed to execute and deliver one or more final Official Statements in the name and on behalf of the LACMTA. One or more supplements to the final Official Statement(s) or revised final Official Statement(s) may be prepared and delivered to the Underwriter or Underwriters reflecting updated and revised information as shall be acceptable to the Underwriter or Underwriters and as the Designated Officers, or any of them, deem appropriate or necessary. Each Official Statement shall be circulated for use in selling all or a portion of the Bonds at such time or times as a Designated Officer deems appropriate after consultation with the Underwriter or Underwriters, the LACMTA's Financial Advisor and Bond Counsel and such other advisors as the Designated Officer believes to be useful.

Section 12. Proposition A Paying Agent, Registrar and Escrow Agent. The LACMTA hereby appoints the Proposition A Trustee as Paying Agent for the Proposition A Bonds, appoints the Proposition A Trustee as Registrar for the Proposition A Bonds, and appoints the Proposition A Trustee as Escrow Agent under any Escrow Agreement relating to Refunded Proposition A Bonds. Such appointments shall be effective upon the issuance of the applicable Proposition A Bonds and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 13. Proposition C Paying Agent, Registrar and Escrow Agent. The LACMTA hereby appoints the Proposition C Trustee as Paying Agent for the Proposition C Bonds, appoints the Proposition C Trustee as Registrar for the Proposition C Bonds, and appoints the Proposition C Trustee as Escrow Agent under any Escrow Agreement relating

to Refunded Proposition C Bonds. Such appointments shall be effective upon the issuance of the applicable Proposition C Bonds and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 14. Bond Insurance and Reserve Fund Surety Bond. In connection with the sale of some or all of the Bonds, the Designated Officers are hereby authorized to purchase or otherwise arrange for the provision of on behalf of the LACMTA, including the payment of such premiums, fees and other costs and expenses as such Designated Officer determines is acceptable) one or more policies of municipal bond insurance to support the timely payment of principal and interest on some or all of the Bonds and/or one or more reserve fund surety bonds, said insurance or surety to contain such terms and conditions as such Designated Officer(s) shall determine is appropriate or necessary for the issuance of the applicable Bonds. Notwithstanding the Debt Policy of the LACMTA, each of the Designated Officers is hereby authorized and directed to determine the process of procuring the provider of municipal bond insurance or reserve fund surety and such process may be, at the determination of such Designated Officer, either a competitive bidding process or a privately negotiated process, even if such process does not comply with the Debt Policy.

Section 15. Additional Authorization. The Designated Officers and all officers, agents and employees of the LACMTA, for and on behalf of the LACMTA, be and they hereby are authorized and directed to do any and all things necessary to effect the execution and delivery of the Bonds and the Related Documents and to carry out the terms thereof. The Designated Officers and all other officers, agents and employees of the LACMTA are further authorized and directed, for and on behalf of the LACMTA, 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 Proposition A Trust Agreement, the Proposition C Trust Agreement, each Proposition A Supplement, each Proposition C Supplement and the other Related Documents 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 Proposition A Trust Agreement or the Proposition C Trust Agreement, as applicable) of the proceeds of the Bonds and of the Proposition A Pledged Taxes and/or the Proposition C Pledged Taxes, as applicable, including the execution and delivery of investment agreements related thereto, the execution by a Designated Officer and the delivery of the Tax Certificate as required by the applicable Proposition A Supplement or Proposition C Supplement 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 LACMTA in furtherance of this Resolution are hereby confirmed, ratified and approved.

Section 16. 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 LACMTA, any Vice Chair of the LACMTA, any CEO, any Chief Financial Services Officer, any Treasurer, or any Assistant Treasurer shall remain valid notwithstanding the fact that the individual officer of the LACMTA signing such

designation ceases to be an officer of the LACMTA, unless such designation specifically provides otherwise.

Section 17. Further Actions. From and after the delivery of the Bonds, the Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify any Related Document at any time and from time to time and in any manner determined to be necessary or desirable by the Designated Officer executing such amendment, supplement or modification, upon consultation with the Financial Advisor and Bond Counsel, the execution of such amendment, supplement or other modification being conclusive evidence of LACMTA's approval thereof. Further, the Designated Officers and each of them are hereby authorized and directed to terminate any municipal bond insurance policy, reserve fund surety or investment agreement and enter into one or more municipal bond insurance policies, reserve fund sureties or investment agreements as any such Designated Officer shall determine is appropriate or necessary.

Section 18. Costs of Issuance. The LACMTA authorizes funds of the LACMTA 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, 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 19. Investment Agreements. In connection with the issuance of the Bonds, each of the Designated Officers is hereby authorized and directed to terminate, amend, assign or otherwise dispose of any investment agreement relating to any of the Refunded Bonds in such manner and on such terms and provisions as any such Designated Officer shall determine is appropriate or necessary.

Section 20. 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 21. Effective Date. This Resolution shall be effective upon adoption.

Section 22. Contract. This Resolution and the pledges of the Proposition A Pledged Taxes and the Proposition C Pledged Taxes contained herein shall constitute a contract between the LACMTA and the holders of the 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 May __, 2009.

LACMTA Board Secretary

DATED: _____

Attachment B

Summary of Refunding Candidates

Long-Term Bonds					
	Prop A			Prop C	Total
	1999-A	1999-B	1999-C	1999-A	
Outstanding	116,000,000	21,000,000	145,250,000	99,495,000	381,745,000
Refunding	(116,000,000)	(21,000,000)	(131,275,000)	(41,655,000)	(309,930,000)
Balance	-	-	13,975,000	57,840,000	71,815,000

Commercial Paper			
	Prop A	Prop C	Total
Outstanding (1)	176,000,000	118,000,000	294,000,000
ARS Refunding	(45,000,000)	(17,000,000)	(62,000,000)
DSRF Deposits	-	(24,000,000)	(24,000,000)
Other Retirement	(100,000,000)	(44,000,000)	(144,000,000)
Balance	31,000,000	33,000,000	64,000,000

(1) Balance after anticipated issuance of \$45 million of Prop A notes in late April.

