NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: Moody's: A1
S&P: AA+
(See "RATINGS" herein)

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of representations and certifications made by LACMTA described herein, interest on the Series 2009-B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2009-B Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that interest on the Series 2009-B Bonds is exempt from personal income taxes of the State of California under present state law. See "TAX MATTERS" in this Official Statement regarding certain other tax considerations.

$245,825,000
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Proposition C Sales Tax Revenue Refunding Bonds
Second Senior Bonds
Series 2009-B

Dated: Date of Delivery **Due: As shown on inside cover**

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") is issuing its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-B (the "Series 2009-B Bonds").

The Series 2009-B Bonds are issued pursuant to a Trust Agreement, as amended and supplemented (the "Agreement"), by and between LACMTA and U.S. Bank National Association (the "Trustee"). The Series 2009-B Bonds are limited obligations of LACMTA payable solely from and secured by a pledge of the "Pledged Revenues" and by certain other amounts held by the Trustee under the Agreement. "Pledged Revenues" are moneys collected as a result of the imposition of the Proposition C Sales Tax, less amounts described in this Official Statement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009-B BONDS" and "PROPOSITION C SALES TAX AND COLLECTIONS" in this Official Statement.

LACMTA will use the proceeds of the Series 2009-B Bonds to (a) refund a portion of its outstanding Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1993-A, (b) retire a portion of LACMTA's outstanding commercial paper, (c) make a deposit to the Reserve Fund, (d) pay amounts due in connection with termination of an interest rate swap, and (e) pay the costs of issuing the Series 2009-B Bonds.

The Series 2009-B Bonds will bear interest at the rates set forth on the inside cover. Interest on the Series 2009-B Bonds will be payable on January 1 and July 1, commencing on January 1, 2010.

The Series 2009-B Bonds will be issued only in book-entry form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates from LACMTA or the Trustee representing their interest in the Series 2009-B Bonds. So long as the Series 2009-B Bonds are held by DTC, payments of principal of and interest on the Series 2009-B Bonds will be paid by the Trustee to DTC for subsequent disbursements to DTC participants for remittance to beneficial owners of the Series 2009-B Bonds, as more fully described herein.

The Series 2009-B Bonds are not subject to redemption prior to maturity.

Neither the faith and credit nor the taxing power of the County of Los Angeles, the State of California or any political subdivision or agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2009-B Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2009-B Bonds.

The Series 2009-B Bonds are limited obligations of LACMTA and are payable, both as to principal and interest, solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts, the general fund of LACMTA is not liable, and the credit or taxing power of LACMTA is not pledged, for the payment of the Series 2009-B Bonds or their interest.

LACMTA is offering the Series 2009-B Bonds when, as and if it issues, and the Underwriter receives, the Series 2009-B Bonds. The issuance of the Series 2009-B Bonds is subject to the approval as to their legality by Nixon Peabody LLP, Bond Counsel to LACMTA. The Los Angeles County Counsel, as General Counsel to LACMTA, and Nixon Peabody LLP, as Disclosure Counsel, will pass on certain legal matters for LACMTA. Kutak Rock LLP, as counsel to the Underwriter, will pass on certain legal matters for the Underwriter. LACMTA anticipates that the Series 2009-B Bonds in book-entry form will be available for delivery in New York, New York, on or about June 16, 2009.

Goldman, Sachs & Co. **De La Rosa & Co.**

Dated: June 4, 2009

MATURITY SCHEDULE

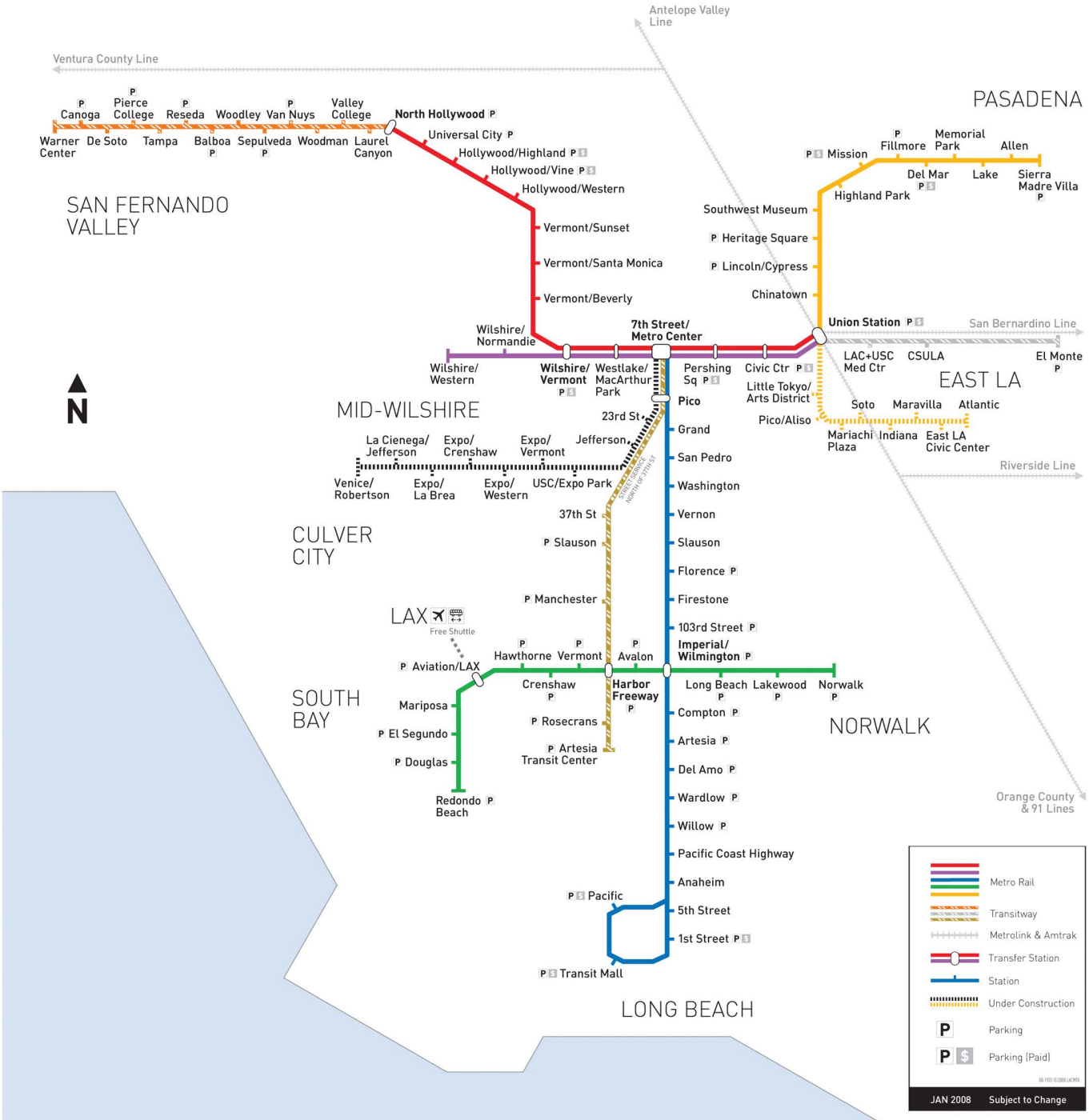
$245,825,000
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Proposition C Sales Tax Revenue Refunding Bonds
Second Senior Bonds
Series 2009-B

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP No.[1]
2010	$ 5,200,000	0.75%	0.85%	544712M58
2011	3,000,000	1.50	1.49	544712M66
2011	2,325,000	5.00	1.49	544712M74
2012	5,535,000	5.00	1.99	544712M82
2013	5,715,000	4.00	2.38	544712M90
2014	3,475,000	3.00	2.77	544712N24
2014	25,450,000	5.00	2.77	544712N32
2015	2,900,000	3.00	2.97	544712N40
2015	26,765,000	5.00	2.97	544712N57
2016	1,475,000	3.25	3.17	544712N65
2016	29,330,000	5.00	3.17	544712N73
2017	2,300,000	3.50	3.37	544712N81
2017	29,585,000	5.00	3.37	544712N99
2018	2,525,000	3.75	3.57	544712P22
2018	30,510,000	5.00	3.57	544712P30
2019	1,400,000	4.00	3.77	544712P48
2019	32,850,000	5.00	3.77	544712P55
2020	3,975,000	4.00	3.94	544712P63
2020	31,510,000	5.00	3.94	544712P71

[1] CUSIP data is provided by Standard and Poor's, CUSIP Services Bureau, a Division of The McGraw-Hill Companies Inc. CUSIP numbers are provided only for the convenience of the reader. Neither LACMTA nor the Underwriters undertake any responsibility for the accuracy for such CUSIP numbers or for any changes or errors in this list of CUSIP numbers.

Go Metro

metro.net



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board Members

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

LACMTA Officers

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

LACMTA GENERAL COUNSEL
Office of the County Counsel
Los Angeles, California

FINANCIAL ADVISOR
Public Financial Management, Inc.
Los Angeles, California

BOND COUNSEL AND DISCLOSURE COUNSEL
Nixon Peabody LLP
Los Angeles, California

TRUSTEE AND ESCROW AGENT
U.S. Bank National Association
Los Angeles, California

Neither LACMTA nor the Underwriter has authorized any dealer, broker, salesperson or other person to give any information or to make any representation in connection with the offer or sale of the Series 2009-B Bonds other than as set forth in this Official Statement and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2009-B Bonds, by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not a contract with the purchasers or owners of the Series 2009-B Bonds. Statements contained in this Official Statement which involve estimates, projections or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion in this Official Statement are subject to change without notice, and the delivery of this Official Statement and any sale made pursuant to this Official Statement do not, under any circumstances, imply that the information and expressions of opinion in this Official Statement and other information regarding LACMTA have not changed since the date hereof. LACMTA is circulating this Official Statement in connection with the sale of the Series 2009-B Bonds and this Official Statement may not be reproduced or used, in whole or in part, for any other purpose.

In making an investment decision, investors must rely on their own examination of the terms of the offering and the security and sources of payment of the Series 2009-B Bonds, including the merits and risks involved. The Series 2009-B Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Agreement been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exceptions contained in such acts. Neither the United States Securities and Exchange Commission nor any other federal, state or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2009-B Bonds or the accuracy or completeness of this Official Statement. The Series 2009-B Bonds have not been recommended by any federal or state securities commission or regulatory authority. Any representation to the contrary may be a criminal offense.

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

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OFFICIAL STATEMENT

$245,825,000
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Proposition C Sales Tax Revenue Refunding Bonds
Second Senior Bonds
Series 2009-B

INTRODUCTION

This Official Statement sets forth information in connection with the offering by the Los Angeles County Metropolitan Transportation Authority ("LACMTA") of its $245,825,000 aggregate principal amount Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-B (the "Series 2009-B Bonds"). This Introduction is not a summary of this Official Statement. This Introduction is qualified by the more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. Prospective investors should review the entire Official Statement, including the cover page and appendices, before they make an investment decision to purchase the Series 2009-B Bonds. LACMTA is only offering the Series 2009-B Bonds to potential investors by means of the entire Official Statement. See APPENDIX C—"SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS" for definitions of certain words and terms used herein.

LACMTA

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 *et seq.* of the California Public Utilities Code (the "LACMTA Act"). LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the "District") and the Los Angeles County Transportation Commission (the "Commission"). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission's responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the "County"), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 6, 1990, the voters of the County approved the Proposition C Sales Tax.

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

Purpose of the Series 2009-B Bonds

LACMTA will use the proceeds of the Series 2009-B Bonds to (a) refund $191,890,000 aggregate principal amount of its outstanding Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1993-A (the "Refunded Bonds"), (b) retire $15,510,000 of LACMTA's outstanding commercial paper, (c) make a deposit to the Reserve Fund, (d) pay amounts due in connection with the termination of an interest rate swap agreement with AIG Financial Products Corp. entered into at the time of issuance of the Refunded Bonds (the "Series 1993-A Swap"), and (e) pay the costs of issuing the Series 2009-B Bonds. See "PLAN OF REFUNDING AND APPLICATION OF SERIES 2009-B BOND PROCEEDS."

Description of the Series 2009-B Bonds

The Series 2009-B Bonds are limited obligations of LACMTA issued pursuant to and secured under the Trust Agreement, dated as of October 1, 1992, as amended and supplemented (the "Trust Agreement"), by and between LACMTA and U.S. Bank National Association, as trustee (the "Trustee"). In connection with the issuance of the Series 2009-B Bonds, LACMTA will enter into the Sixteenth Supplemental Trust Agreement, dated as of June 1, 2009 (the "Sixteenth Supplement"), to provide for the issuance of the Series 2009-B Bonds and related matters. This Official Statement refers to the Trust Agreement, as so amended, including by the Sixteenth Supplement, as the "Agreement."

The Series 2009-B Bonds will be issued in registered form, in denominations of $5,000 or any integral multiple thereof. The Series 2009-B Bonds will be dated their initial date of delivery and will mature and will bear interest at the rates per annum as shown on the inside cover page hereof, computed on a 360-day year and twelve 30-day month basis. The Series 2009-B Bonds will be delivered in book-entry only form and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2009-B Bonds. See APPENDIX E—"BOOK-ENTRY-ONLY SYSTEM."

Security and Sources of Payment for the Series 2009-B Bonds

The Series 2009-B Bonds are limited obligations of LACMTA payable from and secured by a pledge of the "Pledged Revenues," which are moneys collected as a result of the imposition of the Proposition C Sales Tax, less 20% thereof which constitutes the Local Allocation, less an administrative fee paid to the California State Board of Equalization (the "State Board of Equalization") in connection with the collection and disbursement of the Proposition C Sales Tax, plus interest, profits and other income received from the investment of such amounts held by the Trustee. In addition, the Series 2009-B Bonds are secured by all amounts held by the Trustee under the Agreement except for amounts held in the Rebate Fund and the Redemption Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009-B BONDS" herein.

Reserve Fund for the Series 2009-B Bonds

The Agreement creates the Reserve Fund which is held by the Trustee and used to make payments of principal of and interest on all Second Senior Bonds, including the Series 2009-B Bonds, to the extent the amounts in the Second Senior Bond Interest Account or the Second Senior Bond Principal Account (as both are defined herein) are insufficient to pay in full the principal (including accreted value) of and interest on the Second Senior Bonds when due. For each issuance of Second Senior Bonds the Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement, which is the least of (a) 10% of the proceeds of such series of Second Senior Bonds, (b) the Maximum Annual Debt Service on such series of Second Senior Bonds, or (c) 125% of the average Annual Debt Service on such series of Second Senior Bonds. See "APPENDIX C—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—Reserve Fund Requirement."

Proposition C Sales Tax Obligations

Under the Agreement, LACMTA may issue three tiers of obligations secured by a pledge of the Pledged Revenues. LACMTA may issue First Senior Bonds and First Senior Parity Debt, which are secured by a first senior lien on the Pledged Revenues and are senior to the Series 2009-B Bonds. LACMTA may issue Second Senior Bonds and Second Senior Parity Debt, which are secured by a second senior lien on the Pledged Revenues and are junior and subordinate to the First Senior Bonds and First Senior Parity Debt as to the lien on and source and security for payment from the Pledged Revenues.

The Series 2009-B Bonds are Second Senior Bonds and are payable on a parity with all other Second Senior Bonds and Second Senior Parity Debt. LACMTA also may issue Subordinate Lien Obligations, which are secured by a subordinate lien on the Pledged Revenues and are junior and subordinate to the Second Senior Bonds and Second Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009-B BONDS—Proposition C Sales Tax Obligations" in this Official Statement.

As of June 1, 2009, LACMTA had no outstanding First Senior Bonds or First Senior Parity Debt. As of June 1, 2009, LACMTA had outstanding Second Senior Bonds in the aggregate principal amount of $1,233,835,000, including the principal amount of the Refunded Bonds. As of June 1, 2009, LACMTA had outstanding Second Senior Parity Debt, which secures its obligation to make regularly scheduled payments under certain interest rate swap agreements and its obligation to reimburse the providers of standby bond purchase agreements. See "PROPOSITION C SALES TAX OBLIGATIONS" in this Official Statement.

LACMTA may issue First Senior Bonds and incur First Senior Parity Debt and may issue additional Second Senior Bonds and incur additional Second Senior Parity Debt upon the satisfaction of certain additional bonds tests contained in the Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009-B BONDS—Proposition C Sales Tax Obligations" in this Official Statement.

In addition, LACMTA has issued Subordinate Lien Obligations which are secured by a pledge of the Pledged Revenues that is junior and subordinate to the Second Senior Bonds and Second Senior Parity Debt as to the lien on and source and security for payment from the Pledged Revenues. LACMTA may issue additional Subordinate Lien Obligations upon the satisfaction of certain conditions. See "PROPOSITION C SALES TAX OBLIGATIONS—Subordinate Lien Obligations" in this Official Statement. In addition, LACMTA has incurred other obligations which are secured by certain "remaining" Proposition C Sales Tax cash receipts. See "PROPOSITION C SALES TAX OBLIGATIONS – Other Obligations."

The Series 2009-B Bonds Are Limited Obligations of LACMTA Only

Neither the faith and credit nor the taxing power of the County of Los Angeles, the State of California or any political subdivision or agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2009-B Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2009-B Bonds.

The Series 2009-B Bonds are limited obligations of LACMTA and are payable, both as to principal and interest solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts, the general fund of LACMTA is not liable, and the credit or taxing power of LACMTA is not pledged, for the payment of the Series 2009-B Bonds or their interest.

Continuing Disclosure

LACMTA has agreed to provide with respect to the Series 2009-B Bonds, or to cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (the "EMMA System"), for purposes of Rule 15c2–12(b)(5) (the "Rule") adopted by the U.S. Securities and Exchange Commission ("SEC"), certain annual financial information and operating data relating to LACMTA and, in a timely manner, notice of certain material events. These covenants have

been made in order to assist the Underwriter in complying with the Rule. See "CONTINUING DISCLOSURE" and APPENDIX F - "FORM OF CONTINUING DISCLOSURE CERTIFICATE" in this Official Statement. LACMTA has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Reference to Documents and Definitions

The descriptions and summaries of various documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference is made to each document for the complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. See APPENDIX C—"SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS" for definitions of certain words and terms used herein. All capitalized terms used in this Official Statement and not otherwise defined have the same meanings as in the Agreement. Copies of the Agreement may be obtained from LACMTA at One Gateway Plaza, 25th Floor, Treasury Department, Los Angeles, California 90012, Attention: Chief Financial Services Officer and Treasurer, or by calling (213) 922-4042.

PLAN OF REFUNDING AND APPLICATION OF SERIES 2009-B BOND PROCEEDS

Use of Proceeds; Refunding Plan

LACMTA will use the proceeds of the Series 2009-B Bonds to (a) refund $191,890,000 aggregate principal amount of the Refunded Bonds, (b) retire $15,510,000 of LACMTA's outstanding commercial paper, (c) make a deposit to the Reserve Fund, (d) pay amounts due in connection with the termination of the Series 1993-A Swap, and (e) pay the costs of issuing the Series 2009-B Bonds.

A portion of the proceeds of the Series 2009-B Bonds will be deposited with U.S. Bank National Association, as escrow agent (the "Escrow Agent"), and held in an escrow fund (the "Escrow Fund") to be created pursuant to an escrow agreement (the "Escrow Agreement") among LACMTA and U.S. Bank National Association, as the Trustee and the Escrow Agent. Proceeds deposited into the Escrow Fund will be invested in Federal Securities or held uninvested in cash, and such amounts, together with the earnings thereon, if any, will be used to pay on July 17, 2009 (the "Redemption Date") the redemption price of 100% of the principal amount of and the accrued interest due on the Refunded Bonds. LACMTA anticipates that the Refunded Bonds will remain outstanding under the Agreement until the Redemption Date.

Sources and Uses of Funds

The following table presents the estimated sources and uses of funds in connection with the issuance of the Series 2009-B Bonds.

Sources	
Principal Amount of Series 2009-B Bonds	$ 245,825,000.00
Plus Net Premium	23,189,986.45
Total Sources	$ 269,014,986.45
Uses	
Deposit to Escrow Fund	$ 192,562,939.32
Retirement of Commercial Paper	15,510,000.00
Swap Termination Payment	32,031,447.28
Deposit to Reserve Fund	26,901,498.65
Costs of Issuance[(1)]	2,009,101.20
Total Uses	$ 269,014,986.45

(1) Includes underwriters' discount, rating agency fees, legal fees and other costs of issuance.

RISK FACTORS

Economic Factors May Cause Declines in Proposition C Sales Tax Revenues

The Series 2009-B Bonds are limited obligations of LACMTA payable solely from and secured by a pledge of the Pledged Revenues, consisting primarily of certain revenues of the Proposition C Sales Tax and certain other amounts held by the Trustee under the Agreement. The level of Proposition C Sales Tax revenues collected at any time depends on the level of sales transactions within the County, which, in turn, depends on the level of general economic activity in the County. As a result, if economic activity deteriorates within the County, LACMTA may receive less Proposition C Sales Tax revenue, which would in turn reduce amounts available to pay the principal of and interest on the Series 2009-B Bonds.

For the period of January 1, 2009 through March 31, 2009, reported according to cash basis accounting, Proposition C Sales Tax receipts were approximately $150.2 million, which represents a decline of approximately 13.5% from Proposition C Sales Tax receipts reported for the same three-month period in the fiscal year ending June 30, 2008. In addition, for the period of July 1, 2008 through March 31, 2009, reported according to cash basis accounting, Proposition C Sales Tax receipts were approximately $493.3 million, which represents a decline of approximately 5.58% from Proposition C Sales Tax receipts reported for the same nine-month period in the fiscal year ended June 30, 2008. The Proposition C Sales Tax receipts in any quarter represent sales tax revenues based on sales activity occurring in the quarter immediately preceding the quarter in which such receipts are received.

Proposition C Sales Tax receipts fluctuate based on general economic conditions within the County. To internally project future Proposition C Sales Tax receipts for budgetary purposes, LACMTA relies on reports from local economists and other publicly available sources of data. LACMTA does not itself develop forecasts of current or future economic conditions. Furthermore, the California Franchise Tax Board does not provide LACMTA with any forecasts of Proposition C Sales Tax revenues for future periods. Therefore, although LACMTA expects a reduction in Proposition C Sales Tax receipts during the fiscal year ending June 30, 2009 as compared to the fiscal year ended June 30, 2008, LACMTA is unable to forecast or to predict future levels of Proposition C Sales Tax receipts, including receipts based on sales activity occurring in the three months ending March 31, 2009 (which LACMTA will receive in

the three-month period ending June 30, 2009). A significant decline in the amount of Proposition C Sales Tax receipts could impair the ability of LACMTA to pay principal of and interest on the Series 2009-B Bonds.

California State Legislature or Electorate May Change Items Subject to Proposition C Sales Tax

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

Increases in Sales Tax Rate May Cause Declines in Proposition C Sales Tax Revenues

In November 2008, County voters approved Measure R, which increased the sales tax rate within the County by ½ of 1 percent for a period of 30 years to fund LACMTA transportation projects. The additional sales tax rate will be collected starting July 1, 2009. In addition, in connection with its approval of the State of California's revised budget, the California State Legislature approved a temporary increase in the State of California's general sales tax rate of 1.0 percent, which increased the State of California's general sales tax rate on April 1, 2009 to 8.25 percent and the sales tax rate in the County to 9.25 percent (exclusive of the Measure R tax described above and exclusive of taxes that apply only within certain cities in the County). This rate increase will expire on July 1, 2011. These increases in the sales tax rate may adversely impact sales transactions in the County and, thereby, reduce Proposition C Sales Tax revenues.

Increased Internet Use May Reduce Proposition C Sales Tax Revenues

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

Impact of Bankruptcy of LACMTA

As a municipal entity, LACMTA may be qualified to file a petition under Chapter 9 of the United States Bankruptcy Code ("Chapter 9") under certain circumstances. Under Chapter 9, the pledge of Proposition C Sales Tax is fully enforceable only if a bankruptcy court determines that the Proposition C Sales Tax revenues are "Special Revenues" under Chapter 9 and that the pledge is valid and binding

under Chapter 9. If a bankruptcy court were to hold the pledge of Proposition C Sales Tax to be unenforceable under Chapter 9, then the owners of the Second Senior Bonds (including the Series 2009-B Bonds) would no longer be entitled to any special priority to the Proposition C Sales Tax revenues and may be treated as general unsecured creditors as to the Proposition C Sales Tax revenues.

Furthermore, since the obligations of LACMTA under the Agreement, including its obligations to pay principal of and interest on the Series 2009-B Bonds, are limited obligations and are payable solely from the Proposition C Sales Tax and certain other amounts held by the Trustee under the Agreement, if LACMTA filed a petition for bankruptcy under Chapter 9, the owners of the Second Senior Bonds (including the Series 2009-B Bonds) could have no recourse to any assets or revenues of LACMTA other than the Proposition C Sales Tax revenues.

Voter Initiatives May Impair Proposition C Sales Tax

Voters have the right to place measures before the electorate in the County or the State of California to limit the Proposition C Sales Tax. One such initiative was submitted and approved by the voters of the County on November 3, 1998 in the form of the "Metropolitan Transportation Authority Reform and Accountability Act of 1998," which, among other things, prohibits the use of Proposition C Sales Tax to pay any costs of planning, design, construction or operation of any "New Subway," including debt service on bonds, notes or other evidences of indebtedness issued for such purposes after March 30, 1998. See "PROPOSITION C SALES TAX AND COLLECTIONS—Initiatives and Changes to Proposition C Sales Tax." If the electorate approves an initiative that impairs the ability of LACMTA to collect and use the Proposition C Sales Tax, it may impair the overall credit profile of the Series 2009-B Bonds.

Risks Related to Variable-Rate Bonds and Interest Rate Swaps

LACMTA has issued and may issue in the future Second Senior Bonds that bear interest at a variable rate. The Second Senior Bonds, including the Series 2009-B Bonds, are limited obligations of LACMTA payable from the Proposition C Sales Tax and certain other amounts held by the Trustee under the Agreement. If any series of Second Senior Bonds that bears interest at a variable rate experiences a substantial increase in that rate, then that increase may adversely affect the amount of Proposition C Sales Tax revenues available for payment of debt service on the Second Senior Bonds, including the Series 2009-B Bonds.

As of the closing of the Series 2009-B Bonds, LACMTA will be party to interest rate swap agreements to manage its interest rate exposure with respect to its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2003-C (the "Series 2003-C Bonds") and its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-A (the "Series 2009-A Bonds"). Under each of these interest rate swap agreements, the total notional amount of the interest rate swap agreements is approximately equal to the aggregate principal amount of the related Second Senior Bonds. In accordance with the provisions of each of these interest rate swap agreements, LACMTA pays a fixed rate of interest to the applicable counterparty and receives a floating rate of interest from the applicable counterparty that is based on a percentage of the one-month London Interbank Offered Rate for deposits of U.S. dollars. The intended effect of these interest rate swap agreements is to hedge LACMTA's risk to the volatility of interest rates.

Although LACMTA has entered into these interest rate swap agreements to hedge its exposure to the volatility of interest rates, amounts that LACMTA receives under these interest rate swap agreements do not constitute Pledged Revenues. If interest rates on the variable-rate Second Senior Bonds increase, so will the amounts of debt service that LACMTA will need to pay on the Second Senior Bonds.

LACMTA has no obligation to offset that increase by applying amounts it receives under the interest rate swap agreements to the payment of debt service on the Second Senior Bonds, including the Series 2009-B Bonds. Accordingly, the interest rate swap agreements do not hedge the risk of owners of the Second Senior Bonds against interest rate volatility of any series of Second Senior Bonds issued as variable rate bonds.

In addition, these interest rate swap agreements entail risk to LACMTA. The swap counterparties (Wachovia Bank, National Association, and Goldman Sachs Mitsui Marine Derivative Products, L.P.) may fail or be unable to perform, interest rates may vary from assumptions or LACMTA may be required to post collateral in favor of its counterparties or to make significant payments to its counterparties in the event of an early termination of an interest rate swap. An early termination of an interest rate swap agreement could occur due to a default by either party or the occurrence of a termination event.

See "PROPOSITION C SALES TAX OBLIGATIONS—Second Senior Bonds," "—Second Senior Parity Debt" and "—Impact of Bond Insurer Rating Downgrades on LACMTA's Auction Rate Securities and Variable Rate Demand Bonds" in this Official Statement.

DESCRIPTION OF THE SERIES 2009-B BONDS

General

See APPENDIX C—"SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS" for definitions of certain terms used in this the Official Statement.

The Series 2009-B Bonds are limited obligations of LACMTA issued pursuant to and secured under the Trust Agreement. In connection with the issuance of the Series 2009-B Bonds, LACMTA will enter into the Sixteenth Supplement to provide for the issuance of the Series 2009-B Bonds and related matters.

The Series 2009-B Bonds will be issued in fully registered form in denominations of $5,000 and integral multiples thereof. Upon initial issuance, the Series 2009-B Bonds will be registered in the name of Cede & Co. as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). As long as the Series 2009-B Bonds are registered in such name or in the name of a successor nominee, the ownership of the Series 2009-B Bonds will be evidenced by book entry as described below under APPENDIX E—"BOOK-ENTRY-ONLY SYSTEM." Purchasers will not receive certificated Series 2009-B Bonds. So long as Cede & Co. is the registered owner of the Series 2009-B Bonds, reference herein to the Bondholders or registered owners will mean Cede & Co. as aforesaid and will not mean the Beneficial Owners, as defined herein, of the Series 2009-B Bonds.

So long as Cede & Co. is the registered owner of the Series 2009-B Bonds, principal of and interest on the Series 2009-B Bonds are payable by wire transfer of funds by the Trustee to Cede & Co., as nominee of DTC. DTC is obligated, in turn, to remit such amounts to its participants as described herein for subsequent disbursement to the Beneficial Owners. If the Series 2009-B Bonds cease to be held by DTC or by a successor securities depository, the principal of the Series 2009-B Bonds will be payable at maturity or earlier redemption upon presentation and surrender of the Series 2009-B Bonds at the corporate trust office or agency of the Trustee in St. Paul, Minnesota, and interest on the Series 2009-B Bonds will be payable by check mailed by first-class mail on each Interest Payment Date to the Owners of the Series 2009-B Bonds; provided that Owners of $1,000,000 or more in aggregate principal amount of Series 2009-B Bonds may arrange for payment by wire transfer of immediately available funds upon written request given to the Trustee at least 15 days prior to an Interest Payment Date.

The Series 2009-B Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the inside cover of this Official Statement. Interest will be paid on each January 1 and July 1, beginning January 1, 2010. Interest on the Series 2009-B Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

No Redemption

The Series 2009-B Bonds are not subject to redemption prior to their stated maturities.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009-B BONDS

Security for the Series 2009-B Bonds

The Series 2009-B Bonds are limited obligations of LACMTA payable from and secured by a pledge of the "Pledged Revenues," which are moneys collected as a result of the imposition of the Proposition C Sales Tax, less 20% thereof which constitutes the Local Allocation, less an administrative fee paid to the State Board of Equalization in connection with the collection and disbursement of the Proposition C Sales Tax, plus interest, profits and other income received from the investment of such amounts held by the Trustee. In addition, the Series 2009-B Bonds are secured by all amounts held by the Trustee under the Agreement except for amounts held in the Rebate Fund and the Redemption Fund. Additionally, the Agreement provides that Pledged Revenues would include any Local Allocation that a local jurisdiction authorizes to be pledged to secure the Series 2009-B Bonds, plus such additional sources of revenue, if any, which are hereafter pledged to pay the Series 2009-B Bonds under a subsequent Supplemental Agreement. No local jurisdiction has pledged any of its Local Allocation to secure any Bonds issued under the Agreement. Pledged Revenues do not include any Proposition C Sales Taxes that are released by the Trustee to (a) the payment of the Proposition C Commercial Paper Notes (as defined in this Official Statement) or (b) LACMTA for the payment, if necessary, of the Remaining Sales Tax Bonds (as defined in this Official Statement) and any other lawful purposes of LACMTA. For a description of the Proposition C Sales Tax and collections related thereto, see "PROPOSITION C SALES TAX AND COLLECTIONS."

The Series 2009-B Bonds are junior and subordinate in all respects to the First Senior Bonds as to lien on and source and security for payment from Pledged Revenues. Currently, there are not First Senior Bonds outstanding. See "PROPOSITION C SALES TAX OBLIGATIONS—First Senior Bonds and First Senior Parity Debt."

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2009-B Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2009-B Bonds.

The Series 2009-B Bonds are limited obligations of LACMTA and are payable, both as to principal and interest solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts, the general fund of LACMTA is not liable, and the credit or taxing power of LACMTA is not pledged, for the payment of the Series 2009-B Bonds or their interest.

Proposition C Sales Tax Obligations

Under the Agreement, LACMTA may issue three tiers of obligations secured by Pledged Revenues. LACMTA may issue First Senior Bonds and First Senior Parity Debt, which are secured by a first senior lien on the Pledged Revenues and are senior to the Series 2009-B Bonds. LACMTA may issue Second Senior Bonds and Second Senior Parity Debt, which are secured by a second senior lien on the Pledged Revenues and are junior and subordinate to the First Senior Bonds and First Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues. The Series 2009-B Bonds are Second Senior Bonds. LACMTA also may issue Subordinate Lien Obligations secured by a subordinate lien on Pledged Revenues and junior and subordinate to the Second Senior Bonds and Second Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues.

First Senior Obligations. LACMTA is authorized to issue First Senior Bonds and First Senior Parity Debt, which would be payable from and secured by Pledged Revenues on a basis senior to the pledge of Pledged Revenues securing Second Senior Bonds, including the Series 2009-B Bonds, and Second Senior Parity Debt. LACMTA currently has no outstanding First Senior Bonds or First Senior Parity Debt. LACMTA has no plans to issue First Senior Bonds or First Senior Parity Debt.

LACMTA may issue First Senior Bonds or incur First Senior Parity Debt if LACMTA delivers to the Trustee a certificate prepared by a Consultant showing that the Pledged Tax collected for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of such First Senior Bonds or First Senior Parity Debt was at least equal to (a) 400% of Maximum Annual Debt Service for all First Senior Bonds and First Senior Parity Debt which will be Outstanding, and (b) 130% of Maximum Annual Debt Service (as described below) for all Bonds and Parity Debt which will be Outstanding, in each case immediately after the issuance of the proposed First Senior Bonds or First Senior Parity Debt. This certificate need not be delivered if the First Senior Bonds or First Senior Parity Debt are being issued or incurred for the purpose of refunding Outstanding First Senior Bonds or First Senior Parity Debt and certain conditions are met as describe in APPENDIX C – "SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS" under the heading "TRUST AGREEMENT – Additional Bonds." See "PROPOSITION C SALES TAX OBLIGATIONS—First Senior Bonds and First Senior Parity Debt."

Second Senior Obligations. LACMTA is authorized to issue Second Senior Bonds and Second Senior Parity Debt, which would be payable from and secured by Pledged Revenues on a parity basis with the Series 2009-B Bonds.

LACMTA may issue additional Second Senior Bonds or incur Second Senior Parity Debt if LACMTA delivers to the Trustee a certificate prepared by a Consultant showing that the Pledged Tax collected for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of such Second Senior Bonds or Second Senior Parity Obligations was at least equal to 130% of Maximum Annual Debt Service for all First Senior Bonds, First Senior Parity Debt, Second Senior Bonds and Second Senior Parity Debt which will be Outstanding immediately after the proposed issuance. This certificate need not be delivered if the Second Senior Bonds or Second Senior Parity Debt are being issued or incurred for the purpose of refunding Outstanding Second Senior Bonds or Second Senior Parity Debt and certain conditions are met as describe in APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS" under the heading "TRUST AGREEMENT—Additional Bonds." In addition to the issuance of the Series 2009-B Bonds, LACMTA expects to issue additional Second Senior Bonds to refund the Series 2003-C Bonds by August 31, 2009; however, given the volatility of the bond market, LACMTA cannot assure prospective investors that it will complete this restructuring by then.

For a description of the Second Senior Bonds and Second Senior Parity Debt currently outstanding, see "PROPOSITION C SALES TAX OBLIGATIONS—Second Senior Bonds" and "—Second Senior Parity Debt" in this Official Statement.

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

Subordinate Lien Obligations. Under the Agreement, LACMTA may issue Subordinate Lien Obligations secured by Pledged Revenues that are junior and subordinate to the Second Senior Bonds and Second Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues. See "PROPOSITION C SALES TAX OBLIGATIONS—Subordinate Lien Obligations." In addition, LACMTA has incurred other obligations which are secured by certain "remaining" Proposition C Sales Tax cash receipts. See "PROPOSITION C SALES TAX OBLIGATIONS – Other Obligations."

Flow of Funds

Pursuant to an agreement between LACMTA and the State Board of Equalization, the State Board of Equalization directly remits Proposition C Sales Tax receipts monthly to the Trustee after deducting the State Board of Equalization's costs of administering the Proposition C Sales Tax and after paying directly to LACMTA the Local Allocation (20% of net Proposition C Sales Tax cash receipts). Under the Agreement, the Trustee is required to deposit and to apply the remaining moneys received from the State Board of Equalization, as needed (80% of net Proposition C Sales Tax cash receipts), taking into consideration any other funds previously deposited or applied in such month for such purposes, as follows:

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

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

FOURTH, to the credit of the Second Senior Bond Principal Account, an amount equal to the Aggregate Accrued Second Senior Principal for the current calendar month less any Second Senior Excess Deposit made with respect to the last preceding calendar month plus any Accrued Second Senior Premium and Second Senior Deficiency existing on the first day of the calendar month plus any amount of principal which has become due and has not been paid and for which there are insufficient funds in the Second Senior Bond Principal Account or another special account to be used to make such payment;

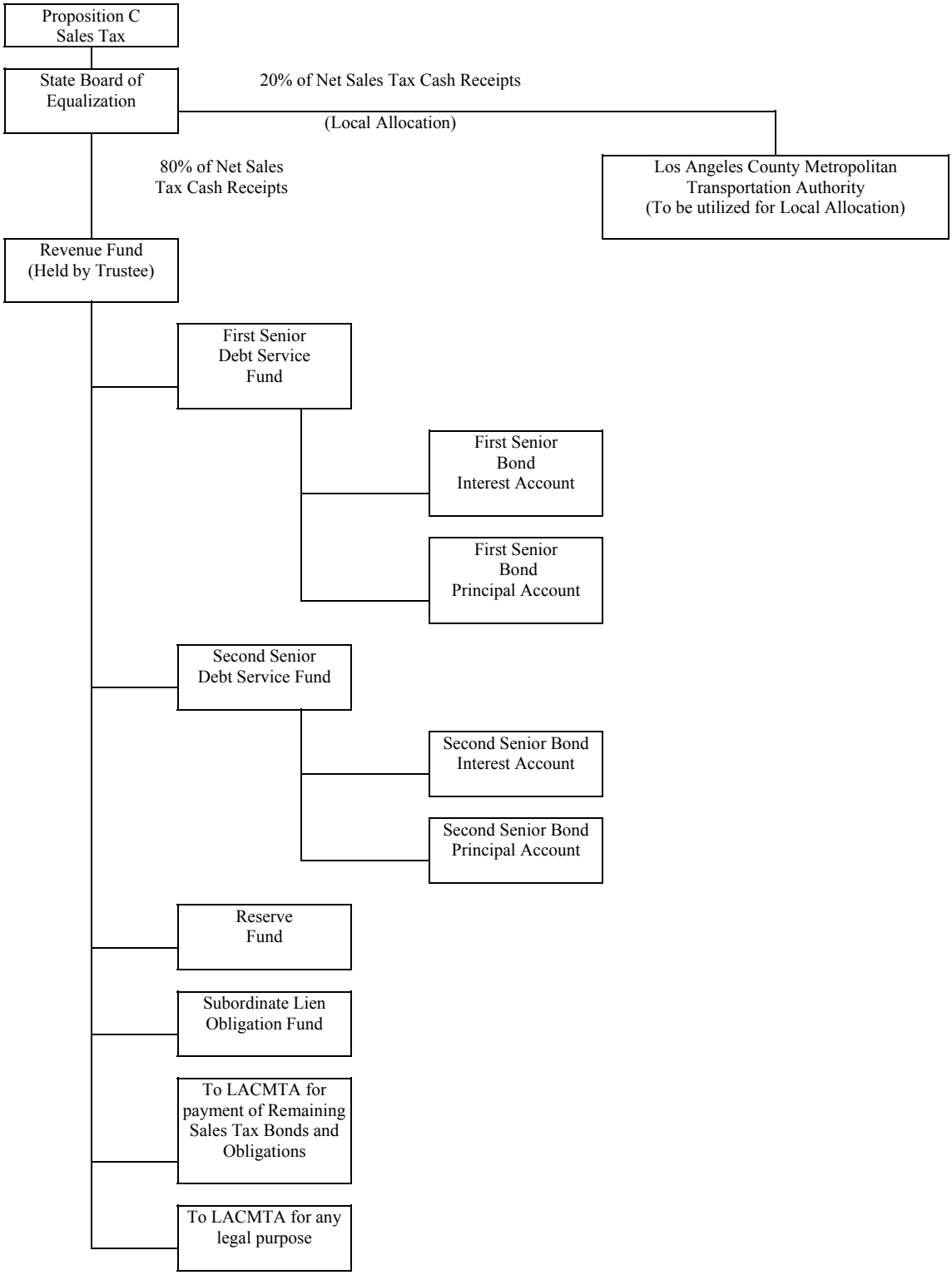
FIFTH, to the credit of the Reserve Fund, such portion of the balance, if any, remaining after making the deposits to the interest and principal accounts as described above, as is necessary to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement for all Second Senior Bonds Outstanding (including such amounts required to reimburse draws on any Reserve Fund Insurance Policy), or if the entire balance is less than the amount necessary, then the entire balance will be deposited into the Reserve Fund, and such amounts will be used to reimburse draws on any Reserve Fund Insurance Policy prior to replenishing the cash or Permitted Investments formerly on deposit therein.

SIXTH, if LACMTA has incurred a Subordinate Lien Obligation, to the Subordinate Lien Obligation Fund to the credit of accounts to be created within the Subordinate Lien Obligation Fund by the Trustee pursuant to the Agreement for the deposit of funds to pay Subordinate Lien Obligations. The credit of Pledged Revenues to such accounts will be made in accordance with the rank of the pledge created by such Subordinate Lien Obligations. Notwithstanding the foregoing, however, if there are insufficient Pledged Revenues in any Fiscal Year to make all of the foregoing deposits, such Pledged Revenues will be allocated to the accounts within the Subordinate Lien Obligation Fund on a pro rata basis based on the amounts required to be deposited therein during such Fiscal Year among all such Subordinate Lien Obligations issued or entered into on a parity basis and in accordance with the rank of the pledge created by such Subordinate Lien Obligations.

After setting aside amounts to be deposited in the Rebate Fund, any remaining funds will then be transferred to LACMTA and will be available to be used for any lawful purpose (including the payment of Remaining Sales Tax Bonds and Obligations), and will no longer be available to pay debt service on the Second Senior Bonds.

The following table provides a graphic presentation of the flow of funds for Proposition C Sales Tax cash receipts.

TABLE 1
Proposition C Sales Tax
Flow of Funds



Reserve Fund for Second Senior Bonds

Pursuant to the Agreement, the Reserve Fund was established and is held by the Trustee and used to make payments of principal and interest with respect to all Second Senior Bonds, including the Series 2009-B Bonds, issued by LACMTA under the Agreement to the extent amounts in the Second Senior Bond Interest Account or the Second Senior Bond Principal Account are not sufficient to pay in full the interest on or principal of the Second Senior Bonds when due. For each issuance of Second Senior Bonds, the Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement, which is the least of (a) 10% of the proceeds of such Series of Second Senior Bonds, (b) the Maximum Annual Debt Service on such Series of Second Senior Bonds, or (c) 125% of the average Annual Debt Service on such Series of Second Senior Bonds. The Reserve Fund Requirement with respect to the Series 2009-B Bonds is $26,901,498.65.

Under the terms of the Agreement, LACMTA may deposit a Reserve Fund Insurance Policy, which is an insurance policy or surety bond provided by a bond insurer, or a letter of credit, deposited in the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Insurance Policy must be rated in one of the two highest rating categories by Moody's and S&P. The Trust Agreement provides that any Reserve Fund Insurance Policy deposited with the Trustee is deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, less any unreimbursed drawings or other amounts not reinstated under such Reserve Fund Insurance Policy. See APPENDIX C—"SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—Reserve Fund Insurance Policy" and "—Reserve Fund Requirement".

As of the date of issuance of the Series 2009-B Bonds, the Reserve Fund is expected to contain approximately $147,202,000 of cash and investments, which will satisfy the Reserve Fund Requirement for all Second Senior Bonds after giving consideration to the issuance of the Series 2009-B Bonds.

In addition to the cash and investments, the Reserve Fund also will contain four reserve fund surety bonds, which were issued by MBIA Insurance Corporation and assigned to National Public Finance Guarantee Corporation ("MBIA"). The amount of cash and other investments in the Reserve Fund satisfy the Reserve Fund Requirement without taking into consideration these surety bonds.

PROPOSITION C SALES TAX AND COLLECTIONS

The Proposition C Sales Tax

Under the California Public Utilities Code, LACMTA is authorized to adopt retail transactions and use tax ordinances applicable in the incorporated and unincorporated territory of the County in accordance with California's Transaction and Use Tax Law (California Revenue and Taxation Code Section 7251 et seq.) upon authorization by a specified percentage of the electors voting on the issue. In accordance with the County Transportation Commissions Act (Section 130000 *et seq.* of the California Public Utilities Code (the "Transportation Commissions Act")), the Commission, on August 8, 1990, adopted Ordinance No. 49 ("Ordinance No. 49") which imposed a retail transactions and use tax for public transit purposes. Ordinance No. 49 was submitted to the electors of the County in the form of Proposition C ("Proposition C") and approved at an election held on November 6, 1990. Ordinance No. 49 imposes a tax, effective April 1, 1991, of ½ of 1 percent of the gross receipts of retailers from the sale of tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain limited exceptions. The retail transactions and use tax imposed by Ordinance No. 49 and approved by the voters with the passage of Proposition C is referred to in this Official Statement as the "Proposition C Sales Tax." As approved by the voters, the Proposition C

Sales Tax is not limited in duration. The validity of the Proposition C Sales Tax was upheld in 1992 by the California Court of Appeal in *Vernon v. State Board of Equalization*.

Collection of the Proposition C Sales Tax is administered by the State Board of Equalization, which imposes a charge for administration. Such charge is based on the actual costs incurred by the State Board of Equalization in connection with the administration of the collection of the Proposition C Sales Tax. In accordance with Ordinance No. 49, LACMTA is required to allocate the proceeds of the Proposition C Sales Tax as follows:

TABLE 2
Allocation of Proposition C Sales Tax

Uses	Percentage
To local jurisdictions for local transit based on population (Local Allocation)	20%
To LACMTA for construction and operation of the bus transit and rail system[(1)]	40
To LACMTA to expand rail and bus security	5
To LACMTA for commuter rail, construction of transit centers, park and ride lots and freeway bus stops	10
To LACMTA for transit-related improvements to freeways and state highways	25
Total	100%[(2)]

(1) Pursuant to the Act of 1998 (as defined in this Official Statement) LACMTA is prohibited from spending Proposition C Sales Tax on the costs of planning, design, construction or operation of any New Subway, including debt service on bonds, notes or other evidences of indebtedness issued for such purposes after March 30, 1998. See "—Initiatives and Changes to Proposition C Sales Tax" in this Official Statement.

(2) Up to 1.5% of the non Local Allocation portion of the Proposition C Sales Tax received by LACMTA may be used by LACMTA to pay administrative costs. Administrative costs are payable only from Proposition C Sales Tax that have been released to LACMTA and are no longer Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009-B BONDS—Flow of Funds."

Source: LACMTA.

As described below, the State Board of Equalization, after deducting the costs of administering the Proposition C Sales Tax and disbursing the Local Allocation to LACMTA, has agreed to remit directly on a monthly basis the remaining Proposition C Sales Tax revenues to the Trustee. After application of such Proposition C Sales Tax revenues to certain funds and accounts in accordance with the Agreement, the Trustee is required to transfer the remaining unapplied Proposition C Sales Tax revenues for deposit to the funds and accounts established and maintained for the Proposition C Commercial Paper Notes. Any Proposition C Sales Tax revenues remaining after the deposits described above are released to LACMTA to be used by LACMTA first, if necessary, to pay debt service on the Remaining Sales Tax Bonds, and second, for any lawful purposes (subject to the allocation requirements set forth in Ordinance No. 49). The Second Senior Bonds do not have a lien on and are not secured by any Proposition C Sales Taxes that are released by the Trustee and deposited to the funds and accounts established and maintained for the Proposition C Commercial Paper Notes, the Remaining Sales Tax Bonds or transferred to LACMTA to be used for any lawful purposes of LACMTA.

The amount retained by the State Board of Equalization from collections of Proposition C Sales Tax after July 1993 is based on the total local entity cost reflected in the annual budget of the State of California, and includes direct, shared and central agency costs incurred by the State Board of Equalization. The amount retained by the State Board of Equalization will be adjusted to account for the difference between the State Board of Equalization's recovered costs and its actual costs during the prior two fiscal years. The State Board of Equalization's fee for administering the Proposition C Sales Tax for fiscal year 2006-07 totaled approximately $6,163,600 representing 0.9% of Proposition C Sales Tax receipts during that period, and for fiscal year ended June 30, 2008 totaled approximately $6,349,400 representing 0.9% of Proposition C Sales Tax receipts for that fiscal year. LACMTA assumes that such State Board of Equalization fee may increase incrementally each year. The State Board of Equalization can change the fee at its discretion in the future.

Under the Agreement, LACMTA covenants that (a) it will not take any action which will impair or adversely affect in any manner the pledge of the Pledged Revenues or the rights of the owners of the Second Senior Bonds, including the Series 2009-B Bonds; and (b) it will be unconditionally and irrevocably obligated, so long as any of the Second Senior Bonds, including the Series 2009-B Bonds, are Outstanding and unpaid, to take all lawful action necessary or required to continue to entitle LACMTA to receive the Pledged Revenues at the same rates as provided by law (as of the date of the Agreement), to pay from the Pledged Revenues the principal of and interest on the Second Senior Bonds in the manner and pursuant to the priority set forth in the Agreement, and to make the other payments provided for in the Agreement.

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

The ½ of 1 percent Proposition C Sales Tax imposed by LACMTA in the County is in addition to the general sales tax levied statewide by the State of California (8.25 percent effective April 1, 2009). The Proposition C Sales Tax is in addition to a ½ of 1 percent sales tax for purposes imposed by LACMTA in 1980 pursuant to Ordinance No. 16 of the Commission known as "Proposition A Sales Tax." See APPENDIX A—"LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—Proposition A Sales Tax Obligations." The Proposition C Sales Tax is also in addition to Measure R, which County voters approved in November 2008 and which increased the sales tax rate within the County by ½ of 1 percent for a period of 30 years to fund LACMTA transportation projects. The additional sales tax rate will be collected starting July 1, 2009. These tax rates are subject to change. See "RISK FACTORS—California State Legislature or Electorate May Change Items Subject to Proposition C Sales Tax" and "—Increases in Sales Tax Rate May Cause Declines in Proposition C Sales Tax Revenues."

Initiatives and Changes to Proposition C Sales Tax

Proposition 218. In 1996, the voters of the State of California approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California State Constitution. Among other things, Article XIIIC removes limitations, if any, that exist on the initiative power in matters of local taxes, assessments, fees and charges. Even though LACMTA's

enabling legislation did not limit the initiative power of the electorate prior to Proposition 218, Proposition 218 has affirmed the right of the voters to propose initiatives that could influence the Proposition C Sales Tax.

The Act of 1998. One such initiative was approved by the voters of the County in 1998 in the form of the "Metropolitan Transportation Authority Reform and Accountability Act of 1998" (the "Act of 1998"). The Act of 1998 prohibits the use of Proposition C Sales Tax and Proposition A Sales Tax to pay any costs of planning, design, construction or operation of any "New Subway," including debt service on bonds, notes or other evidences of indebtedness issued for such purposes after March 30, 1998. "New Subway" is defined in the Act of 1998 to mean any rail line which is in a tunnel below the grade level of the earth's surface (including any extension or operating segment thereof), except for the Segment 1, Segment 2 and Segment 3 (North Hollywood) of the Red Line. The Act of 1998 does not limit the use of Proposition C Sales Tax and Proposition A Sales Tax revenues to provide public mass transit improvements to railroad right-of-ways. The Act of 1998 does not limit in any way the collection of the Proposition C Sales Tax or the Proposition A Sales Tax; it only limits the uses of such taxes. LACMTA believes that the proceeds of all obligations previously issued by LACMTA which are secured by the Proposition C Sales Tax or the Proposition A Sales Tax have been used for permitted purposes under the Act of 1998. **Therefore, the Act of 1998 has no effect on LACMTA's ability to continue to use the Proposition C Sales Tax or the Proposition A Sales Tax to secure payment of its outstanding obligations secured by the Proposition C Sales Tax or the Proposition A Sales Tax. Additionally, LACMTA has covenanted not to use the proceeds of the Series 2009-B Bonds in a manner inconsistent with the provisions of the Act of 1998, and the Act of 1998 will not limit the ability of LACMTA to secure payment of the Series 2009-B Bonds with a pledge of the Proposition C Sales Tax.**

As required by the Act of 1998, LACMTA contracted with an independent auditor to complete an audit with respect to the receipt and expenditure of Proposition C Sales Tax and Proposition A Sales Tax between the effective dates of Proposition C and Proposition A and June 30, 1998. In November, 1999, the independent auditor completed an audit and gave an unqualified opinion that LACMTA was in compliance with Proposition C and Proposition A with regard to the receipt and expenditure of Proposition C Sales Tax and Proposition A Sales Tax. The Act of 1998 further requires LACMTA to contract for an independent audit each subsequent fiscal year to determine LACMTA's compliance with the provisions of Proposition A, Proposition C and the Act of 1998 relating to the receipt and expenditure of Proposition A Sales Tax revenues and Proposition C Sales Tax revenues. For fiscal years 1999 through 2008, the independent auditors determined that LACMTA was in compliance with Proposition A, Proposition C and the Act of 1998 for each such respective fiscal year (the "Annual Act of 1998 Audit").

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

The Act of 1998 also established the "Independent Citizens' Advisory and Oversight Committee" (the "Committee") whose responsibilities include reviewing LACMTA's annual audit of its receipt and expenditure of Proposition C Sales Tax and Proposition A Sales Tax, the holding of public hearings regarding the annual audit and issuing reports based upon those audits and public hearings. The

Committee is made up of five members, of which one member is appointed by the chair of the Los Angeles County Board of Supervisors, one member is appointed by the chair of the Board, one member is appointed by the Mayor of the City of Los Angeles, one member is appointed by the Mayor of the City of Long Beach, and one member is appointed by the Mayor of the City of Pasadena.

Historical Proposition C Sales Tax Collections

The following table presents, among other things, collections of net Proposition C Sales Tax revenues and corresponding Pledged Revenues and Second Senior Bonds debt service coverage ratios for the fiscal years ending June 30, 1999 through June 30, 2008.

TABLE 3
Historic Net Proposition C Sales Tax Receipts,
Local Allocations, Pledged Revenues and Debt Service Coverage (Dollars in Millions)

Fiscal Year Ended June 30,	Net Sales Tax Revenue[(1)]	Annual Percentage Change	Allocations to Local Governments[(2)]	Pledged Revenues[(3)]	Second Senior Bonds Debt Service[(4)] Coverage (X)
1999	$452.2	2.33%	$ 90.4	$361.8	4.76
2000	505.9	11.88	101.2	404.7	4.56
2001	528.4	4.44	105.7	422.7	4.37
2002	525.9	(0.48)	105.2	420.7	4.30
2003	548.3	4.26	109.7	438.6	4.70
2004	576.7	4.92	115.3	461.4	4.86
2005	619.6	7.44	123.9	495.7	5.06
2006	669.0	7.98	133.8	535.2	5.16
2007	686.3	2.59	137.2	549.0	5.85
2008	683.5	(0.41)	136.7	546.8	5.30

(1) Reflects Proposition C Sales Tax revenues, reported according to accrual basis accounting, as presented in LACMTA's audited financial statements, less administrative fee paid to the State Board of Equalization but before required allocations to local governments for transit purposes. Rounded to the closest $100,000.

(2) Rounded to the closest $100,000.

(3) Proposition C Sales Tax receipts for the fiscal years shown, reported according to accrual basis accounting, less required allocations to local governments for transit purposes and less the administrative fee paid to the State Board of Equalization. Rounded to the closest $100,000.

(4) Coverage of debt service on Second Senior Bonds.

Source: LACMTA.

For the period of January 1, 2009 through March 31, 2009, reported according to cash basis accounting, Proposition C Sales Tax receipts were approximately $150.2 million, which represents a decline of approximately 13.5% from Proposition C Sales Tax receipts reported for the same three-month period in the fiscal year ending June 30, 2008. In addition, for the period of July 1, 2008 through March 31, 2009, reported according to cash basis accounting, Proposition C Sales Tax receipts were approximately $493.3 million, which represents a decline of approximately 5.58% from Proposition C Sales Tax receipts reported for the same nine-month period in the fiscal year ended June 30, 2008. The Proposition C Sales Tax receipts in any quarter represent sales tax revenues based on sales activity occurring in the quarter immediately preceding the quarter in which such receipts are received. See "RISK FACTORS—Economic Factors May Cause Declines in Proposition C Sales Tax Revenues" above.

PROPOSITION C SALES TAX OBLIGATIONS

General

Long-term obligations of LACMTA payable from the Proposition C Sales Tax consist of sales tax revenue bonds and commercial paper notes, and certain amounts owed under various interest rate swap agreements and a standby bond purchase agreement. At this time, LACMTA has three priority levels of obligations: its First Senior Bonds and First Senior Parity Debt (as of June 1, 2009 LACMTA had no First Senior Bonds or First Senior Parity Debt outstanding), its Second Senior Bonds (which includes the Series 2009-B Bonds) and Second Senior Parity Debt and its Subordinate Lien Obligations (which include its Commercial Paper Notes). In addition, LACMTA has incurred other obligations, which are secured by certain "remaining" Proposition C Sales Tax cash receipts. See "—Other Obligations" in this Official Statement.

First Senior Bonds and First Senior Parity Debt

LACMTA had no First Senior Bonds or First Senior Parity Debt outstanding as of June 1, 2009. LACMTA may issue First Senior Bonds and First Senior Party Debt upon the satisfaction of certain additional bonds tests contained in the Agreement. LACMTA currently has no plans to issue First Senior Bonds or to incur First Senior Parity Debt. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009-B BONDS—Proposition C Sales Tax Obligations—First Senior Obligations."

Second Senior Bonds

LACMTA had the following Second Senior Bonds outstanding as of June 1, 2009:

TABLE 4
Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Bonds, Second Senior Bonds
(Outstanding as of June 1, 2009)

Second Senior Bonds	Principal Amount
Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-A	$167,300,000
Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2008-A	128,745,000
Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2006-A	128,720,000
Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2004-A	164,285,000
Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2003-A	50,730,000
Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2003-C	211,500,000
Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2000-A	15,390,000
Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 1999-A	102,705,000
Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1998-A	71,250,000
Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1993-A	193,210,000[(1)]
Total	$1,233,835,000

[(1)] The proceeds of the Series 2009-B Bonds will be used to refund $191,890,000 aggregate principal amount of the outstanding Series 1993-A Bonds. The remaining $1,320,000 aggregate principal amount of outstanding Series 1993-A Bonds will be paid on July 1, 2009 in accordance with a scheduled mandatory sinking fund redemption payment.

Source: LACMTA.

LACMTA may issue additional Second Senior Bonds upon the satisfaction of certain additional bonds tests contained in the Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009-B BONDS— Proposition C Sales Tax Obligations—Second Senior Obligations."

Second Senior Parity Debt

LACMTA has incurred Second Senior Parity Debt to secure its obligations to make regularly scheduled payments under two interest rate swap agreements and its obligation to make certain reimbursements under a standby bond purchase agreement from Proposition C Sales Tax on parity with the Second Senior Bonds.

Wachovia Swap Agreement. LACMTA has entered into an interest rate swap agreement (the "Wachovia Swap Agreement") with Wachovia Bank, National Association ("Wachovia"). Pursuant to the terms of the Wachovia Swap Agreement, LACMTA pays a fixed amount (the rate for which is equal to 3.444%) to Wachovia and Wachovia pays to LACMTA a floating amount (the rate for which is equal to 68% of the one-month London Interbank Offered Rate for deposits of U.S. dollars ("LIBOR")), in each case based on a notional amount equal to the principal amount of the Series 2009-A Bonds outstanding. The net regularly scheduled payments payable by LACMTA under the Wachovia Swap Agreement are insured by a surety bond issued by Ambac Assurance Corporation. The Wachovia Swap Agreement is scheduled to terminate on July 1, 2023 (the final maturity date of the Series 2009-A Bonds), unless earlier terminated as a result of an event of default or termination event under the Wachovia Swap Agreement or as a result of LACMTA's exercise of an option to terminate the Wachovia Swap Agreement. LACMTA and Wachovia recently amended the Wachovia Swap Agreement to raise the collateral posting thresholds which reduces the likelihood of either party having to post collateral.

The Wachovia Swap Agreement relates to the Series 2009-A Bonds for purposes of calculating Maximum Annual Debt Service. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009-B BONDS—Proposition C Sales Tax Obligations—Maximum Annual Debt Service."

GSMMDP Swap Agreement. In connection with the issuance of the Series 2003-C Bonds, LACMTA entered into an interest rate swap agreement (the "GSMMDP Swap Agreement" and, together with the Wachovia Swap Agreement, the "Swap Agreements") with Goldman Sachs Mitsui Marine Derivative Products, L.P. ("GSMMDP"). Pursuant to the terms of the GSMMDP Swap Agreement, LACMTA pays a fixed amount (the rate for which is equal to 3.382%) to GSMMDP and GSMMDP pays to LACMTA a floating amount (the rate for which is equal 68% of LIBOR), in each case based on a notional amount equal to the principal amount of the Series 2003-C Bonds outstanding. The net regularly scheduled payments payable by LACMTA under the GSMMDP Swap Agreement are insured by a surety bond issued by Ambac Assurance Corporation. The GSMMDP Swap Agreement is scheduled to terminate on July 1, 2025 (the final maturity date of the Series 2003-C Bonds), unless earlier terminated as a result of an event of default or termination event under the GSMMDP Swap Agreement or as a result of LACMTA's exercise of an option to terminate the GSMMDP Swap Agreement. LACMTA and GSMMDP recently amended the GSMMDP Swap Agreement to eliminate the possibility of an early termination by GSMMDP due solely to the occurrence of an event affecting Ambac Assurance Corporation.

LACMTA is planning to issue an additional Series of Second Senior Bonds to refund the Series 2003-C Bonds. The GSMMDP Swap Agreement is expected to remain in effect notwithstanding the refunding of the Series 2003-C Bonds. From and after the issuance of the additional Series of Second Senior Bonds, the GSMMDP Swap Agreement will relate to such additional Series of Second Senior Bonds for purposes of calculating Maximum Annual Debt Service. See "SECURITY AND SOURCES

OF PAYMENT FOR THE SERIES 2009-B BONDS—Proposition C Sales Tax Obligations—Maximum Annual Debt Service."

Provisions of Swap Agreements. LACMTA's obligations to pay the Swap Counterparties the applicable net regularly scheduled payments under the Swap Agreements constitute Second Senior Parity Debt and, as such, are secured by Pledged Revenues on a parity basis with the Second Senior Bonds. The terms of the Swap Agreements do not alter any of the obligations of LACMTA with respect to the payment of principal of or interest on the Series 2003-C Bonds or the Series 2009-A Bonds. The payments received by LACMTA from the Swap Counterparties due under the Swap Agreements do not constitute Pledged Revenues and are not pledged to the payment of principal or interest on any Second Senior Bonds.

Under certain circumstances, LACMTA may be obligated to make termination payments (the "Termination Payments") to a Swap Counterparty if the applicable Swap Agreement is terminated prior to its scheduled termination date. The amount of any Termination Payments will be determined by several factors, including the level of comparable interest rates at the time the affected Swap Agreement is terminated. Any such Termination Payment could be substantial and would be due immediately upon termination of the applicable Swap Agreement. Each of the Swap Agreements provides that any such Termination Payment is secured by a pledge of Proposition C Sales Tax revenue on a basis subordinate to the Second Senior Bonds, including the Series 2009-B Bonds. As of May 15, 2009, LACMTA estimates that the Termination Payment that LACMTA would be required to pay if one of the Swap Agreements were terminated on that date would be, in the case of the Wachovia Swap Agreement, approximately $12.0 million and, in the case of the GSMMDP Swap Agreement, approximately $13.3 million.

Under the terms of the Wachovia Swap Agreement and the GSMMDP Swap Agreement, LACMTA may be required to post collateral in favor of the applicable Swap Counterparty if the estimated Termination Payment exceeds certain thresholds. Each of the Swap Agreements provides that LACMTA's obligation to post collateral is secured by a pledge of Proposition C Sales Tax revenue on a basis subordinate to the Second Senior Bonds, including the Series 2009-B Bonds. LACMTA does not currently have any collateral posted to any Swap Counterparties under the Swap Agreements.

Standby Bond Purchase Agreement Relating to Series 2009-A Bonds. In connection with the issuance of the Series 2009-A Bonds, LACMTA entered into a standby bond purchase agreement with JPMorgan Chase Bank, National Association. LACMTA's obligation to make reimbursement payments to JPMorgan Chase Bank, National Association under this standby bond purchase agreement constitutes Second Senior Parity Debt and is secured on a parity basis with the Second Senior Bonds.

Additional Second Senior Parity Debt. LACMTA may incur additional Second Senior Parity Debt upon the satisfaction of certain additional bonds tests contained in the Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009-B BONDS— Proposition C Sales Tax Obligations—Second Senior Obligations."

Subordinate Lien Obligations

On June 9, 1993, LACMTA received authorization to issue $150,000,000 of commercial paper notes (the "Proposition C Commercial Paper Notes"). As of June 1, 2009, the Proposition C Commercial Paper Notes were outstanding with a maturity value of $115,625,000. The Proposition C Commercial Paper Notes are payable from Proposition C Sales Tax revenue on a basis subordinate to the lien on Proposition C Sales Tax revenues granted to the First Senior Bonds and the Second Senior Bonds, including the Series 2009-B Bonds.

Other Obligations

On August 21, 2003, LACMTA issued $88,485,000 aggregate principal amount of its General Revenue Refunding Bonds (Workers' Compensation Funding Program) Series 2003 (Taxable) (the "2003 Workers' Compensation Bonds"). On September 22, 2004, LACMTA issued $197,050,000 aggregate principal amount of its General Revenue Refunding Bonds (Union Station Gateway Project) Series 2004-A, Series 2004-B, Series 2004-C and Series 2004-D (the "2004 Gateway Bonds" and together with the 2003 Workers' Compensation Bonds, the "Remaining Sales Tax Bonds"), which refunded certain General Revenue Refunding Bonds issued by LACMTA in 1996.

The Remaining Sales Tax Bonds are secured by a pledge of fare box revenues, fee and advertising revenues and Proposition A Sales Tax and Proposition C Sales Tax revenues that remain after the application of those revenues to the payment of principal and interest on the Proposition A Sales Tax Obligations, in the case of the Proposition A Sales Tax, and the Bonds and Parity Debt under the Agreement and the Subordinate Lien Obligations, in the case of the Proposition C Sales Tax (collectively, the "Remaining Sales Tax"). "APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—Proposition A Sales Tax Obligations." LACMTA's obligation to pay principal of and interest on the Remaining Sales Tax Bonds is secured by a lien on Proposition C Sales Tax that is junior and subordinate to the Second Senior Bonds, the Second Senior Parity Debt and the Subordinate Lien Obligations as to the lien on and source and security for payment from Pledged Revenues. As of June 1, 2009, there was $206,770,000 aggregate principal amount of Remaining Sales Tax Bonds outstanding.

In connection with the issuance of the 2004 Gateway Bonds, LACMTA entered into an interest rate swap agreement (the "2004 Gateway Swap Agreement") with the Bank of Montreal ("BMO"). Under the terms of the 2004 Gateway Swap Agreement, LACMTA pays a fixed amount (the rate for which is equal to 3.501% per annum) to BMO and BMO pays to LACMTA a floating amount (the rate for which is equal to 64% of one month LIBOR plus 0.21%), in each case based on a notional amount equal to the principal amount of the 2004 Gateway Bonds outstanding. The 2004 Gateway Swap Agreement is scheduled to terminate on July 1, 2027 (the final maturity date of the 2004 Gateway Bonds), subject to the terms and conditions of the 2004 Gateway Swap Agreement. Under certain circumstances, LACMTA may be obligated to make Termination Payments to BMO if the 2004 Gateway Swap Agreement is terminated. As of May 15, 2009, LACMTA estimates that the Termination Payment that LACMTA would be required to pay if the 2004 Gateway Swap Agreement were terminated on that date would be approximately $12.3 million. LACMTA's obligations to pay amounts owed to BMO under the 2004 Gateway Swap Agreement are subordinate to any claim on Proposition C Sales Tax revenues by the holders of the Series 2009-B Bonds. LACMTA is currently considering amending some of the terms of the 2004 Gateway Swap Agreement. LACMTA is currently planning to refund the 2004 Gateway Bonds with the proceeds of certain variable rate bonds and/or certain fixed rate bonds that would be secured by fare box revenues, fee and advertising revenues and Remaining Sales Tax revenues. Any such bonds would be secured by a lien on Proposition C Sales Tax that is junior and subordinate to the Second Senior Bonds, the Second Senior Parity Debt and the Subordinate Lien Obligations as to the lien on and source and security for payment from Pledged Revenues.

Under the terms of the 2004 Gateway Swap Agreement, LACMTA may be required to post collateral in favor of BMO if the estimated Termination Payment exceeds certain thresholds. The 2004 Gateway Swap Agreement provides that LACMTA's obligation to post collateral is secured by a pledge of Proposition C Sales Tax revenue which is subordinate to any claim on Proposition C Sales Tax revenues by the holders of the Series 2009-B Bonds. As of May 15, 2009, LACMTA had posted approximately $10 million of collateral pursuant to the 2004 Gateway Swap Agreement.

Impact of Bond Insurer Rating Downgrades on LACMTA's Auction Rate Securities and Variable Rate Demand Bonds

Beginning in September 2007, the auction rate securities market and the variable rate demand bond market experienced volatility as a result of, among other things, the rating agency downgrade of AAA-rated monoline bond insurers because of significant losses such insurers experienced due to their exposure to sub-prime mortgage securities. As of June 1, 2009, LACMTA had outstanding approximately $1.1 billion of auction rate securities and variable rate demand bonds, including the Refunded Bonds. All of these auction rate securities and variable rate demand bonds have increased LACMTA's interest expenses. Since September 2007, the variable rate of interest on these bonds experienced a weighted average monthly interest rate of a high of approximately 7% in October 2008. Because the ratings of the liquidity provider and the bond insurer for the Series 1993-A Bonds (which are the Refunded Bonds) were downgraded in the fall of 2008, the Series 1993-A Bonds have been particularly affected by market volatility. Approximately $299.7 million of auction rate securities were refunded through the issuance of Proposition A Series 2008-A and Series 2008-B Bonds and Proposition A commercial paper notes. The $167.3 million aggregate outstanding principal amount of Series 2003-B Bonds were refunded through the issuance of the Series 2009-A Bonds. LACMTA is actively pursuing options to restructure the $211.5 million of outstanding Proposition C Series 2003-C Bonds and the $179.775 million of outstanding 2004 Gateway Bonds. As a consequence of the withdrawal or downgrading of the credit ratings of potential credit and liquidity providers, LACMTA is reevaluating its restructuring alternatives with respect to the 2004 Gateway Bonds. LACMTA has included increased estimates of interest expense in its adopted budget for Fiscal Year 2008-09, in order to account for continued higher interest rates in the auction rate securities and variable rate demand bond market.

The Series 2003-C Bonds are auction rate securities. In addition to the refunding of the Series 1993-A Bonds through the issuance of the Series 2009-B Bonds, LACMTA is actively pursuing the restructuring of the Series 2003-C Bonds which LACMTA expects to complete by August 31, 2009; however, given the volatility of the bond market, LACMTA cannot assure prospective investors that it will complete this restructuring by then. LACMTA anticipates that it will restructure this Series of Second Senior Bonds through the issuance of refunding Second Senior Bonds in accordance with the terms of the Agreement.

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COMBINED DEBT SERVICE SCHEDULE

The following table shows the combined debt service requirements on LACMTA's Second Senior Bonds after giving effect to the issuance of the Series 2009-B Bonds and the refunding of the Refunded Bonds.

TABLE 5
Los Angeles County Metropolitan Transportation Authority
Combined Debt Service Schedule
Second Senior Bonds[1]

Bond Years Ending July 1	Previously Issued Second Senior Bonds Debt Service[2][3]	Principal Requirements on Series 2009-B Bonds	Interest Requirements on Series 2009-B Bonds	Combined Total Debt Service Second Senior Bonds
2010	$ 90,959,074.50	$ 5,200,000.00	$12,119,765.63	$ 108,278,840.13
2011	90,717,186.25	5,325,000.00	11,595,975.00	107,638,161.25
2012	90,816,064.25	5,535,000.00	11,434,725.00	107,785,789.25
2013	90,813,609.50	5,715,000.00	11,157,975.00	107,686,584.50
2014	71,780,400.50	28,925,000.00	10,929,375.00	111,634,775.50
2015	71,357,636.50	29,665,000.00	9,552,625.00	110,575,261.50
2016	71,401,268.00	30,805,000.00	8,127,375.00	110,333,643.00
2017	71,512,287.50	31,885,000.00	6,612,937.50	110,010,225.00
2018	71,614,847.50	33,035,000.00	5,053,187.50	109,703,035.00
2019	71,754,524.50	34,250,000.00	3,433,000.00	109,437,524.50
2020	71,829,638.50	35,485,000.00	1,734,500.00	109,049,138.50
2021	104,624,300.50	–	–	104,624,300.50
2022	104,748,516.00	–	–	104,748,516.00
2023	105,444,428.00	–	–	105,444,428.00
2024	46,388,465.50	–	–	46,388,465.50
2025	46,435,933.50	–	–	46,435,933.50
2026	29,585,305.00	–	–	29,585,305.00
2027	29,583,880.00	–	–	29,583,880.00
2028	29,587,242.50	–	–	29,587,242.50
2029	21,530,680.00	–	–	21,530,680.00
2030	21,531,450.00	–	–	21,531,450.00
2031	11,018,000.00	–	–	11,018,000.00
2032	11,014,750.00	–	–	11,014,750.00
2033	11,014,000.00	–	–	11,014,000.00
2034	11,014,500.00	–	–	11,014,500.00
Total	$1,448,077,988.50	$245,825,000.00	$91,751,440.63	$1,785,654,429.13

(1) Excludes any amounts payable under the standby bond purchase agreement supporting the Series 2009-A Bonds.
(2) Excludes debt service on the Refunded Bonds.
(3) Assumes interest rate (a) on the Series 2003-C Bonds equal to the fixed rate LACMTA pays under the GSMMDP Swap Agreement, and (b) on the Series 2009-A Bonds equal to the fixed rate LACMTA pays under the Wachovia Swap Agreement.

LITIGATION

There is no litigation pending or, to the knowledge of LACMTA, threatened, in any way questioning or affecting the validity of the Series 2009-B Bonds, the imposition and collection of the Proposition C Sales Tax or the pledge of the Pledged Revenues. On March 3, 1992, the California Court of Appeal, in *Vernon v. State Board of Equalization*, upheld the validity of the Proposition C Sales Tax. Various claims of other types have been asserted against LACMTA. See "APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—Litigation."

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2009-B Bonds are subject to the approving opinion of Nixon Peabody LLP, Bond Counsel. The form of the opinion to be delivered by Bond Counsel is attached hereto as Appendix D. As Bond Counsel, Nixon Peabody LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

The Los Angeles County Counsel, as General Counsel to LACMTA, and Nixon Peabody LLP as disclosure counsel, will pass on certain legal matters for LACMTA. Kutak Rock LLP, as counsel to the Underwriters, will pass on certain legal matters for the Underwriters.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2009-B Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2009-B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2009-B Bonds. Pursuant to the Agreement and the Tax Certificate, LACMTA has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2009-B Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, LACMTA has made certain representations and certifications in the Agreement and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by LACMTA described above, interest on the Series 2009-B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2009-B Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series 2009-B Bonds is exempt from personal income taxes of the State of California under present state law. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2009-B Bonds or as to the taxability of the Series 2009-B Bonds or the income therefrom under the laws of any state other than State.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2009-B Bonds maturing on July 1, 2010 (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2009-B Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Series 2009-B Bonds maturing July 1, 2011 through July 1, 2020 inclusive (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2009-B Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2009-B Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2009-B Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds; for certain bonds issued during 2009 and 2010, the American Recovery and Reinvestment Act of 2009 modifies the application of those rules as they apply to financial institutions. Prospective investors are advised to consult their own tax advisors regarding these rules.

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Series 2009-B Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2009-B Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide

certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as Appendix D. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2009-B Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2009-B Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2009-B Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2009-B Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2009-B Bonds may occur. Prospective purchasers of the Series 2009-B Bonds should consult their own tax advisers regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2009-B Bonds may affect the tax status of interest on the Series 2009-B Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2009-B Bonds, or the interest thereon, if any action is taken with respect to the Series 2009-B Bonds or the proceeds thereof upon the advice or approval of other counsel.

UNDERWRITING

The Series 2009-B Bonds are being purchased by Goldman, Sachs & Co. and E.J. De La Rosa & Co., Inc. (the "Underwriters") pursuant to and subject to the conditions set forth in the purchase contract for the Series 2009-B Bonds (the "Purchase Contract"). The Underwriters will purchase the Series 2009-B Bonds at an aggregate purchase price of $267,826,236.45, which represents the principal amount of the Series 2009-B Bonds plus a net original issue premium of $23,189,986.45 less an underwriters' discount of $1,188,750.00. The Purchase Contract provides that the Underwriters shall purchase all of the Series 2009-B Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions. The Underwriters may change the initial public offering yields set forth on the inside front cover hereof. The Underwriters may offer and sell the Series 2009-B Bonds to certain dealers (including dealers depositing the Series 2009-B Bonds into investment trusts) at prices lower than the public offering prices or at yields higher than the yields stated on the inside front cover hereof.

FINANCIAL ADVISOR

LACMTA has retained Public Financial Management, Inc. as Financial Advisor (the "Financial Advisor") for the sale of the Series 2009-B Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is

an independent advisory firm with its principal office in Philadelphia, Pennsylvania and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

FINANCIAL STATEMENTS

The financial statements of LACMTA for the fiscal year ended June 30, 2008 and the Management's Discussion and Analysis and certain supplementary information, and the Independent Auditors' Report of KPMG LLP, independent accountants, dated January 9, 2009 (collectively, the "2008 Financial Statements") are included as APPENDIX B—"LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008." LACMTA's financial statements as of June 30, 2008 and for the year then ended, included in this Official Statement, have been audited by KPMG LLP, independent accountants, as stated in their Report appearing in APPENDIX B. LACMTA has not requested, nor has KPMG LLP given, KPMG LLP's consent to the inclusion in Appendix B of its report on such financial statements. In addition, KPMG LLP has not performed any post-audit review of the financial condition of LACMTA and has not reviewed this Official Statement.

Data for the 2008 Financial Statements has been extracted from LACMTA's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008 (the "2008 CAFR"). The complete 2008 CAFR has not been included in this Official Statement. Certain page references contained in the 2008 Financial Statements, included in APPENDIX B, are references to pages as they appear in the complete version of the 2008 CAFR. Potential investors should not rely upon such page references. Potential investors may request a complete copy of the 2008 CAFR from LACMTA at the office of the Treasurer of the Los Angeles County Metropolitan Transportation Authority, One Gateway Plaza, Los Angeles, California 90012, Attention: Treasury Department, (213) 922-4042.

CONTINUING DISCLOSURE

LACMTA has agreed to execute a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), which provides for disclosure obligations on the part of LACMTA. Under the Continuing Disclosure Certificate, LACMTA will covenant for the benefit of Owners and Beneficial Owners of the Series 2009-B Bonds to provide certain financial information and operating data relating to LACMTA by not later than 195 days after the end of the prior fiscal year (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"), if material. The Annual Reports and the notices of Listed Events will be filed with the EMMA System. These covenants will be made to assist the Underwriter in complying with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. LACMTA has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events. See APPENDIX F - "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Service, a Division of the McGraw Hill Companies ("S&P") have assigned ratings of "A1" and "AA+" to the 2009-B Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. LACMTA furnished to such rating agencies certain information and materials regarding the Series 2009-B Bonds and LACMTA. Generally, rating agencies base their ratings on the information and materials furnished

to them and on their own investigations, studies and assumptions. There is no assurance that such ratings will continue for any given period of time or that such ratings will not subsequently be revised or withdrawn entirely if, in the judgment of the applicable rating agency, circumstances so warrant. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Series 2009-B Bonds.

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ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Treasurer of the Los Angeles County Metropolitan Transportation Authority, One Gateway Plaza, Los Angeles, California 90012, Attention: Treasury Department, (213) 922-4042, or from LACMTA's Financial Advisor, Public Financial Management, Inc., 633 West Fifth Street, Suite 6700, Los Angeles, California 90071; Telephone (213) 489-4075. LACMTA maintains a website at http://www.metro.net. Information on such website is not part of this Official Statement and such information has not been incorporated by reference in this Official Statement and should not be relied upon in deciding whether to invest in the Series 2009-B Bonds.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

By /s/ Terry Matsumoto
Chief Financial Services
Officer and Treasurer

APPENDIX A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

DESCRIPTION OF LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

General

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 *et seq*. of the California Public Utilities Code. LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the "District") and the Los Angeles County Transportation Commission (the "Commission"). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission's responsibility for planning, engineering and constructing a county wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the "County"), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 6, 1990, the voters of the County approved the Proposition C Sales Tax. The Proposition C Sales Tax is in addition to a ½ of 1 percent sales tax for purposes imposed by LACMTA in 1980 pursuant to Ordinance No. 16 of the Commission known as "Proposition A Sales Tax." The Proposition C Sales Tax is also in addition to Measure R, which County voters approved in November 2008 and which increased the sales tax rate within the County by ½ of 1 percent for a period of 30 years to fund LACMTA transportation projects. The increase in the sales tax rate will go into effect as of July 1, 2009.

Board of Directors

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

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

Antonio Villaraigosa, Chair. Mr. Villaraigosa was elected Mayor of the City of Los Angeles in 2005 and re-elected in March 2009. He was formerly a City Councilman of the City of Los Angeles, and was first elected in 2003 to the City Council. Prior to his election, Mr. Villaraigosa served on the boards of the Southern California Rapid Transit District and LACMTA. He was elected to the California State Assembly in 1994 and was elected as the Democratic Whip and Democratic Majority Leader before becoming Speaker of the Assembly in 1998. Mr. Villaraigosa holds a Bachelor of Arts degree from UCLA and a law degree from the People's College of Law.

Don Knabe, First Vice-Chair. Mr. Knabe is the Los Angeles County Supervisor representing the Fourth Supervisorial District, having been elected in 1996 and re elected in 2000, 2004 and 2008. Following a successful career as a small business owner, Mr. Knabe joined Los Angeles County Supervisor Deane Dana's staff in 1982 and later became Chief of Staff for Deane Dana. Mr. Knabe was also elected to the Cerritos City Council in 1980 and served for eight years, including two terms as

Mayor. Mr. Knabe holds a Bachelor's degree in Business Administration from Graceland College in Lamoni, Iowa.

Ara Najarian, Second Vice-Chair. Mr. Najarian was elected to the Glendale City Council in April of 2005. He was appointed to the Board in 2006 by the Los Angeles County City Selection Committee. Before being elected to the city council, he was an elected member of the Glendale Community College Board of Trustees. He served seven years on the Glendale Transportation and Parking Commission and served two of those years as Chairman. Mr. Najarian is currently Vice Chair of the Glendale Redevelopment Agency and is the Past Chair of the Glendale Housing Authority. Mr. Najarian has been an attorney in private practice for 20 years. He attended Occidental College where he received a Bachelor of Arts degree in Economics and later earned his JD from University of Southern California School of Law.

Michael D. Antonovich. Mr. Antonovich is the Los Angeles County Supervisor representing the Fifth Supervisorial District, having been re elected to his eighth four year term in 2008. From 1972 to 1978, he served as a member of the California State Assembly. He also served as a member of the Board of Trustees of the Los Angeles Community College District from 1968 to 1973. Mr. Antonovich has held teaching positions with the Los Angeles School District and Pepperdine University. He holds a Bachelor of Arts degree and Master's degree from California State University, Los Angeles.

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

John Fasana. Mr. Fasana has served on the Duarte City Council since 1987, and served as Mayor of the City of Duarte in 1990, 1997, and 2004. Mr. Fasana has represented 30 San Gabriel Valley cities on LACMTA Board since its inception in 1993. Mr. Fasana serves as Chair of the San Gabriel Valley Council of Governments Transportation Committee, serves as Chair of Metro's newly created Ad hoc Committee on Congestion Pricing and is a member of the Foothill Transit Governing Board. Mr. Fasana has worked 27 years with Southern California Edison and is a graduate of Whittier College with a Bachelor of Arts degree in business administration.

José Huizar. Councilmember José Huizar was appointed to the Board by Mayor Antonio Villaraigosa in March 2009. Mr. Huizar was first elected to the Los Angeles City Council in November 2005, following his service as both President and Member of the Board of Education of the Los Angeles Unified School District (2001-2005). Councilmember Huizar was re-elected in March 2007. He previously served as a Deputy City Attorney in the Real Estate and Environmental Division of the Los Angeles City Attorney's Office and has also served as an associate with several law firms. Councilmember Huizar earned a Bachelor of Arts degree from the University of California, Berkeley. He received a Master's degree in Public Affairs and Urban Planning from Princeton University and a Juris Doctor degree from UCLA School of Law.

Richard Katz. Mr. Katz was appointed to the Board by Mayor Antonio Villaraigosa effective July 2005. From 2001 to 2006, Mr. Katz served on the State Water Resources Control Board. He served Governor Gray Davis as his Senior Advisor on Energy and Water and led negotiations on the Colorado River Agreement with the Federal Government, California Water Agencies, and the six other states. Mr. Katz was elected to the California State Assembly in 1980 and served continuously for 16 years,

including a term as the Democratic Leader. For ten years, he chaired the Assembly Transportation Committee and, in 1990, authored Proposition 111, a ten year Transportation Blueprint that provided additional funding for mass transit and highways. Mr. Katz was instrumental in drafting legislation that created LACMTA through a merger of the District and the Commission in 1993. He also created the Congestion Management Plan, which requires cities and counties to measure and mitigate impacts of land use decisions on their streets, highways and transit systems.

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

Pam C. O'Connor. Ms. O'Connor has served on the Santa Monica City Council since 1994 and twice has served as that city's mayor in 1997 and 1999. Ms. O'Connor was appointed to the Board in 2001 by the Los Angeles County City Selection Committee. She has served as a member of the Southern California Association of Governments' Regional Council and League of California Cities, transportation and public works committee. Ms. O'Connor also works as a private consultant, specializing in historic preservation. Ms. O'Connor earned a Bachelor of Science degree in journalism from Southern Illinois University and holds Master's degrees in historic preservation planning and in technology management from Eastern Michigan University.

Mark Ridley-Thomas. Mr. Ridley-Thomas was elected to the Board representing the Second Supervisorial District on November 4, 2008. Previously, he served as a California State Senator (26th District, 2006-08) and chaired the Senate Committee on Business, Professions and Economic Development. Mr. Ridley-Thomas was first elected to public office in 1991, where he served on the Los Angeles City Council for nearly a dozen years during which time he sat on the board of LACMTA. He later served two terms in the California State Assembly, where he chaired the Committee on Jobs, Economic Development and the Economy and the Assembly Democratic Caucus. He earned a baccalaureate degree in Social Relations (minor in Government) and a Master's degree in Religious Studies (concentration in Christian Ethics) from Immaculate Heart College. Mr. Ridley-Thomas received his Ph.D. in Social Ethics and Policy Analysis from the University of Southern California.

Rita Robinson. Rita Robinson was appointed to the Board by Mayor Antonio Villaraigosa in March 2009. Ms Robinson is the General Manger of the Los Angeles Department of Transportation, having been confirmed by the Los Angeles City Council in December 2007. She was appointed LADOT Interim General Manager by Mayor Villaraigosa in September 2007. Ms. Robinson is responsible for the day-to-day operations of over 2000 employees whose mission is to provide for the safe and optimal mobility of people and goods throughout the City of Los Angeles to support economic activity and desirable quality of life. A city employee for over 30 years, Ms. Robinson began her career as a student professional intern and has served in a number of capacities in Los Angeles city government, including the Office of the City Administrative Officer, Department of Recreation and Parks, and the Community Development Department. Before her appointment to the Transportation Department, Ms. Robinson directed the Department of Public Works Bureau of Sanitation, which has 3,000 employees and the mission to protect public health and the environment through legal, efficient and effective collection, treatment, reuse and disposal of liquid and solid wastes.

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

Douglas R. Failing, Ex Officio Member. Mr. Failing was re appointed by the Governor of California as the Ex Officio Member to the Board in April 2005. Mr. Failing previously served in this capacity from July 2002 to November 2003. Mr. Failing is the Director of District 7 of the California State Department of Transportation ("Caltrans"), having been named to this position in June 2002. In this position, he is responsible for managing 27 freeways and State highways in Los Angeles and Ventura Counties. Mr. Failing is a Registered Civil Engineer in the State of California and holds a Bachelor of Science degree in Civil Engineering from Michigan Technological University.

Management

General. LACMTA must exclusively conduct the following powers and responsibilities: (i) establishment of overall goals and objectives, (ii) adoption of the aggregate budget for all of its organizational units, (iii) designation of additional municipal bus operators under criteria enumerated in the LACMTA Act, (iv) approval of all final rail corridor selections, (v) final approval of labor contracts covering employees of LACMTA and its organizational units, (vi) establishment of LACMTA's organizational structure, (vii) conducting hearings and setting fares for the operating organizational units, (viii) approval of transportation zones, (ix) approval of any debt instrument with a maturity date exceeding the end of the Fiscal Year in which it is issued, (x) approval of benefit assessment districts and assessment rates and (xi) approval of contracts for construction and transit equipment acquisition which exceed $5,000,000 and making findings in connection with certain procurement decisions.

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

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

Chief Financial Services Officer and Treasurer. Terry Matsumoto was appointed Chief Financial Services Officer and Treasurer in December 2006. Prior to this appointment, Mr. Matsumoto served as LACMTA's Executive Officer, Finance beginning in October 1996 and as Treasurer beginning in April 1998. Mr. Matsumoto also served temporarily as Interim Deputy Chief Executive Officer for

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

Public Transportation Services Corporation

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

Rapid Transit System

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

Bus System. LACMTA is the largest public transit operator west of Chicago. LACMTA provides bus service within its service area in the County and to portions of Orange and Ventura Counties, operating a vehicle fleet of over 2,600 buses that operates a weekday total of 260,000 revenue service miles over a route system of 2,870 miles carrying approximately 1.1 million weekday boardings in April 2009. In addition, LACMTA contracts with outside service providers for an additional 185 buses that operate a weekday total of 21,500 revenue service miles over a route system of 360 miles carrying approximately 41,700 weekday boardings. Approximately 95% of LACMTA's bus fleet is comprised of compressed-natural gas ("CNG") powered buses. LACMTA continues to replace its older diesel powered buses and expects to receive 130 new CNG-powered 45-foot composite buses and six gasoline hybrid buses in Fiscal Year 2008-09. As of February 1, 2009, the average age of LACMTA's bus fleet is just under 8.13 years old.

Metro Rapid Bus. In June 2000, LACMTA launched the Metro Rapid Demonstration Program. The Metro Rapid Demonstration Program consisted of two lines – one along Ventura Boulevard in the San Fernando Valley and the other along the Wilshire/Whittier transit corridor. In September 2002, based on the success of the Metro Rapid Demonstration Program, the Board adopted the Metro Rapid Five-Year

Implementation Plan that identified additional Metro Rapid corridors to be implemented through Fiscal Year 2007-08. Twenty-six of the 28 planned Metro Rapid corridors are now operating representing nearly 400 miles in the City of Los Angeles, the County and 33 other cities. Included among those 26 lines is the Lincoln Rapid 3, which is operated by Santa Monica's Big Blue Bus. The remaining two corridors should be implemented in the near future by Culver City Bus and Torrance Transit. Metro Rapid service along Pico Boulevard was extended from Pico/Rimpau to downtown Santa Monica by Santa Monica Big Blue Bus in August 2008.

The Metro Rapid Program provides fast, frequent regional bus service throughout the County. Key features of the Metro Rapid Program include simple route layouts, frequent service, fewer stops, low-floor buses to facilitate boarding and alighting, color-coded buses and stations, headway-based operations and traffic signal priority. Currently, more than 450 CNG-powered buses serve 25 of the 26 major corridors across the County. In addition, the Santa Monica Big Blue Bus operates buses on the Rapid 3 Line along Lincoln Boulevard.

The Metro Rapid Program's success has garnered national acclaim from the federal government and major transit providers. Since the inception of the Metro Rapid Program, passenger travel times on Metro Rapid routes have been reduced by an average of 26% while demand for Metro Rapid service has increased significantly. Ridership has increased by as much as 40% in some corridors. Nearly one-third of this ridership increase has been generated by patrons who previously used automobiles.

Metro Orange Line. The Metro Orange Line is a 14-mile Bus Rapid Transit service that operates along an exclusive right-of way and transports thousands of commuters between Warner Center in the west San Fernando Valley and the Metro Red Line subway station in North Hollywood. The Metro Orange Line buses operate in exclusive lanes along a 13-mile stretch of LACMTA-owned right-of-way and one mile in mixed flow traffic on public streets. The Metro Orange Line has 14 stations, each located roughly one mile apart, with park and ride facilities at seven stations providing approximately 4,700 parking spaces. The Metro Orange Line opened in October 2005. The projected total cost for the Metro Orange Line is $313.0 million. As of December 1, 2008, $273.1 million has been spent. Approximately 50% has been paid from local sources and approximately 50% has been paid from discretionary State and federal sources. Ridership in April 2009 averaged approximately 21,200 boardings per weekday.

Highway System. The High Occupancy Vehicle ("HOV") lane program is a cooperative effort between Caltrans and LACMTA, and is funded through a combination of federal, state and local resources. In November 2002, the Board approved a comprehensive evaluation report for its HOV Performance Program that fully documents the user and regional mobility benefits of HOV investments. Freeways were analyzed to determine the best and most cost-effective way to use HOV lanes with other transit services. There were 506 lane miles of HOV lanes on Los Angeles freeways as of May 1, 2009. As reported by Caltrans, as of June 30, 2008, the HOV lanes carried an average volume of 331,000 vehicles and over 780,000 people per day.

Rail System

General. In 1992, the Commission developed a comprehensive rail rapid transit system development plan (the "Rail System") which has been revised from time to time. The Rail System currently consists of the Metro Blue Line, the Metro Green Line, the Metro Gold Line, Segment 1, Segment 2, and Segment 3 (North Hollywood) of the Metro Red Line and the Metro Purple Line.

Metro Blue Line. The Metro Blue Line was designed as a modern, state-of-the-art light rail transit line, which extends approximately 22 miles from downtown Los Angeles, where it links to the Metro Red Line, to the City of Long Beach. The Metro Blue Line passes through portions of the cities of

Los Angeles, Long Beach, Compton, Carson and other cities, and certain unincorporated areas of the County. A portion of the Metro Blue Line utilizes a reserved, but not necessarily grade-separated, right-of-way on which electrically powered vehicles, drawing current from overhead wire, operate singly or in trains. Passenger service began in July 1990 and had estimated average weekday boardings of approximately 80,500 in April 2009.

The Metro Blue Line consists of a dual-track line with 22 stations, with a fleet of 54 articulated rail cars and a primary maintenance facility and yard located in Long Beach adjacent to the Long Beach Freeway with a storage and maintenance capacity of 89 vehicles. Due to the high level of ridership, the platforms of 19 of the 22 stations were expanded in order to permit longer train sets. The $14.5 million station platform expansion project was completed in summer 2001. The vehicle maintenance facility supports vehicles from both the Metro Blue Line and the Metro Green Line. Fares are collected through self-service, barrier-free fare collection machines. Total travel time between the terminal points of the Metro Blue Line is approximately 58 minutes.

The Metro Blue Line project budget was $877 million, all of which was paid with local Proposition A funds. The total cost of constructing the Metro Blue Line was within budget.

Metro Green Line. The Metro Green Line is a 19.5-mile light rail line linking the El Segundo employment area near the Los Angeles International Airport to the City of Norwalk near the San Gabriel River Freeway. The Green Line has fourteen stations including a station that intersects the Metro Blue Line and one that provides passenger connections to the Harbor Freeway Transitway, an elevated busway developed by Caltrans. Travel time between the terminal points of the Metro Green Line is approximately 35 minutes. The Metro Green Line began operations in August 1995, and had estimated average weekday boardings of approximately 37,300 in April 2009.

The Metro Green Line Project budget was $712.3 million and the project was completed within budget. The overall project costs have been paid primarily from Proposition A Sales Tax revenues and Proposition C Sales Tax revenues. The project also received approximately $100 million of moneys contributed from LACMTA's portion of the $1 billion Proposition 108 and 116 State rail bonds approved by the voters of the State in June of 1990.

Metro Gold Line. The Metro Gold Line (formerly known as the Pasadena Gold Line) is a 13.7-mile light rail line which extends from downtown Los Angeles (where it links to the Metro Red Line) to the City of Pasadena. The Metro Gold Line consists of a dual-track line with 13 stations. Travel time between the terminal points of the Metro Gold Line is approximately 35 minutes. The Metro Gold Line began operations in July 2003 and had estimated average weekday boardings of approximately 24,000 in April 2009.

The Metro Gold Line project budget was $725 million, $451 million of which was funded by the Pasadena Metro Blue Line Construction Authority and $274 million of which was funded by LACMTA. The total project costs were primarily paid from a combination of State grants, bond proceeds and Proposition C Sales Tax revenues.

Metro Red Line and Metro Purple Line. The Metro Red Line and Metro Purple Line were designed as state-of-the-art, modern heavy rail subway lines comparable to transit systems in San Francisco, Atlanta and Washington, D.C. The Metro Red Line and Metro Purple Line are dual-rail steel-wheeled, high speed rapid subway systems that originally were to consist of a 19.7 mile 18-station line that was to connect the Los Angeles central business district to the San Fernando Valley, through the Wilshire Corridor and Hollywood, and to East Los Angeles through Union Station. However, due to the Act of 1998 and federal and State funding shortfalls, the development of the Metro Red Line and Metro

Purple Line have been drastically reduced, including the indefinite suspension of certain of the extensions. The Act of 1998 prohibits LACMTA from utilizing any of the Proposition A Sales Tax or the Proposition C Sales Tax revenues for the costs of planning, design, construction or operation of any new subway, including debt service on any obligations issued for such purposes after March 30, 1998. However, LACMTA is not precluded from continuing the construction of the Metro Red Line and Metro Purple Line as long as such design, construction and operation are paid from funds other than Proposition A Sales Tax revenues and Proposition C Sales Tax revenues.

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

Segment 2 of the Metro Red Line, previously known as MOS-2, is 6.8-miles long with eight stations extending west from Alvarado Street to Vermont Avenue where it branches north and west. The west branch continues west under Wilshire Boulevard to Western Avenue. The west branch became operational in July 1996 and was renamed the Purple Line in August 2006. The north branch turns up Vermont Avenue and travels through Hollywood to Hollywood Boulevard and Vine Street. The north branch opened for service in June 1999. Through calendar year 2008, $1.81 billion had been spent on Segment 2. Funding for Segment 2 was derived from local, State and federal funds, including Proposition A Sales Tax revenues.

Segment 3 of the Metro Red Line, previously known as MOS-3, was originally designed to consist of the north and west extensions from Segment 2 and an east extension from Union Station of Segment 1. As a result of the passage of the Act of 1998, funding shortfalls and the internal guidelines adopted by the Board, only the north extension was completed. At this time the western extension has been indefinitely suspended. The eastside extension has been reengineered as a light rail line. See "— Gold Line Eastside Extension" below. The north extension runs west and north from the Segment 2 Hollywood and Vine station to a North Hollywood station with two intermediate stops. The budget for the North Hollywood segment is $1.314 billion with $1.29 billion expended through calendar year 2008. Funding for Segment 3 was derived from State and local sources, including Proposition A Sales Tax revenues and Proposition C Sales Tax revenues, and federal Section 5309 and 5307 funds. This final segment of the subway opened in June 2000.

The average weekday ridership estimate for the entire Metro Red Line and Metro Purple Line was approximately 151,200 in April 2009. The Metro Red Line and Metro Purple Line are serviced by a main storage yard and maintenance facility located near the Los Angeles River at the eastern terminus of the line. As currently planned, primary passenger access to the Metro Red Line and Metro Purple Line will be provided from other rail projects and from LACMTA's extensive bus network which is proposed to be expanded and will include bus terminals at Metro Red Line and Metro Purple Line stations, park-and-ride facilities and passenger drop-off areas.

Gold Line Eastside Extension. LACMTA is currently in the process of constructing the Gold Line Eastside Extension Project ("Eastside Extension"). Projected to open in mid-2009, the Eastside Extension will be a six-mile, dual track light rail system with eight new stations and one station modification. The system will originate at Union Station in downtown Los Angeles, where it will connect with the Metro Gold Line, traveling generally east to Pomona and Atlantic Boulevards through one of the most densely populated areas of the County. The total estimated project cost for the Eastside

Extension is $898.8 million. In June 2004, the Federal Transit Administration of the United States Department of Transportation approved $490.7 million in federal funding pursuant to Section 5309 of the Capital Investment Grant and Loan Program for the Eastside Extension (the "Eastside Extension FTA Grant"). In July 2005, LACMTA issued its Grant Receipts Bonds (as defined herein), the proceeds of which are being used to fund a portion of the Eastside Extension. The Grant Receipts Bonds are secured by the amounts received from the Eastside Extension FTA Grant and amounts received pursuant to grants awarded to LACMTA by the Federal Transit Administration pursuant to Section 5307 of the Urbanized Area Formula Program (the "Section 5307 Grants"). The remaining project costs will be paid from the remaining Eastside Extension FTA Grant moneys, other federal funding sources, local and State sources, and Proposition A Sales Tax revenues and Proposition C Sales Tax revenues (with respect to non-tunnel portions of the Eastside Extension). Construction on the Eastside Extension is progressing on schedule.

Exposition Light Rail Transit Project. The Exposition Light Rail Transit Project (the "Exposition Project") is a light rail project under development by LACMTA that is being designed and constructed by the Exposition Metro Line Construction Authority ("Exposition Authority"), a single purpose entity created under State law. The light rail transit line will be approximately 15 miles and run from downtown Los Angeles to Santa Monica along the Exposition Boulevard corridor. Phase One of the project will extend approximately 8.6 miles from downtown Los Angeles to Washington/National Boulevards in Culver City and is scheduled to open in 2010. In April 2005, the Board approved a full funding plan for Phase One of the project, not to exceed $640 million. During Fiscal Year 2007-08, the Board approved increasing the budget by $222.3 million to $862.3 million. Pursuant to the current full funding plan for Phase One, approximately 85% of the projected total costs will be paid from State and federal sources, and approximately 15% will be paid from Proposition A Sales Tax revenues, Proposition C Sales Tax revenues and other local sources. Construction on the Exposition Project began in September 2006.

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

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

On October 26, 1992, SCRRA opened the first three Commuter Rail ("Metrolink") lines to downtown Los Angeles initiating commuter rail service for the first time ever in the County. Service is being provided between Los Angeles and Lancaster in the County, Oxnard in Ventura County, San Bernardino in San Bernardino County, Riverside in Riverside County, San Clemente in Orange County, and Oceanside in San Diego County. Metrolink also provides service between San Bernardino in San Bernardino County and San Juan Capistrano in Orange County. As of April 2009, the Metrolink system consists of seven lines totaling 512 miles and 55 stations serving approximately 43,000 weekday commuters daily. These facilities were constructed within their project budgets and time specifications.

Future Transportation Improvements

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

Long Range Transportation Plan. The Board adopted the 2001 Long Range Transportation Plan ("2001 LRTP") on April 26, 2001. The 2001 LRTP superseded the previous plan that was adopted on March 22, 1995 and amended in 1996. The 2001 LRTP identifies the transportation needs and challenges that the County may experience through 2025. The 2001 LRTP is the blueprint for implementing transportation improvements needed for the County's transportation system, including highway, arterial, transit (bus, rail and commuter rail), bicycle, pedestrian, rideshare and transportation demand management projects and programs. A basic premise of the 2001 LRTP is that County residents will use public transportation if it is safe, convenient, clean, on time and affordable. LACMTA intends to make sure that the County transportation system achieves these objectives. The goal of the 2001 LRTP is to develop a multimodal system that better serves the needs of transit dependent riders, while also providing a network that will attract solo drivers out of their cars, primarily through faster transit speeds, improved quality of service and more commuter choices. The 2001 LRTP identifies major transportation projects that have priority for future funding and construction and funding for the "Call for Projects" process. The 2001 LRTP also includes a strategic plan of projects that are regionally significant and should be considered for implementation if additional funding becomes available.

LACMTA released a draft version of a revised Long Range Transportation Plan (the "2008 LRTP") for public comment on March 12, 2008. This draft version of the 2008 LRTP is based upon the existing 2001 LRTP and incorporates changes in policy and system needs since the 2001 LRTP's adoption. The draft 2008 LRTP reflects LACMTA's assessment of growth patterns, regional congestion, strategies to improve local air quality, transit-oriented development, technical assumptions, climate change issues and the substantial shortage of transportation funding in today's environment. The 2008 LRTP proposes funding a transportation program in an amount exceeding $152 billion through 2030 and will continue funding for those projects already identified in LACMTA's 2001 LRTP. Further, the 2008 LRTP updates projects and anticipated completion dates and introduces funding opportunities for accelerating capital projects throughout the County. Further, the new plan will revise and prioritize LACMTA's plans of regionally significant projects that could be implemented if additional funding becomes available.

Short Range Transportation Plan. The Board approved the 2003 Short Range Transportation Plan ("SRTP") in August 2003. The SRTP is a focused, near-term action plan that advances the long-term goals outlined in the LRTP, and identifies specific transportation projects and funding sources through 2009. Among the items funded in the SRTP are: bus and rail vehicle purchases; the expansion of the Metro Rapid bus program; construction of the Eastside Extension and Metro Orange Line; preliminary engineering for the Exposition Light Rail Project, rail system rehabilitation and replacement costs; and the addition of 70 miles of car pool lanes. Board actions subsequent to the approval of the SRTP have accelerated the completion date and funding of several projects identified in the SRTP, including the Exposition Light Rail Project and car pool lanes on portions of Interstate 5.

Revision of Long Range Transportation Plan and Short Range Transportation Plan. In November 2008, County voters approved Measure R, which increased the sales tax rate within the County by ½ of 1% for a period of 30 years to fund LACMTA transportation projects. The approval of this additional sales tax increase will significantly impact LACMTA's future transportation plans because Measure R provides for the funding of certain capital projects and because LACMTA will have additional

revenues to fund other capital projects. Accordingly, LACMTA is developing revised long range and short range transportation plans to take into consideration the approval of Measure R.

Labor Relations

LACMTA currently employs approximately 9,300 employees. As of May 1, 2009, approximately 87% of LACMTA employees are covered by labor agreements. Full- and part time LACMTA bus and train operators are represented by the United Transportation Union ("UTU"), while LACMTA mechanics and service attendants are members of the Amalgamated Transit Union ("ATU"). LACMTA clerks are members of the Transportation Communications Union ("TCU"); bus and rail transportation and maintenance supervisors are members of the American Federation of State County and Municipal Employees ("AFSCME"); and LACMTA security guards are members of the Teamsters Union. The following table summarizes the number of employees covered by, and the expiration dates of, the labor agreements of LACMTA with each of its employee bargaining units as of May 1, 2009.

Employee Bargaining Unit	Number of Employees	Contract Expiration Date
United Transportation Union	4,607	06/30/09
Amalgamated Transit Union	2,083	06/30/09
Transportation Communications Union	695	06/30/09
American Federation of State, County and Municipal Employees	596	06/30/11
Teamsters Union	81	09/30/09

In June 2006, LACMTA renegotiated contracts (effective as of July 1, 2006) with the UTU, the ATU and the TCU. Terms of the labor agreements, which expire on June 30, 2009, include a 10.5% wage increase over a three-year period and an increase in LACMTA contributions to the health plan. In exchange, the unions agreed to, among other things, changes in work rules. In June 2008, LACMTA and the AFSCME reached a successor agreement for a three-year term ending June 30, 2011. In December 2006, LACMTA renegotiated its contract with the Teamsters. Terms of new labor agreement, which expires on September 30, 2009, include a 10.5% wage increase over a three-year period. LACMTA is in negotiations with the labor unions whose contracts expire in 2009. No work stoppages are anticipated.

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

Defined Benefit Pension Plan

LACMTA has a single-employer public employee retirement system that includes five defined benefit plans (the "Plans") that cover substantially all employees (except PTSC employees) and provides retirement, disability, and death benefits. The benefit provisions and all other requirements are established by state statute, ordinance, collective bargaining agreements or Board actions. Four of the Plans are restricted to specific union members, while the fifth provides benefits to non-represented employees and to the Brotherhood of Teamsters. In addition, LACMTA provides pension benefits to most PTSC employees through a defined benefit plan administered by the California Public Employees'

Retirement System ("PERS"), a multiple-employer pension system. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. For a description of these defined benefit plans and LACMTA's obligations to make contributions to these plans, see Note III—DETAILED NOTES ON ALL FUNDS—Pensions in the Notes to the Financial Statements in APPENDIX B — "LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

Other Post-Employment Benefits

LACMTA provides post-employment health care and life insurance benefits for retired employees and families. Pursuant to Governmental Accounting Standards Board Pronouncement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)," LACMTA is required to account for its expenses and a portion of the present value of future expenses related to these benefits. For a description of these benefits, LACMTA's obligations to account for certain projected future costs of these benefits and other matters regarding these benefits, see Note III—DETAILED NOTES ON ALL FUNDS—Other Postemployment Benefits (OPEB) in the Notes to the Financial Statements in APPENDIX B — "LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

Debt Policy

In September 2008, the Board approved an updated Debt Policy for LACMTA (the "Debt Policy"). The Debt Policy sets forth guidelines for the issuance and management of LACMTA's debt. Among other things, the Debt Policy requires LACMTA to develop a capital improvement plan which includes the capital projects LACMTA plans to undertake in future years and the source of funding for such capital projects. Such capital improvement plans were adopted with the annual budgets for fiscal years 2000 through 2009. The Debt Policy also sets forth guidance on the type of debt that may be incurred by LACMTA (e.g., long term versus short term), the source of payment for such debt, and other factors to be considered when incurring debt.

Interest Rate Swap Policy

In September 2008, the Board approved an updated Interest Rate Swap Policy for LACMTA (the "Swap Policy"). The Swap Policy includes guidelines to be used by LACMTA when entering into interest rate swaps and management practices that address the special risks associated with interest rate swaps. The Swap Policy requires that LACMTA evaluate the risks, on an on going basis, of existing interest rate swaps. For a description of the interest rate swap agreements under which LACMTA has pledged Proposition C Sales Tax to secure its obligations under such interest rate swap agreements, see "PROPOSITION C SALES TAX OBLIGATIONS—Second Senior Parity" in this Official Statement.

Proposition A Sales Tax Obligations

In addition to obligations issued by LACMTA that are secured by the Proposition C Sales Tax, LACMTA has also issued obligations secured by the Proposition A Sales Tax.

Proposition A First Tier Senior Lien Sales Tax Bonds. LACMTA has the following Proposition A First Tier Senior Lien Sales Tax Bonds outstanding as of June 1, 2009.

TABLE 6
Los Angeles County Metropolitan Transportation Authority
Proposition A First Tier Senior Sales Tax Revenue Bonds
(Outstanding as of June 1, 2009)

Proposition A First Tier Senior Sales Tax Bonds[1]	Outstanding Principal Amount
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2008-A	$ 263,075,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2008-B	26,075,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2007-A	46,635,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-B	29,000,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-A	227,765,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2003-B	243,635,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2003-A	214,185,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2001-B	178,235,000
Proposition A First Tier Senior Sales Tax Revenue Bonds Series 2001-A	13,110,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 1999-C	166,735,000
Proposition A First Tier Senior Sales Tax Revenue Bonds Series 1999-B	23,535,000
Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 1999-A	124,365,000
Proposition A Sales Tax Revenue Refunding Bonds Series 1991-B	39,795,000
Total	$ 1,596,145,000[2]

(1) The Proposition A First Tier Senior Sales Tax Revenue Bonds are payable from, and constitute prior first liens on, Proposition A Sales Tax revenue.

(2) On June 1, 2009, LACMTA redeemed $36,600,000 of its Proposition A Sales Tax Revenue Refunding Bonds Series 1992-A with the proceeds from the issuance of commercial paper. LACMTA will in the future issue Proposition A Sales Tax Refunding Bonds to retire the commercial paper.

Source: LACMTA.

Second Tier Obligations. In connection with the issuance of the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2005-C (the "Proposition A Series 2005-C Bonds"), LACMTA entered into an interest rate swap agreement (the "Proposition A Series 2005-C BMO Swap Agreement") with the Bank of Montreal ("BMO") and an interest rate swap agreement (the "Proposition A Series 2005-C Deutsche Swap Agreement," and together with the Proposition A Series 2005-C BMO Swap Agreement, the "Proposition A Series 2005-C Swap Agreements") with Deutsche Bank AG, New York Branch ("Deutsche Bank," and together with BMO, the "Proposition A Series 2005-C Swap Counterparties"). Pursuant to the terms of the Proposition A Series 2005-C BMO Swap Agreement, LACMTA pays a fixed amount (the rate for which currently is equal to 3.373%) to BMO and BMO pays to LACMTA a floating amount (the rate for which is equal to 63% of one-month London Interbank Offered Rate for deposits of U.S. dollars ("LIBOR"), plus 0.14%), in each case based on a notional amount equal to a portion of the principal amount of the Proposition A Series 2008-A Bonds (as defined below) outstanding. Pursuant to the terms of the Proposition A Series 2005-C Deutsche Swap Agreement, LACMTA pays a fixed amount (the rate for which is equal to 3.358%) to Deutsche Bank and Deutsche Bank pays to LACMTA a floating amount (the rate for which is equal to 63% of one-month LIBOR plus 0.14%), in each case based on a notional amount equal to a portion of the principal amount of the Proposition A Series 2008-A Bonds outstanding. The Proposition A Series 2005-C Swap Agreements are expected to terminate on July 1, 2031 (the final maturity date of the Series 2008-A Bonds), subject to the terms and conditions of the respective Proposition A Series 2005-C Swap Agreements. On September 19, 2008, LACMTA refunded the Proposition A Series 2005-C Bonds from the proceeds of the issuance of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008-A and Series 2008-B (the "Proposition A Series 2008 Bonds"). The Proposition A Series 2005-C Swap Agreements remained in effect after the issuance of the Proposition A Series 2008 Bonds.

LACMTA's obligations to pay the Proposition A Series 2005-C Swap Counterparties a fixed amount under the respective Proposition A Series 2005-C Swap Agreements are on a parity basis with the Proposition A Second Tier Obligations (as defined below). The terms of the Proposition A Series 2005-C Swap Agreements do not alter any of the obligations of LACMTA with respect to the payment of principal of or interest on the Proposition A Series 2008-A Bonds. The payments received by LACMTA from the Proposition A Series 2005-C Swap Counterparties due under the Proposition A Series 2005-C Swap Agreements do not constitute pledged revenues and are not pledged to the payment of principal or interest on the Proposition A Series 2008-A Bonds, although payments made by BMO and Deutsche Bank under the Proposition A Series 2005-C Swap Agreements (other than termination payments) will be deposited in the Proposition A Series 2008-A Interest Subaccount and will be used to pay interest on the Proposition A Series 2008-A Bonds. Under certain circumstances, LACMTA may be obligated to make settlement payments to the Proposition A Series 2005-C Swap Counterparties if the Proposition A Series 2005-C Swap Agreements are terminated prior to their termination dates. The amount of any settlement payment will be determined pursuant to several factors, including the level of comparable interest rates at the time the applicable Proposition A Series 2005-C Swap Agreement is terminated. Such settlement payments could be substantial. Such settlement payments would be secured by a lien on remaining Proposition A Sales Tax revenues on a parity with LACMTA's obligations to pay debt service on the Remaining Sales Tax Bonds. See "– Other Obligations." However, LACMTA may have to incur additional indebtedness secured by Proposition A Sales Tax revenue and/or Proposition C Sales Tax revenue to make any settlement payments on the applicable Proposition A Series 2005-C Swap Agreement; any such additional indebtedness may include the issuance of Second Senior Bonds.

On October 6, 1993, the Community Redevelopment Financing Authority of the Community Redevelopment Agency of the City of Los Angeles, California issued its Grand Central Square Multifamily Housing Bonds, 1993 Series A (the "Housing Bonds") and its Grand Central Square Qualified Redevelopment Bonds, 1993 Series A (the "Redevelopment Bonds"). The Redevelopment Bonds were refunded on April 30, 2002 with the proceeds of The Community Redevelopment Agency of

the City of Los Angeles, California Grand Central Square Qualified Redevelopment Bonds, 2002 Refunding Series A (the "Refunding Redevelopment Bonds"). The Housing Bonds were refunded on June 21, 2007 with the proceeds of The Community Redevelopment Agency of the City of Los Angeles, California Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series A (the "2007 Series A Refunding Housing Bonds") and Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series B (the "2007 Series B Refunding Housing Bonds" and, together with the 2007 Series A Refunding Housing Bonds, the "Refunding Housing Bonds"). LACMTA is obligated (but only from LACMTA's 40% discretionary share of Proposition A Sales Tax revenues) to make debt service payments with respect to the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds. To the extent the trustee for the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds has sufficient revenues and other funds, the trustee will reimburse LACMTA to the extent of its payment from such funds. As of June 1, 2009, there was $25,765,000 aggregate principal amount of the 2007 Series B Refunding Housing Bonds and Refunding Redevelopment Bonds outstanding.

LACMTA's obligations under the Proposition A Series 2005-C Swap Agreements, the 2007 Series B Refunding Housing Bonds and the Refunding Redevelopment Bonds constitute "Proposition A Second Tier Obligations," and are payable from Proposition A Sales Tax revenues on a subordinate basis to the Proposition A First Tier Senior Bonds described above.

Third Tier Subordinate Lien Obligations. On January 24, 1991, the Commission received authorization to issue $350,000,000 aggregate principal amount of its Proposition A tax exempt commercial paper notes (the "Proposition A Commercial Paper Notes"). As of June 1, 2009, $163,123,000 aggregate principal amount of Proposition A Commercial Paper Notes were outstanding, including $37,972,000 issued on April 30, 2009 to refund the outstanding $36,600,000 Proposition A Series 1992-A Bonds and to pay accrued interest through the redemption date of such Series 1992-A Bonds. The Proposition A Commercial Paper Notes are payable from Proposition A Sales Tax revenues on a subordinate basis to the Proposition A First Tier Senior Bonds and the Proposition A Second Tier Obligations.

Other Obligations

On July 21, 2005, LACMTA issued $264,885,000 aggregate principal amount of its Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project) Series 2005A, Series 2005B-1 and Series 2005B-2 (the "Grant Receipts Bonds"), to provide funds to finance a portion of the costs of the Eastside Extension. See "—Rapid Transit System—Rail System—Gold Line Eastside Extension." The Grant Receipt Bonds are limited obligations of LACMTA and are payable solely from and secured by amounts received from the Eastside Extension FTA Grant, the Section 5307 Grants, and certain amounts on deposit in the funds and accounts, and the interest earnings thereon, established in connection with the issuance of the Grant Receipts Bonds. As of June 1, 2009 there was $132,460,000 aggregate principal amount of Grant Receipts Bonds outstanding.

Lease/Leaseback Transactions

Description of Lease/Leaseback Transactions. From January 1997 through July 2003, LACMTA entered into a number of "lease/leaseback" leveraged lease agreements for assets including heavy rail vehicles, buses, light rail vehicles, and various real property operating facilities. Under these agreements, LACMTA entered into a head-lease as lessor with an investor and simultaneously into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments and were invested in fixed income investments in an amount that, including interest income, will be sufficient to fund all scheduled payments through exercise of the early buyout option.

LACMTA has realized $64.7 million in net benefit after funding of fixed income investments and payment of transaction expenses. For the leveraged lease transactions, LACMTA was obligated to insure and maintain the facilities, buses and rail cars. The leveraged lease agreements provided for LACMTA's right to continue to use and control the facilities, buses, and rail cars during the term of the sublease. LACMTA agreed to indemnify the investors against increased costs, and any new or increased taxes or fees imposed on the leased assets, and cash flows or income of the lease, other than changes to the income tax rate.

The proceeds from the various finance obligations were placed with fiscal agents and are sufficient to cover all scheduled payments. The related liabilities are shown as business-type long-term debt. These debts will be repaid from earnings on the related investments together with the principal amounts of the investments.

The lease obligations outstanding as of June 30, 2008 are as follows:

	Business-type Activities	
Year Ending June 30	**Principal**	**Interest**
2009	$ 14,215	$ 6,824
2010	49,265	34,031
2011	71,992	18,829
2012	42,514	17,328
2013	5,909	14,934
2014-2018	340,839	192,406
2019-2023	76,334	307,606
2024-2028	90,513	160,642
2029-2032	153,569	217,603
Total	$845,150	$970,203

Excise Tax on Lease/Leaseback Transactions. On May 17, 2006, President Bush signed into law the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Pursuant to the TIPRA, a new Section 4965 was added to the Internal Revenue Code of 1986, as amended (the "Code"). Section 4965 imposes a Federal excise tax (the "New Excise Tax") on the net income or proceeds of Sale In/Lease Out transactions entered into by tax-exempt entities, including states and their political subdivisions. On February 7, 2007, the Internal Revenue Service (IRS) released Notice 2007-18, which addresses how the provisions of new section 4965 will be applied. This provision could impact LACMTA's leveraged leasing transactions. The Internal Revenue Service recently released proposed regulations to further clarify which transactions are subject to the New Excise Tax and calculation of the New Excise Tax. Based on the proposed regulations, LACMTA believes that the New Excise Tax will not have a material adverse effect on its financial results or condition.

Potential Exposure of Termination Payments on Lease/Leaseback Transactions. American International Group ("AIG") provided a fixed income investment product known as a payment undertaking agreement that was used in seven of the lease transactions in order to invest proceeds to fund all the scheduled rent payments and early buyout option payments. Under the leveraged lease documents, AIG is required to be replaced or credit enhanced if any of its credit ratings fall below either Aa2/AA or A2/A, depending on the transaction. AIG also provided credit support in the form of letters of credit for three transactions and are required to be replaced if any of its credit ratings fall below either A2 or A. On September 15, 2008, AIG was downgraded to "A-" by S&P, requiring replacement of the payment undertaking agreements and credit enhancement, as appropriate, and in two instances required AIG to post collateral. For five of the transactions collateral was posted at inception. Most products specified in the documents as acceptable replacement facilities are not available in the current market. Since LACMTA was unable to provide acceptable replacement facilities within either 30 or 60 days, as

applicable, the investor then has the option to exercise any of several remedies, including termination of the lease in which case LACMTA would be required to pay a termination amount that may be substantial. If termination payments were due on each of the seven leases the total payment is estimated to be as much as $166 million, plus legal costs. LACMTA is taking steps to locate qualifying replacement facilities and also to reach an agreement with each investor to implement alternative strategies to replace or provide credit enhancement for the AIG facilities, or to terminate on cost neutral terms. LACMTA is also pursuing Federal legislative or administrative solutions.

As part of a nationwide coalition comprised of over 30 transit agencies affected by similar lease transactions, LACMTA is seeking either a Federal legislative or administrative solution. Such a solution would be implemented by the Federal Reserve or U.S. Treasury to provide a guaranty of the performance of the providers of the payment agreements and credit support facilities in the lease transactions. A guaranty program could be implemented under existing authority or as part of any new bailout or economic stimulus legislation.

INVESTMENT POLICY

General

Certain features of LACMTA's Investment Policy are summarized in "Note III.—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments" to LACMTA's financial statements for the Fiscal Year ended June 30, 2008 which are attached hereto as Appendix B.

Investment Balances

As of March 31, 2009 (based on unaudited financial information), LACMTA had approximately $1.7 billion in market value deposited in non-discretionary trust accounts (including bond proceeds and escrows), primarily invested in U.S. Treasury securities, municipal bonds, commercial paper and the County of Los Angeles Pooled Surplus Investments (the "Los Angeles County Pool") maintained by the County of Los Angeles Treasurer and Tax Collector (the "County Treasurer and Tax Collector"). As of March 31, 2009 (unaudited), LACMTA also had approximately $1.8 billion in book value deposited in discretionary (operating) accounts. Such discretionary investments are summarized below:

Investments	Percentage of Total Book Value as of March 31, 2009
Los Angeles County Investment Pool	
Local Agency Investment Fund	4.8%
Bank Deposits	2.5
Certificates of Deposit	-
Managed Investments	
Federal Agencies	37.9
Treasuries	10.2
Commercial Paper	6.7
Corporate Notes	19.3
Money Market Funds	15.1
Asset Backed Securities; Mortgages	
Bankers Acceptance	1.1
Repurchase Agreements	2.4
Sub Total Managed Investments	
Total Cash and Investments*	100.0%

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

As of March 31, 2009 (unaudited), the liquid reserve of the discretionary accounts, which totaled approximately $449 million in both book value and market value, was managed internally by LACMTA and had an average maturity of 22 days. LACMTA's Investment Policy prohibits investing in reverse repurchase agreements.

The March 31, 2009 investment policy of the County Treasurer and Tax Collector permitted investment in reverse repurchase agreements subject to certain limitations, including a maximum par amount in the portfolio of $500 million. The County Treasurer and Tax Collector's unaudited February 28, 2009 statement lists its current holdings of reverse repurchase agreements as 0% of the portfolio's total book value.

The total market value of the Los Angeles County Pool as of March 31, 2009 was approximately $19.934 billion (unaudited).

Additional information regarding LACMTA's investments are included in "Note III.—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments" to LACMTA's financial statements for the fiscal year ended June 30, 2008 which are attached hereto as Appendix B.

LITIGATION

Sales Tax Litigation

On April 30, 1982, the California Supreme Court, in *Los Angeles County Transportation Commission v. Richmond*, upheld the constitutionality of the Proposition A Sales Tax. On March 3, 1992, the California Court of Appeal, in *Vernon v. State Board of Equalization*, upheld the validity of the Proposition C Sales Tax. On September 28, 1995, the California Supreme Court affirmed the California Court of Appeal's ruling in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a half cent sales tax by the Santa Clara County Local Transportation Authority. LACMTA does not believe such decision has any effect on the validity of LACMTA's Proposition C Sales Tax.

Fare Increase Litigation

1994 Fare Increase Litigation. On August 31, 1994, the Labor/Community Strategy Center, Bus Riders Union, Southern Christian Leadership Conference of Greater Los Angeles County, Korean Immigrant Workers Advocates and several individuals represented by the NAACP Legal Defense and Educational Funds, Inc. (the "Class Action Plaintiffs") filed a civil rights class action complaint in the United States District Court for the Central District of California (Case No. CA 94 5936 TJH (MCx)) (the "Complaint"). The Complaint named LACMTA and then Chief Executive Officer, Franklin E. White, as defendants, and alleged various discriminatory practices by LACMTA and its predecessor agencies in providing transportation services in the County.

In the Complaint, the Class Action Plaintiffs sought to enjoin LACMTA from implementing a new fare structure in late 1994 which, among other things, would have increased bus fares from $1.10 to $1.35 and eliminated the regular monthly bus passes.

On October 28, 1996, Judge Terry Hatter approved a Consent Decree (the "Consent Decree") reached between LACMTA and the Class Action Plaintiffs. A Special Master was appointed to oversee LACMTA compliance with the Consent Decree. The Consent Decree provides for LACMTA to: (i) agree to reduce its load factor (i.e., the number of people who stand on the bus) to certain targets, (ii) expand bus service improvements by making available a net of 102 additional buses by June 1997, (iii) implement a Five Year New Service Plan to facilitate access to County-wide jobs, education and

health centers, (iv) not increase base bus fares for two years and pass fares for three years beginning December 1, 1996, after which LACMTA is permitted to raise fares subject to certain conditions of the Consent Decree and (v) introduce a weekly pass and an off peak discount fare on selected lines.

The ten-year Consent Decree ended by its own terms on October 29, 2006. The court rejected an attempt by the plaintiffs to extend the term of the Consent Decree. In rejecting plaintiffs' request, the court stated that LACMTA has substantially complied with the terms of the Consent Decree and that it would not be extended. The trial court retained jurisdiction to ensure that LACMTA's New Service Implementation Plan will continue to be implemented until its expiration on November 30, 2010. The New Service Plan provides for additional bus and transit services to improve the access of the transit-dependent to jobs, education and medical services throughout the County.

The plaintiffs appealed the trial court's denial of their motion to extend the Consent Decree. On May 12, 2008 the United States Court of Appeals for the Ninth Circuit heard oral arguments on the matter. In May 2009 the Court of Appeals ruled in favor of LACMTA by affirming the trial court's ruling. The plaintiffs have filed a motion for reconsideration by the Court of Appeals. LACMTA cannot predict how the Court of Appeals will rule on the plaintiffs' motion or whether the plaintiffs will appeal the ruling to the United States Supreme Court.

2007 Fare Increase Litigation. LACMTA approved a fare increase in 2007 which was challenged in court on the grounds that LACMTA did not first perform an environmental review of the effect of the fare increase on the environment. LACMTA defended on the basis that the law does not require such an environmental review. The trial court found in favor of LACMTA. The plaintiffs have filed an appeal.

Construction Litigation

Tutor-Saliba-Perini ("TSP"), a construction company, filed suit against LACMTA claiming extra charges under certain Metro Red Line Segment 2 contracts. LACMTA cross-complained for violation of the California False Claims Act and for breaches of contract. The trial on the complaint and cross-complaint concluded in August 2001, with a judgment for LACMTA, which judgment was reversed in January 2005. The trial court judge has decided to retry the case in a series of separate trials. No final judgment will be issued until all of the separate trials are concluded or resolved.

Other Litigation

In addition to the matters herein discussed, various other claims have been asserted against LACMTA. In the opinion of LACMTA, none of the pending claims will materially and adversely affect LACMTA's ability to pay the principal and purchase price of and interest on any of its obligations, including the Series 2009 Bonds.

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APPENDIX B

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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Los Angeles County
Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

Metro

Submitted by the Accounting Department
Josephine V. Nicasio, Controller
Terry Matsumoto, Chief Financial Services Officer and Treasurer

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

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Comprehensive Annual Financial Report

Introductory Section

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

Metro

January 9, 2009

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Dear Honorable Board of Directors:

Subject: Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2008, is submitted herewith. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LACMTA's management. All material disclosures necessary to enable the reader to gain an understanding of LACMTA's financial activities have been included.

LACMTA is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the Single Audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are set forth in a separate Single Audit report.

KPMG LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on LACMTA's financial statements for the fiscal year ended June 30, 2008. The independent auditors' report is located at the front of the financial section of this report.

Management assumes full responsibility for the completeness and reliability of information contained in this report, based upon a comprehensive framework of internal control. Because the cost of internal control should not exceed anticipated benefits, the objective of the controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The management's discussion and analysis (MD&A), shown on pages 13 to 25, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

LACMTA was created by State of California Assembly Bill 152, Los Angeles County Metropolitan Transportation Authority Reform Act of 1992, which became effective on February 1, 1993. LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder and operator of one of the country's largest and most populous counties. More than 10 million people, nearly one-third of California's residents, live, work, and play within its 1,433-square-mile service area.

As one of the largest providers of public transportation in the United States, LACMTA's coordinated systems have nearly half a billion bus and rail boardings a year.

LACMTA's financial reports include the activities of the Public Transportation Service Corporation (PTSC), Exposition Metro Line Construction Authority (EXPO), the Service Authority for Freeway Emergencies (SAFE), and the LACMTA Leasing Authority. Although they are legally separated entities, their activities are reported as blended component units in LACMTA's financial statements.

Balancing LACMTA's FY09 Budget – LACMTA began this process after adoption of the FY08 budget. The first step in the process was to revise the Ten-Year Forecast using known parameters and future assumptions agreed to by the Executive Management. The Ten-Year Forecast included revenue and expense forecasts and trend analysis for all funds and major programs. The Ten-Year Forecast identified potential situations where deficits might be experienced and the trend indicated that expenses will be increasing at a greater rate than revenues.

The $3.4 billion FY09 adopted budget is $268 million or 8.5% more than LACMTA FY08 budget. The increase is largely for transportation subsidies for municipal bus operators, paratransit service, Metrolink commuter rail, preparation to start the new Metro Gold Line service to East Los Angeles and rehabilitation of older Metro rail cars.

Budgetary Controls – LACMTA's legal level of budgetary control is at the fund level. Comprehensive multi-year plans are adopted when major capital projects are approved and provide life-of-project budgetary control. The portion of costs expected to be incurred on each project during the fiscal year is included in annual appropriations. LACMTA maintains an encumbrance accounting system as another tool of budgetary control.

The Board approves the budget by June 30 of each fiscal year. The annual budget establishes the legal level of appropriation. The budget includes operating, capital, regional funding and other components necessary to implement the policy directions contained in previously Board adopted long-term plans such as the Long Range Transportation Plan (LRTP) and the more detailed Short Range Transportation Plan (SRTP).

Local Economy

Los Angeles County covers a geographical area of 4,084 square miles, and had a June 30, 2008 estimated population of 10.4 million; an increase of 16% since 1990. California is the nation's most populous state and about 28% of the state's population lives in Los Angeles County.

Economy - The economy of Los Angeles County ("County") is technology driven, including bio-medical, digital information, and environmental technology. Creativity is another key driver when fused with technology creates a vibrant industrial environment. The gross product of the County in 2007 was $464.4 billion which makes the County 18th largest national economy in the world if the County were a country. There is a diverse economic base in the County. The leading industries with their respective jobs are: 1) Business & Professional Services, 194,200; 2) Creative Industries, 346,003; 3) Financial Services, 84,800; 4) Health Services/Bio-Med, 323,400; 5) Motion Picture/TV Production, 163,000; 6) Technology, 215,000; 7) Wholesale Trade/Logistics, 135,200; and, 8) Tourism, 54,800. Los Angeles is the largest major manufacturing center in the U.S., with 446,484 workers in these activities in 2007. International trade is also a major component of the area's economy. Major investments are being made in port and transportation facilities. Transportation service in the County is extensive. Besides the extensive freeway system, there is an array of mass transit options including various bus operators, Amtrak, Metrolink (commuter rail), and Metro Rail (subway and light rail).

The County continues to face challenging economic conditions. The economic growth for California was recently stymied by the sub-prime meltdown that set off record mortgage foreclosures. The latest report for the County shows a reduction of 61.2% in single and 39.3% in multifamily housing construction permits from the prior year. Business investment in nonresidential structures has been growing but at a decelerating rate. Projects in the private sector include the "LA Live" with the Convention Center hotel in downtown Los Angeles and the W Hotel project in Hollywood. Some new attractions include the "Simpson's" ride at Universal Studios and the Grammy Museum at "LA Live". The "Grand Avenue Plan" is also scheduled for construction by early 2009 if funding is available.

Nonfarm employment in the County realized a modest performance in 2008 and expected to improve slightly in 2009. The largest job losses in 2008 have been concentrated in construction with a loss of 10,000 jobs, finance and insurance with a loss of 5,000 jobs, and manufacturing with a loss of 5,000 jobs. Employment gains are expected to be recognized in health services with a gain of 8,500 jobs, government with a gain of 6,000 jobs, and professional, scientific and technical services with a gain of 5,000 jobs.

The Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County areas for June 2008 rose by 1.1% over May in a one-month period while the CPI for June 2008 relative to June 2007 rose by 5%. The on-going fluctuation in energy prices will continue to reflect the prevailing conditions of the economy.

The total personal income in the County should grow by 5.0% in 2009, compared with the 3.8% increase in the consumer price index for the area. Per capita personal income in 2008 is expected to be $39,636, which would rank fourth in the region. The retail environment will remain difficult with a 1.1% decline in sales volume in 2008 and continue to decline through 2009.

Long-term Financial Planning

Long-term financial planning is accomplished in three stages at LACMTA: the Long Range Transportation Plan (LRTP), the Short Range Transportation Plan (SRTP), and the Ten-Year Forecast. The LRTP is a 25-year plan that is updated every 5-7 years. The LRTP is adopted by the Board and prioritizes the infrastructure projects (highway and transit) and transit services for the entire region. The SRTP is a five year plan that is updated periodically (the last being in 2003) and is also adopted by the Board. The SRTP refines the schedules and budgets for adopted LRTP projects that are occurring in the nearer term. The Ten-Year Forecast is updated annually using the current year budget as the baseline year. The LRTP and the SRTP use the most recent Ten-Year Forecast as the baseline for the period covered in those plans.

Relevant Financial Policies

The Board reviews and approves an update of the financial policies each year as part of the annual budget and financial planning process.

The Financial Stability Policy is divided into three sections: Goals, Strategies, and General Fiscal Policies. The purpose of the policy is to ensure that LACMTA prudently manages its financial affairs and establishes appropriate cash reserves to be able to meet its future financial commitments.

Also included in the policy are Business Planning Parameters and Debt Financial Standards. The purpose of the Business Planning Parameters is to provide management with a framework for developing the following year's budget and other LACMTA financial plans and to establish future business targets for management to achieve.

The purpose of the Debt Financial Standards is to limit the level of debt that may be incurred and to ensure that debt assumptions used in financial planning are based on financial parameters similar to or more conservative than those that would be placed on LACMTA by the financial marketplace. These standards are consistent with the Board-approved Debt Policy.

Major Initiatives

In FY09, LACMTA is budgeted to buy CNG fueled high capacity buses and expects to receive 130 new buses in this fiscal year and an additional 130 in FY10. These new buses will be put into service to complete the "New Service Program", a program of 28 Rapid Bus lines throughout the County. The final six lines operated by LACMTA will complete their first full year of operation in FY09 along some of the County's heaviest traveled transportation corridors. Three additional lines will be put into service by municipal bus operators before June 2009. By then, 500 Rapid buses will serve 28 transit corridors covering 420 route miles and 35 cities throughout the County.

Another major initiative for FY09 is the opening of the Gold Line Eastside extension and the extensive safety training for the community along the new rail lines.

LACMTA will continue to fund a variety of highway and other regional transportation programs such as construction of freeway carpool lanes, freeway sound walls, street widening, better traffic signal coordination, grade separation at railroad crossings, bikeways, ride-sharing incentives, shuttles, and Freeway Service Patrol to help stranded motorists.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Los Angeles County Metropolitan Transportation Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the ninth consecutive year that LACMTA has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

The Certificate of Achievement is valid for a period of one year only. We believe LACMTA's current report continues to conform to the Certificate of Achievement program requirements and will be submitted to the GFOA for consideration.

Acknowledgments

I wish to thank the entire staff of the Accounting Department and our fellow staff for their dedicated service and assistance that made the preparation of this report possible.

Respectfully submitted,

Terry Matsumoto
Chief Financial Services Officer and Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County Metropolitan Transportation Authority, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

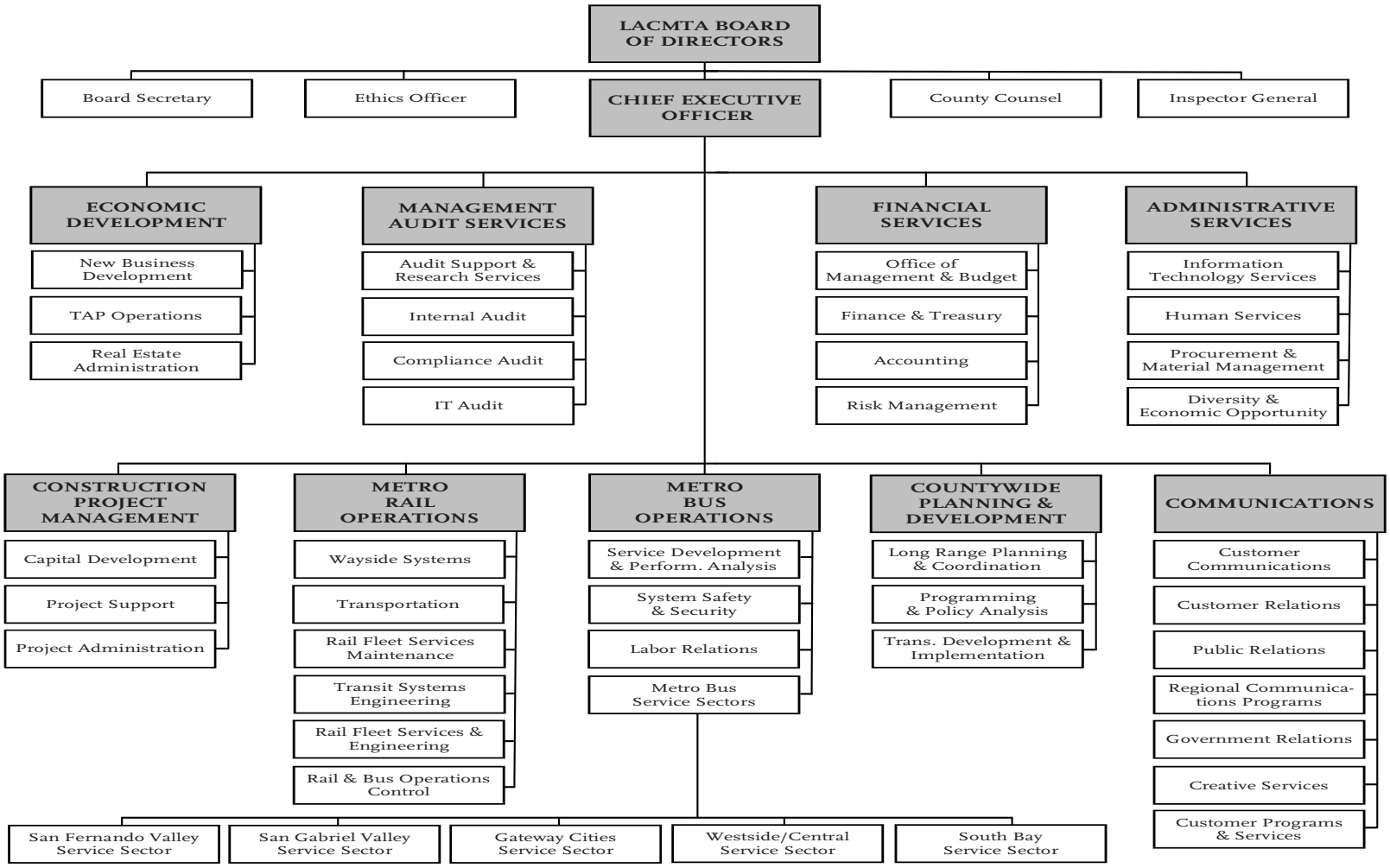
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Management Organization Chart



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board of Directors

(Updated as of July 2008)

Antonio R. Villaraigosa
Chairman of the Board
Mayor, City of Los Angeles

Don Knabe
1st Vice Chair
LA County Supervisor
4th Supervisorial District

Ara Najarian
2nd Vice Chair
City Council Member
City of Glendale

Michael D. Antonovich
LA County Supervisor
5th Supervisorial District

Yvonne B. Burke
LA County Supervisor
2nd Supervisorial District

John Fasana
City Council Member
City of Duarte

David W. Fleming
Mayor Appointee
City of Los Angeles

Richard Katz
Mayor Appointee
City of Los Angeles

Bonnie Lowenthal
City Council Member
City of Long Beach

Gloria Molina
LA County Supervisor
1st Supervisorial District

Pam O'Connor
City Council Member
City of Santa Monica

Bernard Parks
Mayor Appointee
City of Los Angeles

Zev Yaroslavsky
LA County Supervisor
3rd Supervisorial District

Douglas Failing
Ex-officio Member
Appointed by Governor

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board Appointed Officials

Roger Snoble
Chief Executive Officer

Charles Safer
General Counsel

Karen Gorman
Ethics Officer

Michele Jackson
Board Secretary

Karen Gorman
Acting Inspector General

Executive Staff

Mike Cannell
General Manager, Rail Operations

Carolyn Flowers
Chief Operations Officer

Ruthe Holden
Chief Auditor

Carol Inge
Chief Planning Officer

Terry Matsumoto
Chief Financial Services Officer and Treasurer

Lonnie Mitchell
Chief Administrative Services Officer

Roger Moliere
Chief, Real Property Management Development

Matt Raymond
Chief Communications Officer

Rick Thorpe
Chief Capital Management Officer

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Comprehensive Annual Financial Report

Financial Section

KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Directors
Los Angeles County Metropolitan Transportation Authority:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2008, which collectively comprise LACMTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LACMTA's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the defined benefit pension plan financial statements of the United Transportation Union Plan (UTU), the Transportation Communication Union Plan (TCU), the Amalgamated Transit Union Plan (ATU), the Non-Contract Employees Plan (NCE), and the American Federation State County Municipal Employees Plan (AFSCME), which are reported in LACMTA's Employee Retirement Trust Funds and represent 58%, 58%, and 4% of the assets, net assets/fund balances, and revenues/additions of the aggregate remaining fund information, respectively. Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for UTU, TCU, ATU, NCE, and AFSCME, are based solely on the reports of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate

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member firm of KPMG International, a Swiss cooperative.

remaining fund information of the Los Angeles County Metropolitan Transportation Authority, as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note U in the notes to the financial statements, the LACMTA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and No. 27*, effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2009 on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 25, the schedule of funding progress for pension plans and other postemployment benefits on pages 99 and 100, respectively, and the budgetary comparison information on pages 101 through 106 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LACMTA's basic financial statements. The accompanying introductory section, statistical section and the other supplementary information on pages 107 through 143 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

January 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Los Angeles County Metropolitan Transportation Authority (LACMTA), we offer readers of our financial statements this narrative overview and analysis. It is designed to:

- Provide an overview of LACMTA's financial activities;
- Highlight significant financial issues;
- Discuss changes in LACMTA's financial position;
- Explain any material deviations from the approved budget; and
- Identify individual fund issues.

We encourage readers to consider information presented here in conjunction with the letter of transmittal (beginning on page 1) and the financial statements (beginning on page 27). All dollar amounts are expressed in thousands unless otherwise indicated.

Financial Highlights

- LACMTA's total assets exceeded its liabilities as of June 30, 2008 by $6,657,713. Of this amount, $208,604 is reported as unrestricted net assets.

- Total net assets increased by $225,822 (3.5 percent) this year over last year. Business-type net assets increased by $237,193 (5.8 percent) and governmental net assets decreased by $11,371 (0.5 percent). The increase in the business-type activities net assets is primarily due to implementation of GASB 45 (OPEB), increase in passenger fare revenues and operating subsidies. Net assets in the governmental activities decreased due to write off of investment in other agencies.

- At year-end, the governmental funds reported fund balances totaling $1,605,095. Of this amount, $659,697 is reserved for encumbrances and other commitments, and $945,398 is unreserved fund balance available for spending at LACMTA's discretion.

- LACMTA's total liabilities decreased by $259,488 (4.7 percent) during the year. The decrease in liabilities is primarily due to implementation of GASB 45 (OPEB) and redemption and payment of bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to LACMTA's basic financial statements. LACMTA's basic financial statements comprise three components: (1) the government-wide financial statements; (2) the fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of LACMTA's finances in a manner similar to private-sector entities.

The statement of net assets (page 27) presents information on all of LACMTA's assets and liabilities, with the difference between the two being reported as net assets. Trends of increasing or decreasing net assets may serve as useful indicators of financial health.

The statement of activities (pages 28 to 29) shows how net assets changed during the year. It reports these changes when the underlying event occurs (total economic resources measurement focus) regardless of the timing of related cash flows. It shows the gross and net costs of LACMTA's functions.

Both of the government-wide financial statements distinguish between those functions that are intended to recover a significant portion of their costs from user fees and charges (business-type activities) and those functions that are principally supported by intergovernmental revenues (governmental activities).

The government-wide financial statements include LACMTA and its legally separate entities that are financially accountable to LACMTA. Since they are in substance part of LACMTA's operations, their information has been blended with LACMTA's information. These entities include Public Transportation Services Corporation (PTSC), the Service Authority for Freeway Emergencies (SAFE), the LACMTA Leasing Authority, and the Exposition Metro Line Construction Authority (EXPO).

Fund Financial Statements

A fund is a group of related accounts that is distinguished by specific activities or objectives in accordance with special regulations or restrictions. LACMTA uses fund accounting to ensure and demonstrate compliance with legal requirements. All of LACMTA's funds are divided into three categories: proprietary, governmental, and fiduciary.

Proprietary Funds

LACMTA maintains only one type of proprietary fund: the Enterprise fund. All transit-related transactions, including support services, capital and related debt transactions are in the Enterprise fund.

The Enterprise fund is used to report the type of functions presented in the business-type activities in the government-wide financial statements. LACMTA uses the Enterprise fund to account for its transit operations: bus, rail, and regional programs. The basic proprietary fund financial statements are on pages 37 to 39.

Governmental Funds

Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds use the current financial resources measurement focus. Thus, they report near term inflows, outflows, and balances of spendable resources.

The basic governmental fund financial statements are on pages 30 to 31 and 34 to 35.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation statements on pages 33 and 36 are shown to facilitate the comparison between the government funds and the government-wide financials.

LACMTA maintains ten individual governmental funds, six of which are considered major funds. Individual fund data for the major funds are presented in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for the non-major governmental funds are presented on pages 107 to 108.

LACMTA adopts a spending plan each year. Budgetary comparison schedules are provided for the General fund and for each major special revenue fund on pages 101-106, and for each non-major fund on pages 109 to 111 and the aggregate remaining special revenue funds on page 112.

Fiduciary Funds

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity or as an agent. Since these assets are not available to fund LACMTA's programs, they are excluded from the government-wide financial statements. The basic fiduciary fund statements can be found on pages 40 to 41. They include the five employee pension funds administered by LACMTA, the Other Postemployment Benefits Trust Fund and two Benefit Assessment Districts, which were formed to assist in the financing of a portion of the countywide rail rapid transit system.

Notes to the Financial Statements

Various disclosures accompany the government-wide and fund financial statements in order to provide a full understanding of LACMTA's finances. The notes to the financial statements are on pages 43 to 98.

Other Information

Besides the basic financial statements and accompanying notes, this report presents certain required supplementary information starting on page 99 and other supplementary and statistical information beginning on page 107.

Government-wide Financial Analysis

Statement of Net Assets

As mentioned earlier, net assets can serve as an indicator of financial health. LACMTA's assets exceeded liabilities by $6,657,713 at the end of the fiscal year, a 0.9 percent increase over the previous year. The increase is primarily due to asset acquisitions funded by Prop 1B Public Transportation Modernization, Improvement, and Service Enhancement Account.

The following table is a summary of the statement of net assets as of June 30, 2008 and 2007.

Los Angeles County Metropolitan Transportation Authority
Summary Statement of Net Assets

	Business-type Activities		Governmental Activities		Total	
	2008	2007	2008	2007	2008	2007
Current & other assets	$ 2,290,578	$ 2,351,110	$ 1,730,528	$ 1,742,206	$ 4,021,106	$ 4,093,316
Capital assets	7,148,257	7,109,646	772,838	772,905	7,921,095	7,882,551
Total assets	9,438,835	9,460,756	2,503,366	2,515,111	11,942,201	11,975,867
Current liabilities	497,736	532,759	95,908	92,887	593,644	625,646
Non-current liabilities	4,631,383	4,855,474	59,461	62,856	4,690,844	4,918,330
Total liabilities	5,129,119	5,388,233	155,369	155,743	5,284,488	5,543,976
Investment in capital assets net of related debt	3,911,725	3,671,581	772,838	772,905	4,684,563	4,444,486
Restricted for debt service	321,823	289,669	-	-	321,823	289,669
Restricted for other purpose	-	-	1,442,723	1,289,360	1,442,723	1,289,360
Unrestricted	76,168	111,273	132,436	297,103	208,604	408,376
Total net assets	$ 4,309,716	$ 4,072,523	$ 2,347,997	$ 2,359,368	$ 6,657,713	$ 6,431,891

Statement of Activities

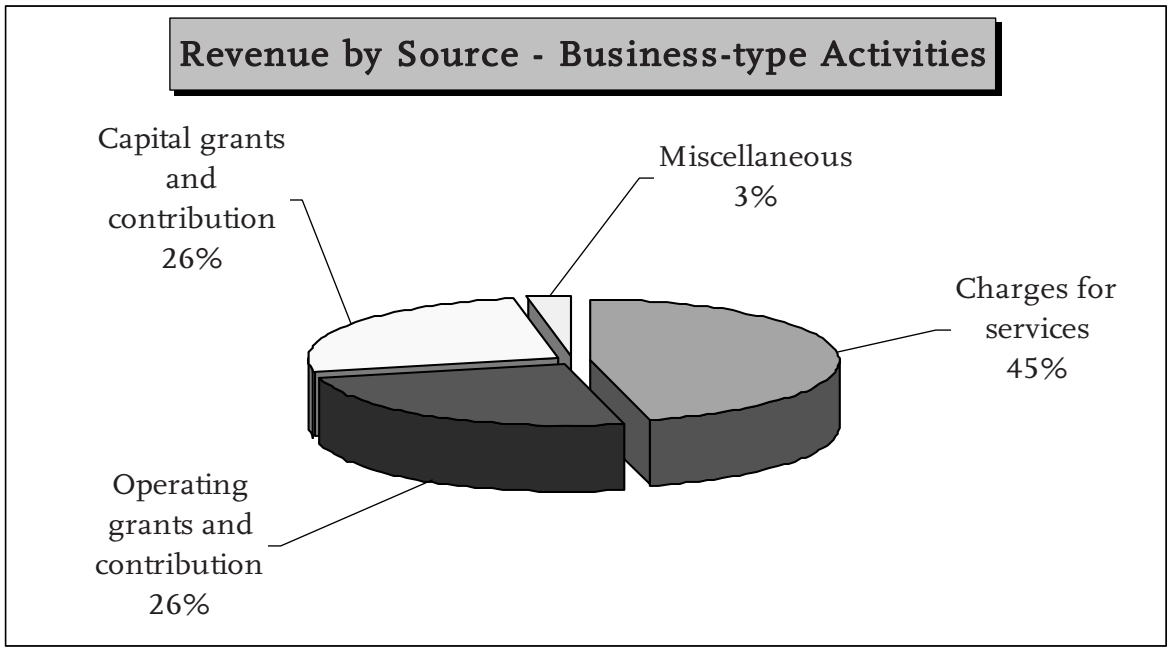
The following table is a summary of the statement of activities for the year ended June 30, 2008 and 2007.

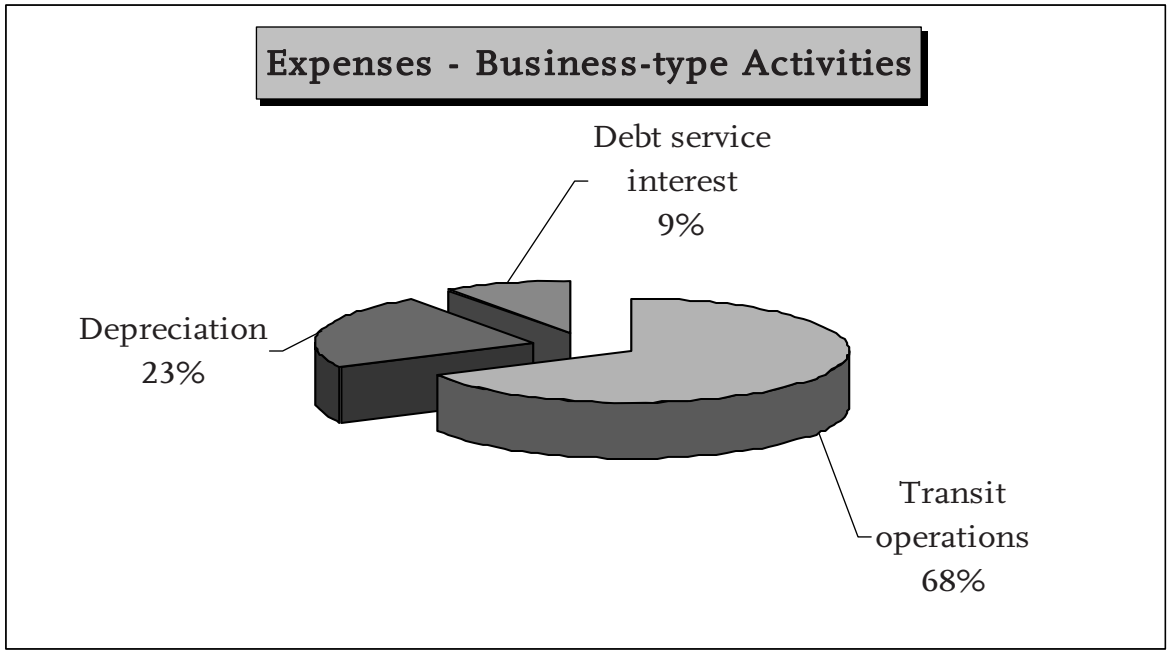
Los Angeles Metropolitan Transportation Authority
Change in Net Assets

	Business-type Activities		Governmental Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues						
Charges for services	$ 357,857	$ 313,000	$ 10,915	$ 13,311	$ 368,772	$ 326,311
Operating grants and contributions	198,443	186,003	191,046	343,003	389,489	529,006
Capital grants and contributions	200,575	302,613	-	-	200,575	302,613
General revenues						
Sales tax	-	-	1,801,291	1,908,416	1,801,291	1,908,416
Miscellaneous	20,823	35,111	110,055	80,922	130,878	116,033
Total revenues	777,698	836,727	2,113,307	2,345,652	2,891,005	3,182,379
Program Expenses:						
Transit operations						
Operations	1,172,846	1,127,289	-	-	1,172,846	1,127,289
Depreciation	410,476	405,731	-	-	410,476	405,731
Debt service interest	163,921	158,629	-	-	163,921	158,629
Transit operators programs	-	-	209,299	235,476	209,299	235,476
Local cities programs	-	-	318,492	320,629	318,492	320,629
Regional multimodal capital programs	-	-	316,631	103,286	316,631	103,286
Paratransit programs	-	-	14,355	12,440	14,355	12,440
Other transportation subsidies	-	-	57,711	49,997	57,711	49,997
General government	-	-	167,191	133,684	167,191	133,684
Total expenses	1,747,243	1,691,649	1,083,679	855,512	2,830,922	2,547,161
Increase (decrease) in net assets before transfers:	(969,545)	(854,922)	1,029,628	1,490,140	60,083	635,218
Transfers	1,040,999	944,260	(1,040,999)	(944,260)	-	-
Increase (decrease) in net assets	71,454	89,338	(11,371)	545,880	60,083	635,218
Net assets -beginning of year, as reported	4,072,523	3,983,185	2,359,368	1,813,488	6,431,891	5,796,673
Adjustment due to implementation of GASB 45 (OPEB)	165,739	-	-	-	165,739	-
Net assets - beginning of year, as restated	4,238,262	3,983,185	2,359,368	1,813,488	6,597,630	5,796,673
Net assets - end of year	$ 4,309,716	$ 4,072,523	$ 2,347,997	$ 2,359,368	$ 6,657,713	$ 6,431,891

Transit operations recovered 30.5 percent of total operating expenses from operating revenues, excluding depreciation and interest, compared to 27.8 percent in the prior year. The remaining costs were covered by grants and transfers provided by LACMTA's governmental activities. Capital asset replacement costs have traditionally been funded as needed with governmental resources.

Below are graphical depictions of the components of business-type revenues and expenses.

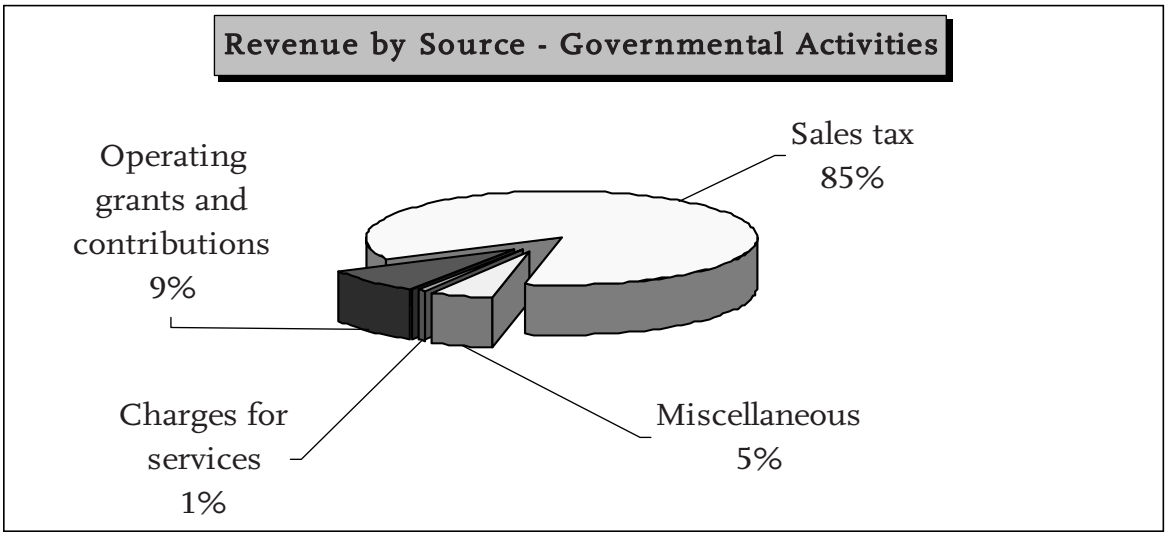


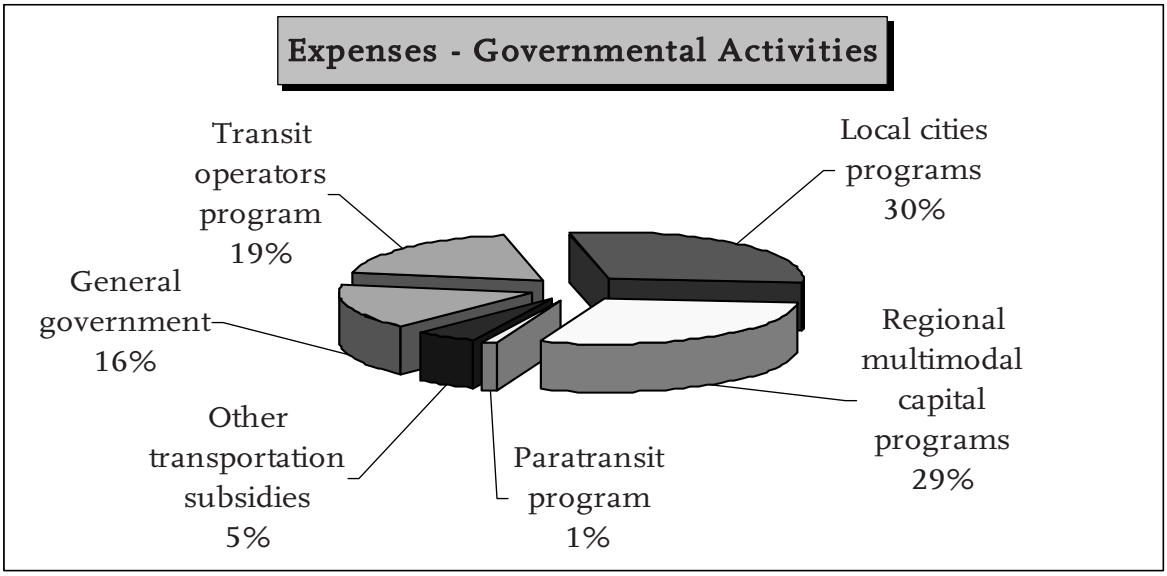


Governmental activities decreased LACMTA's net assets by $11,371.

Most of the governmental activities are subsidies related to countywide transportation planning and development programs. These programs are primarily funded by local sales tax. Subsidies totaling $916,488 to other agencies represented the largest governmental expenses, and consisted of the pass-through of state and local funding to other agencies in Los Angeles County for public transit, transportation demand management, bikeways, and highway projects. Additionally, the increase in regional multimodal capital program expenses is the result of LACMTA's writing-off its investments in other agencies during fiscal year 2008 given potential contingencies associated with rail accidents of the Southern California Regional Rail Authority.

Below are graphical depictions of the components of governmental revenues and expenses.





Financial Analysis of LACMTA's Funds

Proprietary Fund

The proprietary fund financials provide the same information found in the business-type section of the government-wide financial statements, but in more detail.

Net assets increased by $237,193 primarily due to implementation of GASB 45 (OPEB), increase in passenger fare revenues and operating subsidies.

LACMTA uses operating statistics to measure operational effectiveness. Keys among these are: (a) the cost per revenue service hour, which measures the cost of each hour spent generating revenue, and (b) the subsidy per boarding, which measures the amount of public subsidy per boarding. These statistics are calculated for bus and rail.

The table below shows the statistics for FY08 and FY07.

Los Angeles County Metropolitan Transportation Authority
(Amounts not in thousands)

Cost per Revenue Service Hour*

	2008	2007	Variance	% Variance
Bus	$ 119.93	$ 118.87	$ 1.06	0.89%
Rail	367.66	360.18	7.48	2.08%

Subsidy Per Passenger Boarding

	2008	2007	Variance	% Variance
Bus	$ 1.65	$ 1.62	$ 0.03	1.85%
Rail	2.10	2.19	-0.09	-4.11%

Refer to the attached schedules beginning on page 138

The FY08 cost per revenue service hour (RSH) and subsidy per passenger boarding for bus has a very minimal increase from FY07.

Rail cost per revenue service hour (RSH) shows a slight unfavorable variance of 2.08 percent compared with FY07 due to increases in labor costs, services, and other expenses.

Governmental Funds

As previously noted, governmental funds present information about current financial (consumable) resources because they directly impact short-term financing requirements. This is especially true to the unreserved fund balance, which represents uncommitted available resources.

LACMTA's governmental funds ended the fiscal year with $1,605,095 in total fund balances. Approximately 41.1 percent of this amount has been committed to future programs. The major governmental funds are discussed below.

General fund balance decreased by $6,639 primarily due to increased funding for bus operations, bus and facilities maintenance. During the fiscal year, $5,280 in professional service was spent in administering the Rideshare Services program.

Proposition A fund balance decreased by $108,067 mainly due to increased funding for bus and rail capital and operating expenses. Of the $196,639 fund balance, $76,562 is reserved for future programs.

Proposition C fund balance increased by $189,793 primarily due to funds received from Proposition A and reduced funding for bus and rail capital and operating expenses. Of the $578,028 fund balance, $338,445 is reserved for future programs.

Proposition 1B Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) funding became available this fiscal year. Initial funds received from the State amounted to $161,771 inclusive of interest income earned. The fund provided $69,378 for bus procurement and rehabilitation, and $39,751 for the Exposition Light Rail Project. $52,624 remains in the fund balance at the end of the year.

The TDA fund balance increased by $28,342 as expenditures for administration of bus operations and the bus midlife program were lower than planned due to project delays. Approximately 91.3 percent of the $201,386 fund balance is reserved for future projects.

The STA fund balance decreased by $25,640 because of lower sales tax remittances received from the State. Approximately 82.7 percent of the $44,436 fund balance is reserved for future projects. STA sales tax revenues were under budget by $35,084 due to a delay by the State in distributing the last quarter allocation.

General Fund Budgetary Highlights

The general fund includes activities associated with government that are not legally or otherwise required to be accounted for in another fund. It accounts for only 2.6 percent of LACMTA's total governmental funds revenues, while expenditures represent 2.2 percent of total governmental funds expenditures.

During the year, the original budget was increased by $384. The components of the budget increase were $200 for Transit Planning and $184 for Employee Activities.

Revenues

The primary sources of revenues are the federal alternative fuel tax credit receipts, rental income from inactive rights-of-way, joint development projects, investment income, Federal, State, and local grants, and high occupancy vehicles (HOV) lane fines.

Investment income is $3,959 greater than budgeted levels due to higher rates of return than originally anticipated. Federal alternative fuel tax credit increased by $4,565 due to higher volume of consumption of compressed natural gas (CNG) compared to budget.

Expenditures

The general fund provides resources to pay for bus and rail operations, joint development administration, property management expenditures, administration of LACMTA's rideshare services, and other general expenditures.

Administration and other expenditures is $2,836 lower than budget due mainly to lesser joint development and property administration expenditures than the anticipated programmed levels.

Capital Assets and Long-term Debt Administration

Capital Assets

As of June 30, 2008, LACMTA had $7,921,095 (net of accumulated depreciation) invested in capital assets, as shown below, a 0.5 percent increase compared to the previous fiscal year.

Los Angeles County Metropolitan Authority
Capital Assets (Net of depreciation)

	Business-type Activities		Governmental Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 624,384	$ 616,722	$ 772,794	$ 772,794	$ 1,397,178	$ 1,389,516
Buildings	4,137,078	4,277,648	-	-	4,137,078	4,277,648
Equipment	184,091	214,946	-	-	184,091	214,946
Vehicles	936,482	923,365	44	111	936,526	923,476
Constructions in progress	1,266,222	1,076,965	-	-	1,266,222	1,076,965
Total Capital Assets	$ 7,148,257	$ 7,109,646	$ 772,838	$ 772,905	$ 7,921,095	$ 7,882,551

Major capital asset projects in various stages of developments at the end of the current fiscal year included the following:

The Metro Gold Line Eastside Extension, an $898 million 6-mile dual track light rail system project, with 8 new stations and one station modification, is scheduled for revenue operation in late 2009. It originates at Union Station in downtown Los Angeles, where it connects with the Pasadena Gold Line. It travels generally east to Pomona and Atlantic Boulevards. As of June 30, 2008, $753.7 million has been expended

The Exposition Light Rail Project is an $862 million project. The project is approximately 8.6 miles long, extending from Downtown Los Angeles to Culver City. It will operate in a dual track configuration on Flower Street and the Exposition Boulevard right-of-way corridor. It will have 10 stations, consisting of two existing stations and eight new stations. Two of the new stations will be aerial. The project is electrically powered from overhead power lines. As of June 30, 2008, $158.2 million has been expended.

The Universal Fare System (UFS) is a $97.6 million project designed to improve LACMTA's fare collection on the bus and rail systems. Installation of UFS fareboxes and ticket vending machines on LACMTA was completed. Other transit operators will operate the UFS equipment as part of the regional system known as TAP (Transit Access Pass). TAP will utilize non-contact smart cards to provide seamless fare collection among the region's transit operators. As of June 30, 2008, all equipment and communication infrastructure are fully in placed and functional.

LACMTA entered into a $68 million contract to enhance UFS operation by adding an advanced gating system and related services to deter fare evasion, improve system security and capture ridership data. Design and preliminary engineering work for the gating project started in February 2008. As of June 30, 2008, $600 thousand has been expended.

A major bus acquisition project during FY08 was the purchase of 95 60-foot CNG high capacity articulated buses. All buses were received and put into service as of June 30, 2008. As of June 30, 2008, $85.5 million has been expended.

LACMTA entered into a Light Rail Vehicle Base Contract to acquire fifty (50) light rail vehicles (LRV), including spare parts, special tools and equipment. As of June 30, 2008, eleven (11) vehicles were received and four (4) were already in revenue service. As of June 30, 2008, $65.3 million has been expended.

LACMTA started the Solar Panel Energy project, a 417 (not in thousands) kilowatt solar panel system with an estimated 1,600 (not in thousands) individual solar panels. At the completion of this energy saving project, LACMTA will receive a rebate of $1.6 million from the Gas Company. As of June 30, 2008, $3.3 million has been expended.

Additional information on capital assets can be found on page 61.

Long-term Debt Administration

At the end of the fiscal year, LACMTA had a total long-term debt of $4,473,055 of which $2,950,825 bonds collateralized by sales tax revenue, and $845,150 were lease/leaseback obligations.

The remainder of the long-term debt consisted of commercial paper, general revenue bonds, and other debt as shown below.

Los Angeles County Metropolitan Transportation Authority
Long-term Debt

	Business-type Activities		Governmental Activities		Total	
	2008	2007	2008	2007	2008	2007
Sales tax revenue bonds and refunding bonds	$ 2,950,825	$ 3,061,630	$ -	$ -	$ 2,950,825	$ 3,061,630
Lease/Leaseback to service obligations	845,150	813,702	-	-	845,150	813,702
Capital grant receipts revenue bonds	216,685	239,710	-	-	216,685	239,710
General revenue bonds	220,610	236,290	-	-	220,610	236,290
Commercial paper notes	184,310	188,925	-	-	184,310	188,925
Other debt	29,106	17,550	26,369	27,276	55,475	44,826
Total long-term liabilities	$ 4,446,686	$ 4,557,807	$ 26,369	$ 27,276	$ 4,473,055	$ 4,585,083

During the fiscal year, LACMTA refinanced $132,745 of Proposition C bonds by issuing the 2008-A Series Bonds to take advantage of the favorable interest rates.

Bond Ratings

LACMTA's bonds are rated by Standard and Poor's, Moody's, and Fitch as specified in the following schedule of ratings:

Bonds Issue Type	Standard & Poor's	Moody's	Fitch
Proposition A Combined First Tier Senior Lien Bonds	AAA	Aa3	AA-
Proposition C Second Senior Sales Tax Revenue Bonds	AA	A1	AA-
General Revenue Bonds	A	A2	n/a
Capital Grant Receipts Revenue Bonds	A	A2	n/a

Additional information on LACMTA's long-term debt can be found on pages 67 to 79.

Economic Factors and Next Year's Budget

The main economic factors affecting LACMTA's financial capacity to deliver transportation programs and projects include:

- Economic conditions influencing local sales tax revenues
- Interest rate fluctuations
- Fuel and labor costs
- Capital grant revenue availability

LACMTA uses forecasts from various governmental sources as a basis of its future funding assumptions. The budget for FY09 takes into account challenges and opportunities in a sluggish economy. Local sales tax comprises the single largest revenue sources for LACMTA, and represents 64 percent of LACMTA's total FY09 estimated revenues. Sales tax revenues are budgeted to increase by 1.1 percent, which is the 20-year historical average for sales tax growth in Los Angeles County. From this revenue base, LACMTA constructs a budget that balances anticipated revenues with area transportation needs.

Further Information

This report has been designed to provide our stakeholders with a general overview of LACMTA's financial condition and related issues. Inquiries should be directed to the Chief Financial Services Officer and Treasurer, One Gateway Plaza, Mail Stop 99-25-7, Los Angeles, CA, 90012-2952.

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Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
June 30, 2008
(Amounts expressed in thousands)

	Business-type Activities	Governmental Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 85,123	$ 1,008,347	$ 1,093,470
Investments	22,699	644,058	666,757
Receivables (net of allowance for doubtful accounts)	76,441	153,989	230,430
Internal balances	77,228	(77,228)	-
Inventories	78,036	-	78,036
Prepaid and other current assets	3,615	14	3,629
Designated and restricted assets:			
Cash and cash equivalents – designated	1,316	-	1,316
Cash and cash equivalents – restricted	201,694	1,095	202,789
Investments – designated	316,894	-	316,894
Investments – restricted	538	-	538
Total current assets	863,584	1,730,275	2,593,859
Noncurrent assets:			
Investments - restricted	417,983	-	417,983
Lease accounts	845,150	-	845,150
Net OPEB assets	121,602	-	121,602
Deferred charges	42,259	253	42,512
Capital assets			
Land and construction in progress	1,890,606	772,794	2,663,400
Other capital assets, net of depreciation	5,257,651	44	5,257,695
Total noncurrent assets	8,575,251	773,091	9,348,342
Total assets	9,438,835	2,503,366	11,942,201
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	127,198	91,949	219,147
Accrued interest payable	69,262	-	69,262
Claims payable	75,310	-	75,310
Compensated absences payable	53,212	-	53,212
Bonds and notes payable	143,865	960	144,825
Deferred revenue and credits	25,208	2,157	27,365
Other current liabilities	3,681	842	4,523
Total current liabilities	497,736	95,908	593,644
Noncurrent liabilities:			
Claims payable	243,304	-	243,304
Compensated absences payable	21,615	-	21,615
Net pension obligation	937	-	937
Bonds and notes payable	4,302,821	25,409	4,328,230
Deferred revenue and credits	62,706	34,052	96,758
Total noncurrent liabilities	4,631,383	59,461	4,690,844
Total liabilities	5,129,119	155,369	5,284,488
NET ASSETS			
Invested in capital assets, net of related debt	3,911,725	772,838	4,684,563
Restricted for debt service	321,823	-	321,823
Restricted for other purposes	-	1,442,723	1,442,723
Unrestricted	76,168	132,436	208,604
Total net assets	$ 4,309,716	$ 2,347,997	$ 6,657,713

The notes to the financial statements are an integral part of this statement.

Los Angeles County Metropolitan Transportation Authority
Statement of Activities
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Business-type activities:			
Transit operations	$ 1,747,243	$ 357,857	$ 198,443
Total business-type activities	1,747,243	357,857	198,443
Governmental activities:			
Transit operators programs	209,299	-	-
Local cities programs	318,492	-	-
Regional multimodal capital programs	316,631	-	166,744
Paratransit programs	14,355	-	-
Other transportation subsidies	57,711	-	1,482
General government	167,191	10,915	22,820
Total governmental activities	1,083,679	10,915	191,046
Total	$ 2,830,922	$ 368,772	$ 389,489

General revenues:
Sales tax
Investment income
Miscellaneous
Transfers
Total general revenues
Change in net assets

Net assets – beginning of year, as previously reported
Adjustment due to implementation of GASB 45 (OPEB)
Net assets – beginning of year, as restated

Net assets – end of year

The notes to the financial statements are an integral part of this statement.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Business-type Activities	Governmental Activities	Total
$ 200,575	$ (990,368)	$ -	$ (990,368)
200,575	(990,368)	-	(990,368)
-	-	(209,299)	(209,299)
-	-	(318,492)	(318,492)
-	-	(149,887)	(149,887)
-	-	(14,355)	(14,355)
-	-	(56,229)	(56,229)
-	-	(133,456)	(133,456)
-	-	(881,718)	(881,718)
$ 200,575	(990,368)	(881,718)	1,872,086
	-	1,801,291	1,801,291
	15,586	70,782	86,368
	5,237	39,273	44,510
	1,040,999	(1,040,999)	-
	1,061,822	870,347	1,932,169
	71,454	(11,371)	60,083
	4,072,523	2,359,368	6,431,891
	165,739	-	165,739
	4,238,262	2,359,368	6,597,630
	$ 4,309,716	$ 2,347,997	$ 6,657,713

Los Angeles County Metropolitan Transportation Authority
Balance Sheet
Governmental Funds
June 30, 2008
(Amounts expressed in thousands)

		Special	
	General Fund	Proposition A	Proposition C
ASSETS			
Cash and cash equivalents	$ 67,178	$ 85,835	$ 301,679
Investments	66,351	84,852	297,947
Receivables:			
Accounts	3,513	-	-
Interest	862	1,028	3,678
Intergovernmental	5,624	-	707
Sales tax	-	40,020	40,066
Due from other funds	5,725	-	-
Restricted assets:			
Cash and cash equivalents	974	-	121
TOTAL ASSETS	$ 150,227	$ 211,735	$ 644,198
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,982	$ 15,096	$ 66,170
Due to other funds	-	-	-
Deferred Revenue	-	-	-
Other liabilities – current	842	-	-
TOTAL LIABILITIES	2,824	15,096	66,170
FUND BALANCES			
Reserved for:			
Memoranda of understanding	-	76,562	338,445
Encumbrances	2,890	-	-
Unreserved, reported in:			
General fund	144,513	-	-
Special revenue funds	-	120,077	239,583
TOTAL FUND BALANCES	147,403	196,639	578,028
TOTAL LIABILITIES AND FUND BALANCES	$ 150,227	$ 211,735	$ 644,198

The notes to the financial statements are an integral part of this statement.

Revenue Funds					
PTMISEA	TDA	STA	Nonmajor Governmental Funds	Total Governmental Funds	
$ 83,361	$ 190,373	$ 81,771	$ 198,150	$ 1,008,347	
-	-	-	194,908	644,058	
-	-	-	-	3,513	
149	748	370	2,371	9,206	
-	-	-	3,008	9,339	
-	19,470	32,375	-	131,931	
-	-	-	568	6,293	
-	-	-	-	1,095	
$ 83,510	$ 210,591	$ 114,516	$ 399,005	$ 1,813,782	
$ -	$ -	$ -	$ 8,701	$ 91,949	
30,886	9,205	37,705	5,725	83,521	
-	-	32,375	-	32,375	
-	-	-	-	842	
30,886	9,205	70,080	14,426	208,687	
-	183,814	36,752	-	635,573	
-	-	-	21,234	24,124	
-	-	-	-	144,513	
52,624	17,572	7,684	363,345	800,885	
52,624	201,386	44,436	384,579	1,605,095	
$ 83,510	$ 210,591	$ 114,516	$ 399,005	$ 1,813,782	

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Los Angeles County Metropolitan Transportation Authority
Reconciliation of the Balance Sheet
to the Statement of Net Assets – Governmental Activities
June 30, 2008
(Amounts expressed in thousands)

Fund Balance – total governmental funds (page 31)	$ 1,605,095
Government capital assets are not financial resources and, therefore, are not reported in the funds.	772,838
Deferred revenues recognized in the Balance Sheet but not reported in the Statement of Net Assets – Governmental Activities. These revenues are not available in the current period.	32,375
Governmental funds account for cost of refunding bond as expenditures. However, in the Statement of Net Assets, these costs are reported as prepayments amortized over the life of the bonds.	267
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(26,369)
Government funds report revenue only to the extent that it increases current financial resources. However, in the Statement of Activities, revenues are reported when earned. The amount of revenue pertaining to future periods	(36,209)
Net Assets of governmental activities (page 29)	$ 2,347,997

The notes to the financial statements are an integral part of this statement.

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

		Special	
	General Fund	Proposition A	Proposition C
REVENUES			
Sales tax	$ -	$ 683,352	$ 683,530
Intergovernmental	6,514	-	7,999
Investment income	8,235	11,741	23,840
Net decline in fair value of investments	(224)	(228)	(1,030)
Lease and rental	10,915	-	-
Licenses and fines	657	-	-
Other	28,413	-	246
TOTAL REVENUES	54,510	694,865	714,585
EXPENDITURES			
Current:			
Administration and other	17,401	-	45,556
Transportation subsidies	190	243,397	381,868
Debt and interest expenditures:			
Principal	907	-	-
Interest and fiscal charges	1,310	-	-
TOTAL EXPENDITURES	19,808	243,397	427,424
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	34,702	451,468	287,161
OTHER FINANCING SOURCES (USES)			
Transfers in	2,426	-	65,127
Transfers out	(43,767)	(559,535)	(162,495)
TOTAL OTHER FINANCING SOURCES (USES)	(41,341)	(559,535)	(97,368)
NET CHANGE IN FUND BALANCES	(6,639)	(108,067)	189,793
Fund balances – beginning of year	154,042	304,706	388,235
FUND BALANCES – END OF YEAR	$ 147,403	$ 196,639	$ 578,028

The notes to the financial statements are an integral part of this statement.

Revenue Funds					
PTMISEA	TDA	STA	Nonmajor Governmental Funds	Total Governmental Funds	
$ -	$ 340,548	$ 61,486	$ -	$ 1,768,916	
160,993	-	-	19,059	194,565	
778	9,047	3,875	15,453	72,969	
(18)	-	-	(687)	(2,187)	
-	-	-	-	10,915	
-	-	-	7,750	8,407	
-	-	-	47	28,706	
161,753	349,595	65,361	41,622	2,082,291	
-	-	-	67,133	130,090	
-	116,555	13,592	3,845	759,447	
-	-	-	-	907	
-	-	-	-	1,310	
-	116,555	13,592	70,978	891,754	
161,753	233,040	51,769	(29,356)	1,190,537	
-	-	-	50,159	117,712	
(109,129)	(204,698)	(77,409)	(1,678)	(1,158,711)	
(109,129)	(204,698)	(77,409)	48,481	(1,040,999)	
52,624	28,342	(25,640)	19,125	149,538	
-	173,044	70,076	365,454	1,455,557	
$ 52,624	$ 201,386	$ 44,436	$ 384,579	$ 1,605,095	

Los Angeles County Metropolitan Transportation Authority
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

Amounts reported for governmental activities in the statement of activities (page 29) are different because:	
Net change in fund balances – total governmental funds (page 35)	$ 149,538
Government funds account for principal payment as expenditures. The payment of principal of long-term debts consumes current financial resources but has no effect on net assets. Principal payments included in the fund statements.	907
Government funds account for costs of refunding bond obligation as expenditures. However, in the statement of net assets, these costs are reported as prepayments and amortized over the life of the bonds. This is the current amount of deferred charges.	(14)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds (e.g. amortization of lease/leaseback proceeds).	2,157
Revenues reported in the statement of revenues, expenditures, and changes in fund balances provide current financial resources to government funds. These are long-term receivable collected in the current period, and therefore recognized as revenues in the statement of activities in the current period.	(3,521)
Revenues accrued in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances . These deferred revenues are not reported in the current period because they pertain to future periods.	32,375
Government funds do not account for write off of long-term investment in other agencies.	(192,746)
Government funds do not account for depreciation of capital assets. Depreciation expense is accounted for in the government-wide financial statement.	(67)
Change in net assets of governmental activities (page 29)	$ (11,371)

The notes to the financial statements are an integral part of this statement.

Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
Proprietary Fund – Enterprise Fund
June 30, 2008
(Amounts expressed in thousands)

ASSETS		
Current assets:		
Cash and cash equivalents	$	85,123
Investments		22,699
Receivables (net of allowance for doubtful accounts)		76,441
Inventories		78,036
Due from other funds		77,228
Prepaid and other current assets		3,615
Designated and restricted assets:		
Cash and cash equivalents – designated		1,316
Cash and cash equivalents – restricted		201,694
Investments – designated		316,894
Investments – restricted		538
Total current assets		863,584
Noncurrent assets:		
Investments – restricted		417,983
Lease accounts		845,150
Net OPEB assets		121,602
Deferred charges		42,259
Capital assets:		
Land and construction in progress		1,890,606
Other capital assets, net of depreciation		5,257,651
Total noncurrent assets		8,575,251
Total assets		9,438,835
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities		127,198
Accrued interest payable		69,262
Claims payable		75,310
Compensated absences payable		53,212
Bonds and notes payable		143,865
Deferred revenue and credits		25,208
Other current liabilities		3,681
Total current liabilities		497,736
Noncurrent liabilities:		
Claims payable		243,304
Compensated absences payable		21,615
Net pension obligation		937
Bonds and notes payable		4,302,821
Deferred revenues and credits		62,706
Total noncurrent liabilities		4,631,383
Total liabilities		5,129,119
NET ASSETS		
Invested in capital assets, net of related debt		3,911,725
Restricted for debt service		321,823
Unrestricted		76,168
Total net assets	$	4,309,716

The notes to the financial statements are an integral part of this statement.

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expense, and Changes in Fund Net Assets
Proprietary Fund – Enterprise Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

OPERATING REVENUES:		
Passenger fares	$	336,961
Route subsidies		242
Auxiliary transportation		20,654
TOTAL OPERATING REVENUES		357,857
OPERATING EXPENSES:		
Salaries and wages		443,313
Fringe benefits		350,074
Professional and technical services		119,109
Material and supplies		75,657
Casualty and liability		41,110
Fuel, lubricants, and propulsion power		80,239
Depreciation		410,476
Other		60,757
TOTAL OPERATING EXPENSES		1,580,735
OPERATING LOSS		(1,222,878)
NON-OPERATING REVENUES (EXPENSES):		
Local grants		800
Federal grants		197,643
Investment income		15,586
Interest expense		(163,921)
Loss on disposition of capital assets		(2,587)
Other revenue		5,237
TOTAL NON-OPERATING REVENUES (EXPENSES)		52,758
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS		(1,170,120)
CAPITAL GRANTS AND CONTRIBUTIONS:		
Local grants		1,039
State grants		108,587
Federal grants		90,949
Transfers in – Capital		408,334
CAPITAL GRANTS AND CONTRIBUTIONS		608,909
TRANSFERS IN		633,515
TRANSFERS OUT		(850)
CHANGE IN NET ASSETS		71,454
Net assets – beginning of year, as reported		4,072,523
Adjustment due to implementation of GASB 45 (OPEB)		165,739
Net assets – beginning of year, as restated		4,238,262
NET ASSETS – END OF YEAR	$	4,309,716

The notes to the financial statements are an integral part of this statement.

Los Angeles County Metropolitan Transportation Authority
Statement of Cash Flows
Proprietary Fund – Enterprise Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

Cash flows from operating activities	
Receipts from customers	$ 365,651
Payments to suppliers	(504,318)
Payments to employees	(907,383)
Net cash flows from operating activities	(1,046,050)
Cash flows from non-capital financing activities	
Transfer from other funds	802,788
Federal operating grant	197,643
Net cash flows from non-capital financing activities	1,000,431
Cash flows from capital and related financing activities	
Proceeds from the issuance of debts	265,603
Capital contributions	781,820
Payments for matured bonds and notes payable	(376,724)
Acquisition and construction of capital assets	(467,399)
Interest paid	(150,275)
Net cash flows from capital and related financing activities	53,025
Cash flows from investing activities	
Proceeds from sales and maturity of investments	18,450,690
Purchase of investments	(18,535,712)
Investment earnings	19,255
Net cash flows from investing activities	(65,767)
Net increase in cash and cash equivalents	(58,361)
Cash and cash equivalents – beginning of year	346,494
Cash and cash equivalents – end of year	$ 288,133
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	$ (1,222,878)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	410,476
Increase in receivables	(1,947)
Decrease in prepaid and other assets	3,614
Decrease in inventories	2,648
Increase in net OPEB assets	(121,602)
Decrease in accounts payable and accrued liabilities	(11,691)
Increase in compensated absences payable	3,938
Increase in claims payable	20,758
Decrease in net pension obligation	(36)
Decrease in post employment benefits payable	(207)
Decrease in due to other funds	(139,101)
Increase in other current liabilities	236
Increase in deferred revenues and credits	9,742
Total adjustments	176,828
Net cash used for operating activities	$ (1,046,050)
Non-cash investing, capital and financing transactions	
Capital asset write off	$ 3,525
Net increase in fair value of investments	96

The notes to the financial statements are an integral part of this statement.

Los Angeles County Metropolitan Transportation Authority
Statement of Net Assets
Fiduciary Funds
June 30, 2008
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Funds	Agency Fund
ASSETS			
Cash and cash equivalents	$ 3,485	$ 7,367	$ 6,592
Investments:			
Bonds	283,842	45,133	25,493
Domestic stocks	130,096	38,818	-
Non-domestic stocks	15,852	8,718	-
Pooled investments	378,607	72,420	-
Receivables:			
Member contributions	986	78	-
Member transfer receivable	992	-	-
Securities sold	42,089	-	-
Receivable from sponsors	283	128	-
Interest and dividends	10,187	475	211
Special assessments receivable	-	-	1,819
Special assessments receivable - deferred	-	-	11,045
Prepaid items and other assets	39	-	369
Total assets	866,458	173,137	45,529
LIABILITIES			
Accounts payable and other liabilities	946	455	781
Sponsor contributions paid in advance	65	-	-
Accrued interest payable	-	-	564
Benefits and member contributions refunds payable	992	-	-
Deferred credits	-	-	151
Securities purchased	98,545	-	-
Bonds payable	-	-	43,535
Special assessments payable – deferred	-	-	498
Total liabilities	100,548	455	45,529
NET ASSETS			
Held in trust for pension, OPEB benefits and other purposes	$ 765,910	$ 172,682	$ -

The notes to the financial statements are an integral part of this statement.

Los Angeles County Metropolitan Transportation Authority
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Funds
ADDITIONS		
Contributions:		
Employer	$ 35,542	$ 183,712
Member	21,515	609
Total contributions	57,057	184,321
From investing activities:		
Net decline in fair value of investments	(68,248)	(99)
Investment income	23,311	5,691
Investment expense	(2,733)	(337)
Other income	708	-
Total investing activities income	(46,962)	5,255
Total additions	10,095	189,576
DEDUCTIONS		
Retiree benefits	59,228	16,894
Administrative expenses	1,206	-
Total deductions	60,434	16,894
Net increase (decrease)	(50,339)	172,682
Net assets – beginning of the year	816,249	-
NET ASSETS – END OF YEAR	$ 765,910	$ 172,682

The notes to the financial statements are an integral part of this statement.

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LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Notes to the Financial Statements
June 30, 2008

The Notes to the Financial Statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements. Unless otherwise stated, all dollar amounts are expressed in thousands.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a 14-member Board of Directors (Board). The Board is composed of five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

Management has prepared LACMTA's financial statements and those of its blended component units. The blended component units discussed below are included as part of the reporting entity because they are financially dependent upon LACMTA and because LACMTA's approval is needed for the units to expend their budgets or charges, and issue long-term debt. Although they are legally separate entities, the blended component units are in substance part of LACMTA's operations, and data from these units are combined with LACMTA's financial data.

LACMTA administers the activities of the Public Transportation Service Corporation (PTSC), the LACMTA Leasing Authority, the Service Authority for Freeway Emergencies (SAFE), and the Exposition Metro Line Construction Authority (EXPO), and therefore includes the activities of these organizations in the accompanying financial statements. PTSC, LACMTA Leasing Authority, and EXPO provide services exclusively to LACMTA, and LACMTA shares its governing board with SAFE. These entities are presented as blended component units, with PTSC, LACMTA Leasing Authority, and EXPO reported in the proprietary fund type, and SAFE reported in the governmental fund type. Additional detailed financial information for each of these entities can be obtained from LACMTA's Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

PTSC was created in August 1997 to conduct activities essential to the provision of public transportation in and around Los Angeles County. To achieve this goal, LACMTA entered into an Acquisition Agreement under which the planning, programming, administrative, operational management, and construction functions of LACMTA were transferred to and acquired by PTSC. Under this agreement, these functions are provided by PTSC and funded by LACMTA.

The LACMTA Leasing Authority is a single purpose joint exercise of powers authority, created in 1997 to facilitate a lease financing involving 30 heavy rail vehicles. The Leasing Authority holds title to the rail vehicles and serves as the head lessor in the transaction structure. The Leasing Authority will cease to exist upon conclusion of the leasing transaction.

SAFE was established in 1988 under authority of the California Legislature to provide emergency aid to motorists on freeways and expressways within Los Angeles County.

EXPO was established in February 2006 for the purpose of constructing the Exposition Light Rail Line, the newest extension of the 62-station Metro Rail system. The first phase of the project runs 8.6 miles from Metro Rail Station at 7th and Flower Street in downtown Los Angeles to Washington and National Boulevards in Culver City.

B. Government-wide and Fund Financial Statements

LACMTA's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. Business-type activities, which rely to a significant extent on fees and charges for services, are reported separately from government activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Certain indirect costs are included in the reported program expenses.

Separate fund financial statements are provided for proprietary funds, governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and contributions are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary fund financial statements also use the accrual basis of accounting and are reported using the economics resources measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LACMTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented. However, long-tem debts are recorded only when payment is due.

Interest associated with the current fiscal period are subject to accrual and have been recognized as revenues of the current fiscal period.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. LACMTA also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. LACMTA has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements. However, intra-activity billing for services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include: (1) charges to customers of transit services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes, investment, and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of LACMTA's enterprise fund are charges to customers for services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is LACMTA's policy to use restricted resources first. Unrestricted resources are used as they are needed.

Fund Accounting

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: proprietary, governmental, and fiduciary, as described below.

The **Proprietary fund** is used to account for LACMTA's ongoing operations and activities similar to those found in the private sector where the determination of net income is necessary or useful to provide sound financial administration. The Enterprise fund is LACMTA's only proprietary fund.

LACMTA's Enterprise fund is used to account for operations that are financed and operated in a manner similar to private businesses where the intent is that costs, including depreciation, of providing goods or services to the general public on a continuing basis be recovered primarily through user charges and governmental transfers.

LACMTA reports all operations-related transactions, including capital and related debt, in the Enterprise fund.

All major transit operations capital projects are partially funded by proceeds from debt secured by sales tax revenue, State and Federal grants, and contributions from the governmental funds. Sales tax secured debt is reported as liabilities in the enterprise fund. The financial resources used to pay the debt principal and interests are reported as contributions from the governmental funds.

Governmental funds are used to account for LACMTA's governmental activities. The measurement focus is the determination of changes in financial position, rather than net income determination. LACMTA uses the following governmental fund types:

General fund is used to account for those financial resources that are not required to be accounted for in another fund. The general fund is one of LACMTA's major governmental funds.

Special revenue funds are used to account for proceeds of specific revenue sources including sales tax that are legally restricted to expenditures for specified purposes. The following are LACMTA's other major governmental funds:

Proposition A – This fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 1982. Revenues collected are to be allocated: 25 percent to local jurisdictions for local transit; 35 percent to be used for construction and operation of rail rapid transit systems; and 40 percent is allocated at the discretion of LACMTA.

Proposition C – The "Los Angeles County Anti-Gridlock Transit Improvement Fund" is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on April 1, 1991. Revenues collected are to be allocated: 5 percent to improve and expand rail and bus security; 10 percent for Commuter Rail and construction of transit centers, park-and-ride lots and freeway bus stops; 20 percent to local jurisdictions for public transit, and related services; 25 percent for essential county-wide transit-related improvements to freeways and state highways; and 40 percent to improve and expand rail and bus transit county-wide.

Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) - This fund is part of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. This fund is intended to fund projects, to protect the environment and public health, conserve energy, reduce congestion, and to provide alternative mobility and access choices for Californians.

Transportation Development Act (TDA) – This fund is used to account for revenues received from the State as part of the Transportation Development Act and are paid out to various transit operators, including LACMTA, for operating and capital uses.

State Transit Assistance (STA) – This fund is used to account for revenue received from the State Assistance Program of the Transportation Development Act, which provides formulas to determine the uses of the proceeds.

The LACMTA also has the following nonmajor special revenue funds:

Traffic Congestion Relief Program (TCRP) – This fund is used to account for revenue received from the State for projects that relieve congestion, provide for the safe and efficient movement of goods, and provide inter-modal connectivity of transportation systems throughout California.

Service Authority for Freeway Emergencies (SAFE) – This fund is used to account for revenues received from the State Department of Motor Vehicles, generated by a $1 per car registration fee in Los Angeles County to improve freeway emergency responses program, including call box operations.

Propositions A and C, TDA Administration – This fund is used strictly to account for administrative activities, including planning, execution, use and conduct of projects and programs, funded by Propositions A and C and TDA.

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Fiduciary funds include the following fund types:

Pension trust funds account for the assets of the five defined benefit pension plans that LACMTA administers, and are accounted for in essentially the same manner as the proprietary funds.

Other Postemployment Benefits (OPEB) trust funds account for the resources held in trust by LACMTA for the benefits of members and beneficiaries not offered as an integral part of a pension plan.

Agency funds are custodial in nature and do not present results of operations. These include two benefit assessment districts.

D. Assets, Liabilities, and Net Assets

Deposits and Investments

LACMTA's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less at the date of acquisition. Investments include instruments or deposits beyond the 90-day original maturities. State statutes and LACMTA's policy allows LACMTA to invest in US Treasury, commercial paper, repurchase agreements, and the State Treasurer's Investment pool. LACMTA's investments are reported at fair value which is the quoted market price.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balance outstanding between the governmental activities is reported in the government-wide financial statements as internal balances. All receivables are shown net of allowance for doubtful accounts.

Inventories and Prepaid Items

Inventories, consisting primarily of bus and rail vehicle parts, are valued at weighted average cost. Inventory items of governmental funds are recorded as expenditures when consumed. Certain payments to vendors applicable to future accounting periods are recorded as prepaid items.

Restricted and Designated Assets

Certain cash, cash equivalents, and investments are classified as designated or restricted assets on the statement of net assets and balance sheets. Restricted assets are maintained in separate accounts and their use is externally restricted for debt service, construction, and asset acquisitions. Designated assets are separate unrestricted funds designated by management to pay for self-insurance claims related to public liability and property damages, and workers' compensation liabilities.

Capital Assets

Capital assets are reported in the applicable business-type or governmental activities in the government-wide financial statements. Capital assets are defined by LACMTA as assets with an initial individual cost of more than $2,500 (amount not in thousands). Such assets are recorded at historical cost if purchased or constructed. If donated, capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed. Capital assets in the proprietary funds are recorded at cost.

Capital assets are carried at cost and depreciated using the straight-line method based on the estimated useful life of the related assets as follows:

Asset Type	Useful Life in Years
Buildings and structures	30
Rail cars	25
Buses	12
Equipment and other furnishings	10
Other vehicles	5

Proprietary fund capital assets acquired with Federal, State, and Local capital grants are included in the Statement of Net Assets. Depreciation on these capital assets is included in the accompanying statement of revenues, expenses, and changes in fund net assets.

Compensated Absences

It is LACMTA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation and sick leave in the governmental fund. All vacation and sick leave pay is accrued when earned in the government-wide and proprietary fund financial statements. Accumulation and payment of vacation and sick leave is based on the collective bargaining agreements with the various unions.

Long-term Obligations

In the government-wide and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums are recorded as deferred credits. Bond issuance costs, as well as bond discounts, are recorded as deferred charges. Both deferred charges and credits are amortized over the term of the related debt. In the fund financial statements, governmental fund types, bond premiums, discounts and bond issuance costs are recognized as current period expenditures.

Deferred Revenues and Credits

In the government-wide and proprietary fund type fund financial statements, deferred revenues are resources inflows that do not meet the criteria for revenue recognition. Deferred revenues arise when resources are received by LACMTA before it has a legal claim to them, such as grant monies received prior to the incurrence of the qualifying expenditures, presale of passes and tickets, and others. When both revenue recognition criteria are met, or when LACMTA has a legal claim to the resources, deferred revenue is removed from the statement of net assets and the revenue is recognized. The deferred credits represent unamortized bond premiums.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In February of each year, all LACMTA departments submit requests for appropriations to management so that an operational and capital projects budget can be prepared. The proposed budgets are submitted to the Board in May for review. Prior to adoption, the Board conducts public hearings for discussion of the proposed annual budgets. The Board adopts the final budget at the conclusion of the hearings, which is planned to occur no later than June 30.

Enabling legislation and adopted policies and procedures provide that LACMTA's Board approve an annual budget. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds. The Board also approves the life of project budget whenever new capital projects are approved. All non-capital appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, cost center, expense type, and project. The legal level of control is at the fund level and the Board must approve additional appropriations. By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Quarterly updates for operating and capital expenditures are submitted to the Board. Budget amendments are made when needed.

LACMTA employs the following practices and procedures in establishing budgetary data on a basis consistent with GAAP as reflected in the basic financial statements.

B. Encumbrances

Encumbrance accounting is employed in the general and special revenue funds. Under this method, purchase orders, contracts, Memoranda of Understanding (MOU), and other commitments outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent years' appropriations.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

As of June 30, 2008 the following are LACMTA's cash deposits and investments:

	Business-type Activities	Governmental Activities	Total
Cash Deposits and Investments:			
Cash deposits	$ 10,203	$ 449	$ 10,652
Certificates of deposit	303	-	303
Bankers acceptance	3,265	62,865	66,130
Commercial paper	6,689	180,878	187,567
Guaranteed investment contracts	68,183	-	68,183
Investment pools	41,994	320,988	362,982
Medium-term notes	98,505	82,561	181,066
Mortgage-backed securities	12,410	13,636	26,046
Pooled funds and mutual funds	384,298	119,485	503,783
Repurchase agreements	1,289	31,011	32,300
US Agency securities	366,332	560,545	926,877
US Treasury obligations	52,776	281,082	333,858
Total fair value	$ 1,046,247	$ 1,653,500	$ 2,699,747
Reported in the Statement of Net Assets and Balance Sheet:			
Cash and cash equivalents	$ 85,123	$ 1,008,347	$ 1,093,470
Investments	22,699	644,058	666,757
Cash and cash equivalents-designated	1,316	-	1,316
Cash and cash equivalents-restricted	201,694	1,095	202,789
Investments-designated	316,894	-	316,894
Investments-restricted	418,521	-	418,521
Total	$ 1,046,247	$ 1,653,500	$ 2,699,747

LACMTA internally pools all cash deposits and investments. All proprietary and governmental funds maintain an equity interest in the pool. Each fund's positive equity in the internally pooled cash deposits and investment account is presented as cash and cash equivalents on the statement of fund net assets and balance sheets. Negative equity balances have been reclassified and are reflected as interfund receivables/payables. Interest income earned and expenses incurred as a result of investing are allocated to the various funds based on their monthly equity balances. For purposes of the statement of net assets, balance sheets and statement of cash flows, all highly liquid investments, including restricted/designated assets with an original maturity date of 90 days or less when purchased, are considered to be cash and cash equivalents. Otherwise, they are classified as investments.

All investments are stated at fair value. Net changes in the fair value of investments are shown in the statement of activities and the statements of revenues, expenditures, and changes in fund balances.

LACMTA's most recent investment policy, adopted by the Board of Directors on January 24, 2008, requires LACMTA's investment program to meet three criteria in the order of their importance: **Safety** – preservation of capital and the protection of investment principal. **Liquidity** – investment portfolios will remain sufficiently liquid to enable LACMTA to meet operating requirements which might be reasonably anticipated. **Yield** – LACMTA will maximize yield on the portfolio consistent with the safety and liquidity objectives.

The table below briefly describes LACMTA's investment policy. This table does not address cash deposits and investments held by bond trustees that are governed by the provisions of LACMTA's bond trust agreements.

Authorized Investment Type	Maximum Effective Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer	Minimum Ratings
Bonds issued by LACMTA	5 years	No limit	No limit	None
US Treasury obligations	5 years	No limit	No limit	None
State of California obligations	5 years	25%	No limit	A1/SP-1 short term or Aa/AA long term
Local Agency within the State of California	5 years	25%	No limit	A1/SP-1 short term or Aa/AA long term
US Agency securities	5 years	50%	15%	A
Bankers acceptance	180 days	40%	10%	AAA/Aaa
Commercial paper	270 days	25%	10%	A
Negotiable certificates of deposit	5 years	30%	10%	A
Repurchase agreements	90 days	20%	None	None
Medium-term notes	5 years	30%	10%	A
Pooled funds and mutual funds	Not applicable	20%	10%	AAA/Aaa
Asset-backed securities	5 years	15% combined with any mortgage-backed securities	None	AAA
Mortgage-backed securities	5 years	15% combined with any asset-backed securities	None	AAA
State/County investment pool	Not applicable	No limit	Amount permitted by CGC	Not applicable

LACMTA's investment policy prohibits investing in derivatives or reverse repurchase agreements.

The management of LACMTA's cash and investments can be categorized as follow:

- Cash deposits
- Short-term investments
- Bond proceeds and debt service investments

LACMTA's investment policy is applicable to the cash deposits and short-term investments. Bond proceeds and debt service investments accounts are governed by LACMTA's debt policy.

Cash Deposits

As of June 30, 2008, LACMTA's carrying amount of cash is comprised of $752 in cash on hand, $9,634 in checking accounts and $266 in debt service accounts for a combined total of $10,652. LACMTA's total bank balance was $31,169 with the difference represented primarily by outstanding checks and deposits in transit. Accounts with banks were insured by Federal Deposit Insurance Corporation (FDIC) for up to $100,000 (amount not in thousands) each and amounts uninsured are collateralized by securities held by the bank's trust department or its agent in LACMTA's name.

Short-term Investments

As of June 30, 2008, LACMTA had the following short-term investments:

Investment Type	Fair Value	Weighted Average Duration (in years) per Investment Type	Concentration of Investments	Ratings
Bankers acceptance	$ 64,549	0.003457	3.12%	A-1 to A-1 +
Certificates of deposit	303	0.000006	0.01%	Not Rated
Commercial paper	187,567	0.018408	9.07%	A-1 to AAA
Investment pools	362,982	0.000481	17.55%	Not Rated
Medium-term notes	179,100	0.085474	8.65%	A to AAA
Medium-term notes*	1,966	0.000027	0.10%	BBB+
Mortgage-backed securities	26,046	0.026745	1.26%	AAA
Pooled funds and mutual funds	127,950	0.004142	6.18%	Not Rated to AAA
Repurchase agreements	32,300	0.000043	1.56%	Not Rated
US Agency securities	752,997	0.482363	36.40%	AAA
US Treasury obligations	333,075	0.307543	16.10%	AAA
Total	$ 2,068,835		100.00%	
Portfolio weighted average duration		0.928689		

**These medium-term notes has an A-rated long-term corporate credit ratings by S & P at the time of purchased in October 2006 and subsequently downgraded to "BBB+" as of June 30, 2008*

The weighted average duration is calculated using the investment's effective duration weighted by the investment's fair value.

LACMTA's investments with the California Local Agency Investment Fund (LAIF) totaled $80,000, Los Angeles County Investment Pool (LACIP) totaled $272,982, and the Investment Trust of Cal (CalTrust) totaled $10,000, are not registered with the Securities and Exchange Commission (SEC). The LAIF Advisory Board, whose Chairman is the State Treasurer or designee, provides regulatory oversight for LAIF. The County Board of Supervisors provides regulatory oversight for LACIP. While CalTrust is administered and supervised by a Board of Trustees comprised of experienced investment officers and policy-makers of the public agency members, the fair value of the position in the investment pools is the same as the value of the pool.

Bond Proceeds and Debt Service Investments

The following table addresses the investments held by the bond trustees as of June 30, 2008 for the benefit of LACMTA in accordance with the provisions of the various bond trust agreements. Investments are restricted by specific bond trust agreements and any applicable investment, deposit or other contractual agreements.

Investment Type	Fair Value	Weighted Average Maturities (in years) per Investment Type	Concentration of Investments	Ratings
Bankers acceptance	$ 1,581	0.000272	0.25%	A1+
Guaranteed investment contracts	68,183	0.977448	10.99%	AA to AAA
Pooled funds and mutual funds	375,833	0.001661	60.61%	AAA
US Agency securities	173,880	0.096468	28.02%	AAA
US Treasury obligations	783	0.001423	0.13%	AAA
Total	$ 620,260		100.00%	
Portfolio weighted average maturities		1.077272		

Risk

In accordance with GASB Statement No. 40, investments are also required with certain disclosures regarding policies and practices with respect to the risk associated with their credit risk, concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk are discussed in the following next paragraphs:

Credit Risk

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above for short-term investments and bond proceeds and debt service investments summarized the market value of investment and the related credit ratings. LACMTA maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations for its investments.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. As disclosed above, LACMTA maintains investment policies that establish thresholds for holdings of individual securities. LACMTA does not have any holdings meeting or exceeding these threshold levels.

As of June 30, 2008, LACMTA doesn't have any investments with more than 5 percent of the total investments under one issuer.

Custodial Credit Risk

LACMTA has no known custodial credit risk for deposits as financial institutions are required by The California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with the Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by governmental securities with a value of 110 percent of the deposit or by pledging first trust deed mortgage notes having a value of 150 percent of a governmental unit's total deposits. LACMTA may waive collateral requirements for deposits that are fully insured up to $100,000 (amount not in thousands) by the FDIC. All investment securities purchased were held and registered in LACMTA's name and maintained for the benefit of the LACMTA in the trust department or safekeeping department of a financial institution as established by a written third party safekeeping agreement between LACMTA and the financial institution.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. LACMTA measures interest rate risk on its short-term investments using the effective duration method. LACMTA maintains policy requiring the average duration of the externally managed short-term investments not to exceed 150 percent of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years. This policy does not apply to investments of proceeds related to bond financings. LACMTA measures interest rate risk on its bond proceeds and debt service investments using the weighted average maturity method.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2008 there is no exposure to currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

B. Lease Accounts

LACMTA entered into various lease/leaseback agreements in the form of Payment Undertakings, Equity Payment Undertakings, and Guaranteed Investment Certificates with various investment providers. These were general obligations of the investment providers for the benefit of the trust except for $48,607 of Guaranteed Investment Certificates held in LACMTA's name. As of June 30, 2008, these lease/leaseback agreements totaled $845,150.

C. Interfund Receivables, Payables and Transfers

Internal fund balances represent receivables/payables owed to a particular fund by another fund for temporary loans, advances, goods delivered or services rendered.

As of June 30, 2008, the special revenue funds are indebted to the enterprise fund in the amount of $77,228.

Business-type Activities	Governmental Activities	
Receivable Fund	Payable Fund	Amount
Enterprise	TDA	$ 8,637
Enterprise	STA	37,705
Enterprise	PTMISEA	30,886
Total		$ 77,228

Transfers in and out by fund are as follows:

	Transfers In				
Transfers Out	Enterprise Fund	General Fund	Proposition C Fund	Other Special Revenue Funds	Total
General Fund	$ 43,237	$ -	$ 530	$ -	$ 43,767
Prop A	462,544	2,265	61,911	32,815	559,535
Prop C	150,358	161	-	11,976	162,495
PTMISEA	109,087	-	42	-	109,129
TDA	199,214	-	116	5,368	204,698
STA	77,409	-	-	-	77,409
Other Special Revenue	-	-	1,678	-	1,678
Enterprise Fund	(850)*	-	850	-	-
Total	$ 1,040,999	$ 2,426	$ 65,127	$ 50,159	$ 1,158,711

** Enterprise fund bond proceeds are used to finance HOV lane improvements on various major highway projects.*

Transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which resources are to be expended. These transfers represent operating and capital subsidies given out from one fund to another fund.

D. Receivables

Receivables as of June 30, 2008, as shown in the government-wide financial statements, in the aggregate, including the applicable allowance for doubtful accounts, are as follows:

Receivables	Business-type Activities	Governmental Activities	Total
Accounts	$ 24,330	$ 3,513	$ 27,843
Notes	726	-	726
Interest	5,505	9,206	14,711
Intergovernmental	49,105	9,339	58,444
Sales Tax	-	131,931	131,931
Gross Receivables	79,666	153,989	233,655
Less: Allowances for doubtful accounts	(3,225)	-	(3,225)
Net Receivables	$ 76,441	$ 153,989	$ 230,430

Receivables as of June 30, 2008 for governmental activities by individual major funds and nonmajor funds are as follows:

Receivables	General Fund	Proposition A Fund	Proposition C Fund	PTMISEA Fund	TDA Fund	STA Fund	Nonmajor Governmental Funds	Total
Accounts	$ 3,513	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,513
Interest	862	1,028	3,678	149	748	370	2,371	9,206
Intergovernmental	5,624	-	707	-	-	-	3,008	9,339
Sales Tax	-	40,020	40,066	-	19,470	32,375	-	131,931
Total	$ 9,999	$ 41,048	$ 44,451	$ 149	$ 20,218	$ 32,745	$ 5,379	$ 153,989

E. Investments in Other Agencies

LACMTA has historically recorded its estimated equity share of the net assets of the Southern California Regional Rail authority (SCRRA) as an investment in other agencies. Given the potential contingencies associated with rail accidents of SCRRA, LACMTA's investment in SCRRA was written off during fiscal year 2008.

F. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2008 is as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	$ 616,722	$ 8,092	$ (430)	$ -	$ 624,384
Construction in progress	1,076,965	346,596	(207)	(157,132)	1,266,222
Total capital assets, not being depreciated	1,693,687	354,688	(637)	(157,132)	1,890,606
Capital assets, being depreciated:					
Buildings	6,230,951	-	(7,689)	81,796	6,305,058
Equipment	649,495	6,181	(215,022)	23,339	463,993
Vehicles	1,837,588	92,008	(24,501)	51,997	1,957,092
Total capital assets, being depreciated	8,718,034	98,189	(247,212)	157,132	8,726,143
Less accumulated depreciation for:					
Buildings	(1,953,303)	(222,174)	7,497	-	(2,167,980)
Equipment	(434,549)	(58,627)	213,274	-	(279,902)
Vehicles	(914,223)	(129,675)	23,288	-	(1,020,610)
Total accumulated depreciation	(3,302,075)	(410,476)	244,059	-	(3,468,492)
Total capital assets, being depreciated, net	5,415,959	(312,287)	(3,153)	157,132	5,257,651
Business-type activities capital assets, net	$ 7,109,646	$ 42,401	$ (3,790)	$ -	$ 7,148,257
Governmental Activities					
Capital assets, not being depreciated:					
Land	772,794	-	-	-	772,794
Capital assets, being depreciated:					
Freeway Service Patrol SAFE Vehicles	368	-	-	-	368
Less accumulated depreciation	(257)	(67)	-	-	(324)
Total capital assets, being depreciated, net	111	(67)	-	-	44
Governmental-type activities capital assets, net	$ 772,905	$ (67)	$ -	$ -	$ 772,838

Depreciation expense charged to functions/programs are as follows:

Business-type Activities	
Bus Operations	$ 139,842
Rail Operations	270,634
Total - Business-type Activities	410,476
Governmental Activities	
Congestions Relief (SAFE)	67
Total depreciation expense	$ 410,543

G. Risk Management

The primary emphasis of risk management activities at LACMTA is to prevent or minimize the risk of injury to persons and damage to, or loss of property. Where losses cannot be prevented, LACMTA endeavors to self-insure or to assume such losses as it may deem advisable and economical, giving due consideration to the frequency and severity of probable losses. The consideration of the effect of potential self-insured or assumed losses is part of LACMTA's financial planning process.

For its construction projects, LACMTA currently makes provisions to avoid the risk of accidental loss from construction through a contractor controlled insurance program (CCIP). These policies provide property, liability, and workers' compensation insurance and cover many of the risks arising from the work of contractors and subcontractors on LACMTA construction projects.

Operations

The reserves for the workers' compensation and the public liability and property damage claims are actuarially determined and subject to periodic adjustment as conditions warrant. The reserves are discounted using an average rate of return of 3.0 percent. LACMTA believes that the estimated liability for self-insured claims as of June 30, 2008 will be sufficient to cover any costs arising from claims filed or to be filed for incidents that occurred through that date. The liability is based, in part, upon an independent actuarial estimate of reserves required for unsettled claims including losses that have been incurred but not reported and legal expenses but excluding direct administration costs both by LACMTA employees and third party administrators.

Prior to September 1, 1998, LACMTA was fully self-insured for workers' compensation claims and administered by a third party administrator. Between September 1, 1998, and August 31, 2001, an outside insurance carrier insured LACMTA for workers' compensation claims. Effective September 1, 2001, the workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2008, a designated investment has been set aside in the amount of $220,022 equal to the workers' compensation liabilities.

LACMTA is partially self-insured for public liability and property damage for non-construction activities up to $4,500 per occurrence. LACMTA has acquired outside insurance coverage for losses of $95,500 in excess of self-insurance retentions for every policy year. LACMTA is self-insured for losses in excess of $95,500 for each policy year. As of June 30, 2008, a designated investment has been set aside in the amount of $98,592, equal to the property and casualty liabilities.

Furthermore, LACMTA has an all-risk property insurance program that covers all LACMTA property. The property insurance policy covers insurable values of approximately $7,000,000 with policy limits of $300,000 for all other perils except flood and earthquake. LACMTA does not set aside funds to cover potential gaps in property insurance coverage in case of losses.

The following table summarizes changes in the claims reserves for the years ended June 30, 2008 and 2007:

	Property and Casualty		Workers' Compensation		Total	
	2008	2007	2008	2007	2008	2007
Unpaid claims and claims adjustment reserve-beginning of year	$ 96,782	$ 64,770	$ 201,074	$ 205,091	$ 297,856	$ 269,861
Provisions for insured events	34,774	54,276	41,749	20,240	76,523	74,516
Interest Income	6,457	3,867	13,088	11,334	19,545	15,201
Total incurred claims and claims adjustment expense	138,013	122,913	255,911	236,665	393,924	359,578
Payment attributable to insured events	(39,421)	(26,131)	(35,889)	(35,591)	(75,310)	(61,722)
Total unpaid claims and claim adjustment reserves-end of year	$ 98,592	$ 96,782	$ 220,022	$ 201,074	$ 318,614	$ 297,856

As of June 30, 2008, $75,310 of the total claims liability is considered current.

H. Compensated Absences

LACMTA and PTSC's contract employees represented by the United Transportation Union (UTU), the Amalgamated Transportation Union (ATU), Transportation Communications Union (TCU), American Federation State, County, Municipal Employees (AFSCME) and the Brotherhood of Teamsters (Teamsters) accumulate vacation leave pay and sick leave pay in varying amounts based on the collective bargaining agreements with the various unions. Under the July 2006 to June 2009 contracts, vacation periods are not cumulative, however, employees may carry forward vacation pay of up to 40 hours for TCU and ATU and 40 hours for UTU to the next vacation period if notice is given by April 1, otherwise, unused vacation hours earned for the year is paid off on May 31. UTU, TCU and Teamsters employees may request payment of a limited amount of unused sick leave each year at a rate of 75 percent of face value. Unused sick leave for contract employees is payable at the rate of 100 percent of the face value upon retirement or death.

LACMTA, PTSC and EXPO have a combined vacation and sick leave program for its non-represented and AFSCME represented employees. Under this program, vacation and sick leave are combined as time off with pay (TOWP), which accrues at varying rates throughout the year.

Accumulated vacation and sick leave prior to the implementation of TOWP policy on January 1, 1995 were considered frozen and remained on the books as a liability. Frozen vacation may be converted into TOWP once per year at the request of the employee, or will be paid at 100 percent at retirement, termination, or death. Frozen sick leave may be converted to TOWP prior to retirement at a 75 percent conversion rate when an employee reaches the age of 55 and has five years or more service. Upon retirement, unused sick pay is paid at 75 percent, except for those individuals who retire between the ages 50 and 55, wherein the payout rate varies from 50 to 75 percent depending on the employee's age at retirement. All employees with 30 or more years of service, regardless of age at retirement, have a payout rate at 75 percent. Upon death, payment of frozen sick leave will be at 100 percent to the employee's beneficiary.

The following is a summary of the compensated absences payable as of June 30, 2008:

	Balance June 30, 2007	Earned	Used	Balance June 30, 2008	Due Within One Year
Union Employees:					
Vacation leave	$ 24,689	$ 24,515	$ (23,311)	$ 25,893	$ 25,723
Sick leave	22,709	6,869	(5,825)	23,753	6,080
TOWP	5,253	5,977	(5,530)	5,700	5,661
Sub-total	52,651	37,361	(34,666)	55,346	37,464
Non-Union Employees:					
Vacation leave	674	24	(17)	681	18
Sick leave	3,295	122	(155)	3,262	192
TOWP	14,269	16,638	(15,369)	15,538	15,538
Sub-total	18,238	16,784	(15,541)	19,481	15,748
Total	$ 70,889	$ 54,145	$ (50,207)	$ 74,827	$ 53,212

I. Termination Benefits

LACMTA has developed a formal policy that is followed in the event of a reduction in force (RIF). The policy outlines the roles, responsibilities, and specific benefit entitlements owed employees during a RIF action. As required under GASB Statement No. 47 *"Accounting for Termination Benefits"* LACMTA should accrue the entire severance costs including certain benefits in the period in which LACMTA becomes obligated to provide benefits to affected staff. There was no severance liability outstanding as of June 30, 2008.

J. Leases

Operating Leases

LACMTA has entered into various lease agreements as "lessor" to lease various parcels of land located within the vicinity of the Red Line stations. The majority of these leases will expire between 50 years to 99 years. These leases are considered operating leases for accounting purposes.

The carrying value of the land held for lease as of June 30, 2008 is $42,943 and is included under the Land caption in the Capital Assets section of the Notes to the Financial Statements found on page 61.

The following is a schedule by years of minimum future rentals to be received on non cancelable operating leases as of June 30, 2008:

Year Ending June 30	Amount
2009	$ 1,540
2010	2,061
2011	2,063
2012	2,116
2013	2,116
Thereafter	165,862
Total	$ 175,758

LACMTA is committed under various leases as "lessee" to lease for building and office space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2008, totaled $2,603. Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2009	$ 2,308
2010	1,683
2011	1,253
2012	716
2013	246
Total	$ 6,206

Capital Leases

Compressed Natural Gas (CNG) Fueling Facilities

LACMTA has entered into various lease agreements as "lessee" to finance the acquisition of buses and compressed natural gas (CNG) fueling facilities. These lease agreements qualify as capital leases for accounting purposes. The related assets and liabilities have been recorded as business-type activities capital assets. The liabilities represent the present values of the future minimum lease payments, while the assets covered by the leases are shown at depreciated cost.

The assets acquired through capital leases are as follows:

	Vehicles	Buildings	Total
Cost	$ 32,512	$ 35,051	$ 67,563
Less: Accumulated Depreciation	(16,176)	(23,754)	(39,930)
Net	$ 16,336	$ 11,297	$ 27,633

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	2.89% - 7.00%	$ 10,529

The lease payment schedule to maturity is as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2009	$ 2,792	$ 320
2010	2,603	209
2011	2,313	124
2012	1,990	55
2013	831	11
Total	$ 10,529	$ 719

K. Long-term Obligations

LACMTA's bond and note obligations as of June 30, 2008 are as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Business-type Activities					
General revenue bonds	$ 236,290	$ -	$ (15,680)	$ 220,610	$ 13,840
Capital grant receipts revenue bonds	239,710	-	(23,025)	216,685	-
Capitalized lease	13,210	-	(2,681)	10,529	2,792
Sales tax revenue bonds and refunding bonds	3,061,630	128,745	(239,550)	2,950,825	110,320
Sales tax revenue bonds – local allocation	4,340	-	(2,170)	2,170	2,170
Lease/leaseback to service obligations	813,702	76,451*	(45,003)	845,150	14,215
Commercial paper notes	188,925	44,000	(48,615)	184,310	-
Notes Payable	-	16,407	-	16,407	528
Business-type Activities Long-term Liabilities	4,557,807	265,603	(376,724)	4,446,686	143,865
Governmental Activities					
Redevelopment and housing bonds	27,276	-	(907)	26,369	960
Total Long-term Liabilities	$ 4,585,083	$ 265,603	$ (377,631)	$ 4,473,055	$ 144,825

** represents leaseback accretion*

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method.

All bonded indebtedness, except for the taxable commercial paper, is subject to the Federal arbitrage regulation.

General Revenue Bonds

LACMTA has two outstanding general revenue bond issues. These are the General Revenue Refunding Bonds (Workers' Compensation Funding Program) Series 2003 which were issued to repay the Certificates of Participation and the General Revenue Refunding Bonds Series 2004 (Union Station Gateway Project) which defeased the General Revenue Refunding Bonds Series 1996-A.

General Revenue bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	1.29% - 4.56%	$ 220,610

Annual debt service requirements to maturity for the General Revenue bonds are as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2009	$ 13,840	$ 7,795
2010	18,050	7,113
2011	19,020	6,347
2012	5,650	5,842
2013	6,075	5,637
2014-2018	37,525	24,544
2019-2023	51,525	16,794
2024-2028	68,925	6,303
Total	$ 220,610	$ 80,375

Capital Grant Receipts Revenue Bonds

The Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project) Series 2005-A are Fixed Rate Bonds from 3.13 percent to 5.00 percent, and Series 2005B-1 and Series 2005B-2 are Auction Rate Securities. The bond proceeds were used to provide funds to finance a portion of the design and construction costs of the light rail transit line from Union Station in downtown Los Angeles to certain East Los Angeles communities; to fund Debt Service Reserve Fund; to fund capitalized interest on the bonds and to pay the bond issuance costs. The bonds are limited obligations of LACMTA, payable solely from and secured solely by Grant Receipts, amounts on deposit in the funds and accounts established under the Indenture (except the Rebate Fund), and investment earnings thereon.

Capital Grant Receipt Revenue bonds outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	3.13% - 5.00%	$ 216,685

Annual debt service requirements for the Capital Grant Receipts Revenue Bonds are as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2009	$ -	$ 9,352
2010	42,325	8,208
2011	65,605	6,224
2012	68,365	3,434
2013	40,390	943
Total	$ 216,685	$ 28,161

Sales Tax Revenue and Refunding Bonds

LACMTA has outstanding sales tax revenue and sales tax revenue refunding bonds, each secured by either LACMTA's Proposition A or C sales tax. Proceeds from sales tax revenue bonds provide funds for the acquisition and construction of major capital facilities. Proceeds from sales tax revenue refunding bonds are used to provide funds to retire previously issued sales tax revenue bonds and commercial paper notes. Refunding bonds are generally issued to reduce LACMTA's debt service costs when more favorable interest rates are available.

In June 2008, LACMTA issued a 2008-A Proposition C Sales Tax Revenue Second Senior, Refunding Bonds with the total principal amount of $128,745. The proceeds were used to refund $132,745 principal amount of the Proposition C Sales Tax Revenue Bonds, Second senior Bonds Series 1998-A and pay the costs associated with issuing the Series 2008-A Bonds.

Sales Tax Revenue and Refunding bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	2.50% - 9.00%	$ 2,950,825

Annual debt service requirements to maturity for the Sales Tax Revenue and Refunding bonds are as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2009	$ 110,320	$ 133,514
2010	118,695	127,185
2011	124,605	121,083
2012	130,435	114,698
2013	136,995	108,166
2014-2018	798,695	434,343
2019-2023	877,395	230,530
2024-2028	448,390	84,243
2029-2033	147,530	28,715
2034-2036	57,765	3,894
Total	$ 2,950,825	$ 1,386,371

Sales Tax Revenue Bonds – Local Allocation

The City of Los Angeles requested LACMTA to issue Sales Tax Revenue Bonds to pay for the acquisition of certain buses for the City's local public transit operations. The bonds were collateralized by a pledge of the City's share of the Proposition C local return program sales tax revenues. Each month, sales tax revenues are received from the State Board of Equalization by the bond trustee, who withholds an amount of the City's local return revenues sufficient to meet current debt service requirements. The City of Los Angeles Bonds were fully paid in July 2008.

Sales Tax Revenue bonds – local allocation currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	4.00% - 4.30%	$ 2,170

Annual debt service requirements to maturity are as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2009	$ 2,170	$ 47
Total	$ 2,170	$ 47

Lease/leaseback and Lease-to-service Obligations

From January 1997 through July 2003, LACMTA entered into a number of "lease/leaseback" leveraged lease agreements for assets including heavy rail vehicles, buses, light rail vehicles, and various real property operating facilities. Under these agreements, LACMTA entered into a head-lease as lessor with an investor and simultaneously into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments and were invested in fixed income investments in an amount that, including interest income, will be sufficient to fund all scheduled payments through exercise of the early buyout option. LACMTA has realized $64.7 million in net benefit after funding of fixed income investments and payment of transaction expenses.

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

The proceeds from the various finance obligations have been recorded as lease account in the Enterprise fund. These funds were placed with fiscal agents and are sufficient to cover all scheduled payments. The related liabilities are shown as business-type long-term debt. These debts will be repaid from earnings on the related investments together with the principal amounts of the investments.

The lease obligations currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type Activities	1.85% - 7.38%	$ 845,150

Annual debt service requirements to maturity for the lease obligations are as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2009	$ 14,215	$ 6,824
2010	49,265	34,031
2011	71,992	18,829
2012	42,514	17,328
2013	5,909	14,934
2014-2018	340,839	192,406
2019-2023	76,334	307,606
2024-2028	90,513	160,642
2029-2032	153,569	217,603
Total	$ 845,150	$ 970,203

Commercial Paper Notes

LACMTA operates two commercial paper (CP) programs to maintain access to a low cost, flexible source of capital financing. Commercial paper notes (CPN), taxable and tax-exempt, are issued by LACMTA with maturity dates ranging from 1 to 270 days at various interest rates. Under the terms of the programs, maturing principal amounts can be rolled-over by issuing new notes. It is the intention of LACMTA to pay the accrued interest and reissue the principal amounts as they mature. The proceeds from the CPNs have been used to provide interim financing for construction and acquisition activities, including construction of rail capital projects and rail right of way acquisitions. LACMTA periodically retires CPN by issuing long-term, fixed rate bonds.

The taxable and tax-exempt commercial paper programs are supported by direct-pay irrevocable letters of credit. The letters of credit are issued by a single bank for the taxable CPN program and a team of two banks for the tax-exempt CPN program. Each bank is required to have a credit rating of at least "AA-". The letters of credit are drawn upon at each note maturity to pay the principal and interest due. Principal that has been advanced by the banks and paid to the holders of the matured notes is reimbursed to the banks either by issuing new notes or by direct payment from LACMTA. Interest is reimbursed to the banks on a current basis from sales tax revenues. In the event that the CPN dealers are unable to remarket the commercial paper and/or LACMTA is unable to repay interest or principal, the banks will incur an unreimbursed draw on the letters of credit. Unreimbursed draws are converted to term loans following a specified period of time. The term loans are repayable over a period of three years with equal semi-annual principal payments. Interest is charged

at rates specified in the applicable Reimbursement Agreement. The letters of credit supporting the taxable commercial paper program expires in May 2010, while the letters of credit supporting the tax-exempt commercial paper program expires in July 2010.

In November 2007, the Proposition C CPN program was expanded to include a tax-exempt component in addition to the taxable component, to reduce interest cost. Of the total outstanding taxable commercial paper notes, $44 million were converted into tax-exempt CPN.

As of June 30, 2008, $184,310 of commercial paper notes were outstanding, tax-exempt and taxable commercial paper notes were $153,948 and $30,362, respectively.

Notes Payable

In February 2008, LACMTA entered into a financing, acquisition and control account agreement for the acquisition and installation of the solar energy generation and conservation equipment at the Metro Support Services Center (MSSC) in the amount of $16,407. The contract to design, build and provide maintenance oversight for the installation of the equipment was awarded on February 2008 and the project is expected to be completed by February 2009.

The Notes Payable currently outstanding as of June 30, 2008 is as follows:

Purpose	Interest Rates	Amount
Business-type Activities	4.04%	$ 16,407

The payment schedule to maturity is as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2009	$ 528	$ 681
2010	953	639
2011	1,695	572
2012	1,765	502
2013	1,838	429
2014-2018	9,628	952
Total	$ 16,407	$ 3,775

Redevelopment and Housing Bonds

LACMTA entered into an agreement with the Community Redevelopment Financing Authority (CRFA) of the Community Redevelopment Agency (CRA) of the City of Los Angeles to assist in the financing of the Grand Central Square Multifamily Housing and Redevelopment Project. Under this agreement, housing and redevelopment bonds were issued by CRA.

The 2007-A multifamily housing refunding bonds were issued to redeem the 1993 Series that funded the development in a historic central location in downtown Los Angeles served by and accessible to the Metro Red Line.

The 2002-A redevelopment bonds were issued to refund the 1993-A bonds that assisted in the financing of the CRA's Redevelopment Plan for its Central Business District Redevelopment Project, also located in downtown Los Angeles, which borders the Bunker Hill Project and is accessible to the Metro Red Line. Both projects were undertaken with a commitment to promote the use of mass transit and reduce traffic congestion.

The projects were completed and LACMTA is making debt service payments related to these bonds. Under a reimbursement agreement collateralized by real property of the Grand Central Square Housing Project, the developer issued two promissory notes with a combined value of $41,112 due in fiscal year 2027.

Housing and Redevelopment bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental Activities	2.50% - 5.38%	$ 26,369

Annual debt service requirements to maturity for the Housing and Redevelopment bonds are as follows:

	Governmental Activities	
Year Ending June 30	Principal	Interest
2009	$ 960	$ 1,293
2010	654	1,252
2011	1,050	1,208
2012	1,015	1,163
2013	1,060	1,117
2014-2018	6,100	4,769
2019-2023	7,755	3,060
2024-2027	7,775	833
Total	$ 26,369	$ 14,695

Interest Rate Swap Agreements

LACMTA has entered into various interest swap agreements in conjunction with the issuance of variable rate bonds. In these transactions, LACMTA makes a fixed rate payment to the counterparty and receives a variable rate payment in order to achieve a synthetic fixed rate for the bonds and hedge exposure to variable interest rates. LACMTA has entered into these swap agreements at a cost anticipated to be less than what LACMTA would have paid to issue fixed-rate debt. As of June 30, 2008, LACMTA had seven (7) outstanding interest rate swaps found on page 77.

LACMTA's Board annually adopts an Interest Rate Swap Policy that governs the use and management of interest rate swaps as they are used in conjunction with debt issues. The policy establishes guidelines to be used when considering the use of swaps, as well as in the ongoing management of existing swaps. Guidance is provided specifying appropriate uses; selection of acceptable swap products, swap providers and swap advisors; negotiation of favorable terms and conditions; and, stipulating annual surveillance of the swaps and the providers.

LACMTA's Interest Rate Swap Policy specifies that interest rate swaps may be used to lock-in a fixed rate or to create additional variable rate exposure. Interest rate swaps may be used to produce interest rate savings, limit or hedge variable rate payments, alter the pattern of debt service payments, or for asset/liability matching purposes.

The following risks are generally associated with swap agreements.

Credit Risk – The counterparty could experience weakening financial condition or insolvency, which could affect its ability to perform its financial obligations. In the event of deterioration in the credit ratings of the counterparty, the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement. Further ratings deterioration by either party below levels agreed-to in each swap agreement could result in a termination event requiring a cash settlement. See "Termination Risk" below. To mitigate credit risk, LACMTA monitors the credit ratings of the counterparties on a quarterly basis. In addition, if the outstanding ratings of the counterparties fall to certain levels, the counterparties must post collateral with a third-party custodian to secure their potential termination payments above certain threshold amounts. Collateral must be cash, US Government or certain federal agency securities. As of June 30, 2008, no collateral was required to be posted by LACMTA or any of its counterparty.

Basis Risk – The variable interest rate paid by the counterparty under the swap agreement and the variable interest rate paid by LACMTA on the associated bonds may not be equal. If the counterparty's rate under the swap is lower than the bond interest rate, then the counterparty's payment under the swap agreement would not fully reimburse LACMTA for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there would be a net benefit to LACMTA. Prior to entering into an interest rate swap, LACMTA and its swap advisor need to review the historical trading differentials between LACMTA's outstanding variable rate bonds and the proposed index. This would allow LACMTA to structure its interest rate swaps to minimize basis risk. In addition, LACMTA should monitor the basis differential for its existing swaps on a monthly basis.

Termination Risk – Under certain conditions, the swap agreement could be terminated and depending on current market interest rates, either LACMTA or the counterparty could be required to make a termination payment. LACMTA's swap agreements only permit the counterparty to terminate if an Event of Default or a Termination Event has occurred. Events of Default include non-payment, false or misleading representations, or the bankruptcy of LACMTA or the counterparty. Termination Events include: a downgrade of LACMTA's rating to below "BBB," an event of taxability, a liquidity facility put, or conversion of bonds to fixed rate. As of June 30, 2008, LACMTA is not aware of any event that has occurred that would lead to a termination event with respect to any of its existing swaps. In addition, LACMTA calculates its termination exposure for all existing and proposed swaps at market value quarterly. A contingency plan is periodically updated identifying alternatives to finance a termination payment and/or replace the hedge.

Rollover Risk – When the notional amount under the swap agreement terminates prior to the final maturity of the hedged bonds, LACMTA could be exposed to the current short-term bond interest rates, as well as to current swap pricing in order to continue the benefit of the synthetic fixed rate for the duration of the bond issue. As of June 30, 2008, LACMTA does not have any swap agreements that terminate prior to the final maturity of the hedged bonds.

Liquidity Risk – At some point in the future, LACMTA could be unable to obtain liquidity support for its variable rate bonds that require liquidity and are currently hedged with interest rate swaps. This situation could result in LACMTA incurring additional costs to convert the bonds to a different variable rate product that does not require liquidity support or to refund the bonds to a fixed rate mode, which would require the swaps to be either canceled or terminated. LACMTA periodically evaluates the expected availability of liquidity support for hedged and unhedged variable rate debt. As of June 30, 2008, LACMTA has sufficient liquidity support.

Below is the list of LACMTA's outstanding interest rate swap agreements as of June 30, 2008.

Bond Series	Notional Amount	Fixed Rate Paid	Variable Rate Received	Fair Value	Effective Date	Termination Date	Counterparty
Prop-A Series-1992-A	$ 49,300	5.86%	70% of USD-LIBOR	$ (2,889)	6/17/1992	7/1/2012	AIG Financial Products Corp
Prop C Series 1993-A	194,465	5.16%	70% of USD-LIBOR	(27,584)	6/30/1993	7/1/2020	AIG Financial Products Corp
Prop C Series 2003-B	167,500	3.44%	68% of USD -LIBOR	(2,791)	10/9/2003	7/1/2023	Wachovia Bank
Prop C Series 2003-C	211,500	3.38%	68% of USD-LIBOR	(3,028)	10/9/2003	7/1/2025	Goldman Sachs Mitsui Marine Derivative Products, L.P.
Gateway Series 2004	180,900	3.50%	64% LIBOR+0.21%	(2,835)	9/22/2004	7/1/2027	Bank of Montreal
Prop A Series 2005-C1/C2	131,825	3.36%	63% LIBOR+0.14%	(1,819)	8/23/2005	7/1/2031	Bank of Montreal
Prop A Series 2005-C3/C4	131,575	3.36%	63% LIBOR+0.14%	(1,637)	8/23/2005	7/1/2031	Deutsche Bank AG
Total	$1,067,065			$ (42,583)			

LACMTA neither received nor paid any upfront amount when these swaps were initiated. Relevant market interest rates on the valuation date of the swaps reflected in the chart above were lower than market interest rates on the effective date of the swaps, and consequently, resulted to negative fair values at valuation date.

The fair value represents the theoretical cost to terminate the swap at the date indicated, assuming that a termination event occurred on that date. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon bond due on the date of each future net settlement on the swap. As of June 30, 2008, LACMTA is not aware of any event that has occurred that would lead to a termination event with respect to any of its existing swaps.

In June 2008, LACMTA agreed with the swap counterparty to the Prop A 1992-A and Prop C 1993-A swaps to amend the variable rate to be 67% of one-month LIBOR. Previously the variable rate was either equal to the actual bond rate, or alternatively to 60% of one-month LIBOR when any of the bonds had failed to be remarketed and were tendered to the liquidity bank. The 1992 bonds had been tendered to the liquidity bank in April and the tender of the 1993 bonds was imminent as of June 24, 2008. The new rate of 67% is greater than the 60% LACMTA would currently be receiving for both bond issues and is slightly greater than the historic range of 63% to 65% of one-month LIBOR that LACMTA have typically experienced, potentially yielding a slight favorable variance in the future.

As of June 30, 2008, the annual debt service requirements of the variable rate obligations and net swap payments for the Proposition A Series 1992-A, Proposition C Series 1993-A, Proposition C Series 2003-B, Proposition C Series 2003-C Gateway Series 2004 and Proposition A Series 2005-C are as follows:

	Variable-rate Bonds			
Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2009	$ 15,605	$ 47,013	$ 22,437	$ 85,055
2010	25,520	45,667	21,740	92,927
2011	26,975	44,285	21,049	92,309
2012	28,330	42,827	20,318	91,475
2013	29,935	41,287	19,547	90,769
2014-2018	301,625	171,902	81,738	555,265
2019-2023	379,975	80,865	39,495	500,335
2024-2028	243,550	19,661	10,412	273,623
2029-2032	15,550	471	299	16,320
Total	$ 1,067,065	$ 493,978	$ 237,035	$ 1,798,078

As rates vary, variable rate bond interest payments and net swap payments will vary.

The debt service requirements and net swap payments for those two issues are not shown in the above table. The debt service requirements, including net swap payments, are reflected in the table of sales tax revenue bond debt service requirements to maturity found on page 70.

Counterparty Ratings

The current ratings of the counterparties on LACMTA's existing swaps as of June 30, 2008 are as follows:

Counterparty	Bond Issue	Long-term Ratings	
		Moody's	S&P
AIG Financial Products Corp.	Proposition A Series 1992-A	Aa3	AA-
AIG Financial Products Corp.	Proposition C Series 1993-A	Aa3	AA-
Wachovia Bank	Proposition C Series 2003-B	Aa1	AA
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Proposition C Series 2003-C	Aaa	AAA
Bank of Montreal	Gateway Series 2004	Aa1	A+
Bank of Montreal	Proposition A Series 2005 C1 & C2	Aa1	A+
Deutsche Bank AG - New York Branch	Proposition A Series 2005 C3 & C4	Aa1	AA

Subsequent to June 30, 2008, there have been several rating upgrades/downgrades of swap counterparties. As of January 8, 2009, the Moody's rating of AIG Financial Products Corp. had been downgraded from Aa3 to A3 and its S&P rating had been downgraded from AA- to A-. Wachovia Bank's S&P rating had been upgraded from AA to AA+. Deutsche Bank AG - New York Branch's S&P rating had been downgraded from AA to A+.

Summary of Significant Changes to Long-term Bond and Note Obligations

In June 2008, LACMTA executed the refunding of a portion of the Proposition C Bonds, Series 1998-A, by issuing $132,745 of the Proposition C Bonds, Series 2008-A. The amount of remaining Proposition C Bonds, Series 1998-A, outstanding as of June 30, 2008 totaled $ 86,965.

The net cash flow savings that resulted from the FY08 bond refunding are as follows:

Refunding Debt	Prior Cash Flow	Refunded Cash Flow	Net Cash Flow Savings	Present Value of Net Cash Flow Savings
Proposition C 2008-A Refunding Bonds	$ 193,606	$ 185,640	$ 7,966	$ 5,954

L. Capital and MOU Commitments

Construction in Progress and Other Significant Commitments

LACMTA's commitments to vendors for capital projects which are in various phases of development as of June 30, 2008 are as follows:

	Contract Commitments	
Project	Total	Remaining
Rail Projects	$ 970,028	$ 576,301
Bus Acquisition and Others	497,436	267,573
Total	$ 1,467,464	$ 843,874

LACMTA has entered into various Memoranda of Understanding (MOU) to fund local transportation projects. For this purpose, LACMTA has reserved Propositions A and C, TDA, and STA funds totaling $635,573 as of June 30, 2008.

M. Pensions

LACMTA provides pension benefits that cover substantially all full-time employees through five self-administered defined benefit pension plans and the California Public Employees' Retirement System (CalPERS). Four of the self-administered plans are restricted to specific union members, while the fifth provides benefits to Non-Represented employees and Teamsters.

California Public Employees' Retirement System (CalPERS)

CalPERS is an agent multiple-employer public retirement system.

Most full-time employees of PTSC are covered members under CalPERS and become fully vested in their accrued benefits after five years of credited service. Normal retirement is at age 60 with five years of credited service. The form of the normal benefit is a modified straight-line annuity equal to two percent (benefit factor) of final average compensation (generally the last or the highest consecutive 36 months of employment) times years of credited service. Other optional benefits are available at a reduced amount. Early retirement is available at age 50 with five years of credited service. The benefit factor is actuarially reduced for retirement prior to age 60 and actuarially increased after age 60 up to age 63. The plan provides for survivor and disability benefits. The benefit provisions and all other requirements are established by contract with the CalPERS in accordance with the provisions of the Public Employees' Retirement Law. An annual stand-alone financial report is issued and a copy can be obtained by a request from CalPERS, P.O. Box 942709, Sacramento, CA 94229-2709.

The employer and employee contributions are a percentage of the employee's compensation. The rates are defined by law and are based on the employer's benefit formula as determined by periodic actuarial valuations. These contributions are deposited in a fund established for each entity for the purpose of creating actuarial reserves for future benefits. For the year ended June 30, 2008, the contribution rate of covered payroll was 14.64 percent. This rate includes the mandatory employee contribution of 7.0 percent that is currently paid by PTSC.

Total Annual Required Contributions (ARC) for the years ended June 30, 2008, 2007, and 2006 were $17,468, $18,026, and $17,299, respectively, all of which were attributable to the PTSC and paid in full. Such contributions were made in accordance with the latest CalPERS actuarial valuation. These pension contributions for normal costs include the employees' portion, and for the years ended June 30, 2008, 2007, and 2006, were $8,353, $8,567, and $8,013, respectively. At June 30, 2008, 2007, and 2006, there was no Net Pension Obligations (NPO).

The valuation date was June 30, 2006 and the individual entry age normal cost was the actuarial cost method used to determine the ARC.

The smoothing of market value method was used to determine the actuarial value of assets, which was set to be no less than 80% of market value for the purpose of determining 2007/2008 employer contributions. Initial unfunded liabilities are amortized over a closed period with subsequent plan amendments amortized as a level percentage of pay over a closed 20-year period. The actuarial assumptions are 7.75 percent investment rate of return; an inflation rate of 3.0 percent; and projected salary increases of 3.25% to 14.5% dependent on age, service, and type of employment.

LACMTA-administered Plans

LACMTA has a single-employer public employees retirement system that includes five defined benefit pension plans (Plans) covering substantially all employees, providing retirement, disability, and death benefits. Generally, employees' rights to retirement benefits vest after five (5) years for non-represented, Teamster, and AFSCME employees while its ten (10) years for UTU, ATU, and TCU employees. All contract and non-contract retirement benefits are based on the individual employee's years of service, age, final compensation, bargaining units, and disability status. The benefit provisions and all other requirements are established by state statute, ordinance, collective bargaining agreements, or Board of Directors' actions. An annual stand-alone financial report is issued for the plans and can be obtained by requesting a copy from the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

LACMTA's funding policy is to make annual contributions to the Plans in amounts that, when combined with employees' contributions, fund the actuarially computed cost as they accrue. Actuarially computed costs are determined using the projected unit credit method. The employee and employer contributions are required by the plan agreement as either a percentage of annual earnings or the dollar amount recommended to finance the benefits provided in the union plans on a sound actuarial basis. LACMTA uses the level percentage of payroll method to amortize the unfunded liability or surplus of the base plan over a closed 15-year period.

Effective December 2003, annual contributions by LACMTA to the ATU pension plan were calculated based on actual wages rather than a fixed monthly amount derived from the Annual Valuation report.

AFSCME participants spun-off from the Non-Contract Plan into the AFSCME Plan effective January 1, 2004.

The annual required contributions (ARC), for LACMTA and employees, by plan, for the years ended June 30, 2008, 2007, and 2006, are as follows:

Contributions	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2008						
Employer	$ 14,495	$ 2,446	$ 14,541	$ 2,652	$ 1,121	$ 35,255
Employee	15,872	1,873	3,639	-	-	21,384
Total	$ 30,367	$ 4,319	$ 18,180	$ 2,652	$ 1,121	$ 56,639
2007						
Employer	$ 16,092	$ 2,952	$ 14,292	$ 2,849	$ 1,525	$ 37,710
Employee	14,850	1,585	3,535	-	-	19,970
Total	$ 30,942	$ 4,537	$ 17,827	$ 2,849	$ 1,525	$ 57,680
2006						
Employer	$ 13,113	$ 2,397	$ 13,159	$ 1,742	$ 1,105	$ 31,516
Employee	12,202	935	2,233	-	-	15,370
Total	$ 25,315	$ 3,332	$ 15,392	$ 1,742	$ 1,105	$ 46,886

The annual pension cost, annual amount contributed and net pension obligation for the years ended June 30, 2008, 2007, and 2006 are as follows:

	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2008						
Annual Pension Cost	$ 14,460	$ 2,446	$ 14,541	$ 2,652	$ 1,121	$ 35,220
Annual Amount Contributed	14,495	2,446	14,790	2,652	1,121	35,504
Net Pension Obligation	937	-	-	-	-	937
2007						
Annual Pension Cost	16,055	2,952	14,291	2,849	1,525	37,672
Annual Amount Contributed	16,092	2,952	14,424	2,849	1,525	37,842
Net Pension Obligation	973	-	-	-	-	973
2006						
Annual Pension Cost	13,040	2,397	13,159	1,742	1,105	31,443
Annual Amount Contributed	14,085	2,397	13,274	1,742	1,105	32,603
Net Pension Obligation	1,010	-	-	-	-	1,010

The components of the net pension obligation for UTU employees for years ended June 30, 2008, 2007, and 2006 are as follows:

	Annual Required Contribution (ARC) (a)	NPO at the beginning of the year (BOY) (b)	Interest on the NPO at the BOY (c)	Adjustment to ARC (d)	Amortization of NPO at the BOY (Decrease in NPO) (e)	NPO at the end of the year (EOY) (b)+(c)+(d)+(e)
2008	$ 14,495	$ 973	$ 78	$ -	$ (114)	$ 937
2007	16,092	1,010	81	-	(118)	973
2006	13,113	2,056	174	(972)	(248)	1,010

LACMTA's contributions to the Plans for the year ended June 30, 2008, were made in accordance with the actuarially determined requirements computed as of December 31, 2006. Actuarially computed costs are determined using the projected unit credit method. The total annual required contributions (ARC) for all plans for the years ended June 30, 2008, 2007, and 2006 were $35,255, $37,710, and $31,516, respectively. Annual pension cost which is equivalent to ARC plus interest on Net Pension Obligation (NPO) less amortization of NPO amounted to $35,220, $37,672, and $31,443 for years ended June 30, 2008, 2007, and 2006 respectively. The net pension obligations for the UTU Plan for the years ended June 30, 2008, 2007, and 2006 were $937, $973, and $1,010, respectively. There was no NPO at June 30, 2008, 2007, and 2006, for the TCU, ATU, Non-Contract, and AFSCME.

The required contribution rate by employees for years ended June 30, 2008, 2007, and 2006, were between 0 and 8.51 percent, 0 and 8.49 percent, and 0 and 7.06 percent, respectively, of their annual wages. The employer rate is equal to the ARC. The method of ½ book value + ½ market value was used to determine the actuarial value of assets. Unfunded liabilities are amortized at the assumed investment rate of return, over a fixed period of either 15 years or a period that declines by 1 year every year (currently 15 years for fiscal year ending June 30, 2008). The key actuarial assumptions are: 8.0 percent investment rate of return including a 3.0 percent rate for inflation; projected salary increases tied to age-based rates and no postemployment benefit increases.

N. Other Postemployment Benefits (OPEB)

LACMTA has implemented the new reporting requirements of GASB 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*" for the fiscal year ended June 30, 2008. Prior to the implementation of GASB 45, LACMTA restricted the cash required to cover the present value of future health care and life insurance benefits for employees projected to retire in the current fiscal year. Expenses for the current fiscal year were met on a pay-as-you-go basis. With the implementation of GASB 45, the $165 million accumulated for postemployment benefits was used to establish an OPEB trust (see note T).

The OPEB trust was established effective August 1, 2007, with the intent to accumulate funds to fulfill future OPEB obligations under all retiree medical and life insurance programs, including future contractual contributions to the three union trusts that provide benefits to LACMTA employees. Similar to pension fund assets, the OPEB trust is invested in equity securities, long-term fixed income investments and real estate, and accordingly is expected to generate higher investment earnings than previously earned in the Enterprise Fund.

Plan Description

On February 22, 2007, the Board adopted a resolution authorizing the establishment of an irrevocable Retiree Health Care and Welfare Benefits Trust ("Plan"). The Plan is a single-employer, defined benefit plan administered by LACMTA to provide OPEB benefits, such as medical, dental, vision, life insurance, and similar benefits offered by LACMTA to its active and retired employees. The Plan covers benefits administered by LACMTA to Non-contract employees and employees represented by AFSCME and the Teamsters and the contractual obligations to the respective Union Health & Welfare Trusts for employees represented by ATU, TCU and UTU. Generally, eligibility for coverage is based on employee's service and age. An annual stand-alone financial report is issued for the Plan and can be obtained by requesting a copy from the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

Enrollment

The numbers of participants (not in thousands) by employee group as of January 1, 2007 (the effective date of the bi-annual OPEB valuation) are as follows. There have been no significant changes in the number of employees covered since that date.

		Union Health & Welfare Trusts			
Participant	LACMTA	ATU	TCU	UTU	Total
Active Employees	1,816	2,095	706	4,822	9,439
Retirees under 65	241	474	144	991	1,850
Retirees over 65	468	435	115	-	1,018
Total Active and Retirees	2,525	3,004	965	5,813	12,307

Funding Policy

Member Contribution

Contributions made by Non-contract/AFSCME/Teamsters retirees is established and approved by the Board of Directors. Generally, contribution is calculated as a percent of the premium cost based on service. The benchmark is 25 years or more to qualify for the active employee contribution rate. For each year of service less than 25 years, the retiree pays an additional 4 percent of LACMTA's cost for each complete year of service less than 25 years. Contributions are remitted by LACMTA to the Plan.

The Union Health and Welfare Trusts establish the plan member contribution rate. ATU retirees' contributions are $80/month pre-65 years of age and $60 per month post-65 years of age. TCU retiree contributions are $35 per month for single coverage; $50 per month for retiree plus dependent coverage. UTU retiree contributions are $50 per month. Contributions made by employees represented by ATU, UTU and TCU are directly remitted to their respective Union Health and Welfare Trusts.

LACMTA Contribution

LACMTA's funding policy is to make annual contributions to cover the pay-as-you-go costs and partial payments against the actuarially required contribution. Actuarially computed costs are determined using the projected unit credit method.

Since LACMTA is funding the pay-as-you-go cost, but less than the ARC, contributions were determined reflecting a "partial" funding approach. LACMTA elected to use a blended discount rate of 5.0 percent which implicitly assumes the level of funding in excess of current year costs of pay-as-you-go that represents approximately one-third of the ARC in excess of the current year costs and the investment policy of the trust to support a long-term expected rate of return on assets of 7.0 percent. The ARC calculation also uses a 20-year rolling amortization that meets the requirements of GASB 45.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members.

The most significant actuarial assumptions include: a) 5 percent discount rate, compounded annually, b) increase in future payroll of 3 percent per year, c) mortality using RP-2000 Mortality Table (male and female with blue collar adjustments) with mortality improvements projected to year 2010, d) health care cost trend rate of 7.5 percent and, e) an inflation rate of 2.5 percent. The trend assumptions are comprised of three elements: 1) initial trend rate, 2) ultimate trend rate and 3) the grade-down period. The trend rate assumptions exclude the expected impact of aging since this impact is explicitly reflected elsewhere in the valuation. The initial trend rate is the expected increase in health care costs into the second year of the valuation (i.e. the first assumed annual increase in starting per capita rates). The assumed ultimate trend rate and grade-down period are based on macroeconomic principles reflecting assumed long term general information, nominal gross domestic product growth rates, and the excess of national health expenditures over other goods and services, and an adjustment for an assumed impact of population growth. LACMTA's contractual contributions which are assumed to increase in years after the current contract, in accordance with medical trend and retirees contributions, are assumed to increase at the same rate as medical costs.

This is the initial valuation of LACMTA's postretirement medical and life insurance benefits. LACMTA (a Phase 1 employer) has adopted a January 1, 2007 valuation date to determine the Annual Required Contributions (ARC) for the fiscal year beginning July 1, 2007 and July 1, 2008. The next required valuation date is January 1, 2009 for the fiscal year beginning July 1, 2009. LACMTA has opted to set up an OPEB transition liability on the balance sheet of zero at the start of this transition year and apply the measurement and recognition requirements of GASB 45 statement on a prospective basis.

The following table below summarizes the valuation results as of the valuation date of January 1, 2007

Summary of Costs	
Normal Cost	$ 26,113
▪ Percentage of Total Payroll	4.91%
Amortization of Unfunded Actuarial Accrued Liability	$ 45,941
▪ Percentage of Total Payroll	8.64%
ARC with 20-year Level Percent of Payroll Amortization	$ 72,054
▪ Percentage of Total Payroll	13.55%

Annual OPEB Cost and Net OPEB (asset) obligation

The Annual Required Contributions (ARC) represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the Net OPEB obligation.

LACMTA's annual OPEB cost for the year, the amount actually paid on behalf of the plan and changes in the LACMTA's Net OPEB obligation (asset) to the plan for the year ended June 30, 2008 are as follows:

Annual Required Contribution	$ 72,054
Interest on Net OPEB obligation	-
Adjustment to ARC	-
Total Annual OPEB Cost	72,054
Less Contributions made	193,656
Increase in Net OPEB obligation (asset)	$ (121,602)
Net OPEB obligation - beginning of year	-
Net OPEB obligation (asset) - end of year	$ (121,602)

Funding Progress

The LACMTA's funding progress information as of June 30, 2008 is illustrated as follows:

Actuarial Valuation Date	Projected Unit Credit Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/07 Total	$ 733,442	$ -	$ 733,442	- %	$ 531,567	137.98%

O. Deferred Compensation and 401(k) Savings Plan

Deferred Compensation Plan

LACMTA has a deferred compensation plan for all employees established in accordance with IRC Section 457, which permits employees to defer a portion of their current salary to future years.

Under this plan, employees may contribute up to a lesser of $15,500 (not in thousands) or 100 percent of their earnings in calendar year 2008. A special provision in the law allows an additional $5,000 (not in thousands) if you are a "Baby Boomer" (age 50 or greater by December 31, 2008), and employees eligible for retirement within three years can avail of the "catch up provision", totaling $31,000 (not in thousands).

The plan is managed by a third party plan administrator and trustee. Employee deferrals can be allocated among several investment options as directed by the employee. Although the employee is always 100 percent vested in the plan, withdrawals are not available to employee until termination, retirement, death, or unforeseeable emergency. In the opinion of management, LACMTA has no liability for any losses under the plans, but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the assets of the deferred compensation plan and the related liability to employees are not reported in the fiduciary fund. LACMTA does not match employees' contribution to the deferred compensation plan. As of June 30, 2008, the deferred compensation plans had assets (at fair value) totaling $195,892.

401 (k) Savings Plan

LACMTA also offers a deferred savings plan to all employees created in accordance with IRC Section 401(k). Under this plan, employees may contribute up to the lesser of $15,500 (not in thousands) or 100 percent of their earnings in calendar year 2008. A special provision in the law allows an additional $5,000 (not in thousands) if you are a "Baby Boomer" (age 50 or greater by December 31, 2008).

The Savings Plan is managed by a third party plan administrator, and the participants can direct the plan administrator to allocate their deferral based on several investment options. Plan benefits are based solely on amounts contributed by employees to their own accounts. Withdrawals are not available to employees until termination, retirement, age 59-1/2, death, or unforeseen emergency. In the opinion of management, LACMTA has no liability for any losses under the plans, but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the plan's assets and liability to employees are not reported in the fiduciary fund. LACMTA does not match employees' contribution to the 401(k) savings plan. As of June 30, 2008, the 401(k) savings plan had assets (at fair value) totaling $236,056.

Employees may participate in both deferred compensation and 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is $41,000 (not in thousands), or $51,500 (not in thousands) if an employee falls within the catch up provision.

P. Fiduciary Fund Type

Included in the fiduciary fund type are accounts related to the Benefit Assessment Districts (BAD) Downtown - A1 and Alvarado - A2 which are accounted for as agency fund. The BADs have issued revenue bonds as described below:

The Special Benefit Assessment District A1 Revenue Bonds, Series 1992-A (A1 Bonds), partly redeemed by Special Benefit Assessment District A1 Revenue Refunding Bonds Series 2001-A (A1 Bonds) were issued to assist in financing the private sector portion of four stations in District A1 (Union Station, Civic Center, Pershing Square and 7th Street Metro stations) of the Metro Red Line.

Special Benefit Assessment District A2 Revenue Refunding Bonds Series 2001-A (A2 Bonds) which refinanced Special Benefit Assessment District A1 Revenue Bonds, Series 1992-A (A2 Bonds), were issued to assist in financing the private sector portion of one station in District A2 (Westlake/MacArthur Park) of the Metro Red Line. The A1 Bonds with a balance of $41,380 and A2 Bonds with a balance of $2,155 are solely payable from assessments paid by owners of assessable property within Districts A1 and A2.

As these revenue bonds are not LACMTA's obligations, they have not been included in the accompanying financial statements.

Q. Joint Powers

LACMTA is a member of the Southern California Regional Rail Authority (SCRRA), which was formed as a regional Joint Powers Agency between the transportation commissions of the counties of Los Angeles (LACMTA), San Bernardino (SANBAG), Orange (OCTA), Riverside (RCTC), and Ventura (VCTC). SCRRA's purpose is to plan, design, construct, and administer the operation of regional passenger rail lines serving the participating counties. SCRRA named the regional commuter rail system "Metrolink."

Metrolink's capital acquisition and expansion have been funded by contributions from member agencies and the State of California.

As of June 30, 2008, LACMTA provided funding for the majority of the system's operating and capital costs. Summary audited financial information for the SCRRA for the year ended June 30, 2007 (most recent data available) was as follows:

Current Assets	$	145,691
Capital Assets, net		732,142
Other Assets		10,329
Total Assets		888,162
Total Liabilities		122,236
Net Assets	$	765,926
Total Revenues		243,858
Total Expenses		(188,316)
Increase in Net Assets	$	55,542

Additional detailed financial information is available from, Office of Finance and Administration, SCRRA, 700 South Flower Street, 26th Floor, Los Angeles, CA 90017.

R. Compressed Natural Gas (CNG) Hedging

LACMTA has entered into commodity swap agreements to hedge about 95% of its annual exposure to changes in the cost of natural gas. As of June 30, 2008, LACMTA has six (6) outstanding commodity swaps. (see page 91)

In each of the swap agreements, LACMTA pays a counterparty an amount based on a fixed rate and receives an amount based on a specified variable rate index. The variable rate is intended to be, on average, equal to the rate LACMTA will pay to purchase its natural gas. If the variable rates LACMTA receives from the swap counterparty and actual payments for natural gas fully offset each other, then the fixed rate paid to the counterparty becomes the cost of purchasing natural gas.

The following risks are generally associated with swap agreements.

Counterparty Risk – the risk that the counterparty fails to make required payments or otherwise comply with the terms of the swap agreement. This non-performance would usually result from financial difficulty, but could also occur for physical, legal or business reasons. This risk is mitigated by establishing minimum credit quality criteria, establishing maximum credit limits, requiring collateral on counterparty downgrade. To mitigate credit risk, LACMTA monitors the credit ratings of the counterparties on a quarterly basis.

Basis Risk – The risk that there is a mismatch between the variable rate payment received from the swap counterparty and the variable rate paid for gas purchases. LACMTA mitigated this risk by conducting an extensive survey of relevant products and indices and selected one that has a strong correlation with the price changes of the cost of gas.

Termination Risk – The risk that there will be a mandatory early termination of the commodity swap that would result in LACMTA either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty or LACMTA suffers degraded credit quality, illiquidity, bankruptcy or failure to perform. LACMTA mitigates this risk by establishing minimum credit quality criteria, establishing maximum credit limits, and requiring collateral on counterparty downgrade and employing credit rating surveillance. LACMTA monitors the credit ratings of the counterparties on a quarterly basis. LACMTA calculates quarterly its termination exposure for all existing and proposed swaps at market value.

LACMTA's outstanding natural gas commodity swap agreements as of June 30, 2008 are shown below:

Execution Date	Counterparty	Fixed Rate Paid (per therm)	Variable Rate Received	Fair Value	Start Date	End Date	Notional Amount (in therms)*
06/22/2007	Bear Energy LP	$ 0.8210	NGI SoCal Border	$ 8,450	7/1/2008	6/30/2009	25,550
08/15/2007	BP Corp. North America	0.8165	NGI SoCal Border	4,517	7/1/2008	6/30/2009	13,505
12/14/2007	Barclays Capital	0.7420	NGI SoCal Border	5,782	7/1/2008	6/30/2009	14,543
02/26/2008	Bank of America	0.8500	NGI SoCal Border	1,855	7/1/2009	6/30/2010	8,760
05/20/2008	BP Corp. North America	1.0120	NGI SoCal Border	697	7/1/2009	6/30/2010	8,760
06/17/2008	BP Corp. North America	1.0650	NGI SoCal Border	318	7/1/2009	6/30/2010	8,760
			Total	$ 21,619			79,878

** - not in thousands*

The fair value is the theoretical cost to terminate the swap at the valuation date. The fair values were estimated by discounting the future monthly net cash flows that would be anticipated based on future pricing.

Counterparty Ratings

The current ratings of the counterparties on LACMTA's existing natural gas commodity swaps as of June 30, 2008 were as follows:

Counterparty or Guarantor	Long-term Ratings		
	Moody's	S&P	Fitch
Bank of America, N.A	Aaa	AA+	AA+
Barclays Bank PLC	Aa1	AA	AA
Bear Energy/ JP Morgan	Aa2	AA-	AA-
BP Corp.	Aa2	AA+	AA+

Subsequent to June 30, 2008, there have been several rating downgrades of the counterparties. As of January 8, 2009, Bank of America, N.A., Moody's rating had been downgraded from Aaa to Aa1 and its Fitch rating had been downgraded from AA+ to AA-; Barclays Bank PLC, S&P rating had been downgraded from AA to AA- and BP Corp., S&P rating had been downgraded from AA+ to AA.

S. Litigation and Other Contingencies

Litigation

LACMTA is named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a materially adverse effect on the financial condition of LACMTA.

Federal, State and Other Governmental Funding

LACMTA receives significant funding from Federal, State, and other governmental grant funds as reimbursement for costs incurred. Such grants are subject to review and audit by the grantor agencies. These audits could result in disallowed expenditures under the terms of the grant or in reductions of future grant monies. Based on prior experience, LACMTA's management believes that costs ultimately disallowed, if any, would not materially affect the financial condition of LACMTA.

Excise Tax on Lease/Leaseback Transactions

On May 17, 2006, President Bush signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA). Pursuant to the 2005 Tax Act, a new Section 4965 was added to the Internal Revenue Code of 1986, as amended (the "Code"). Section 4965 imposes a Federal excise tax (the "New Excise Tax") on the net income or proceeds of Sale In/Lease Out transactions entered into by tax-exempt entities, including states and their political subdivisions. On February 7, 2007, the Internal Revenue Service (IRS) released Notice 2007-18, which addresses how the provisions of new section 4965 will be applied. This provision could impact LACMTA's leveraged leasing transactions. The Internal Revenue Service recently released proposed regulations to further clarify which transactions are subject to the New Excise Tax and calculation of the New Excise Tax. Based on the proposed regulations, LACMTA believes that the New Excise Tax will not have a material adverse effect on its financial results or condition.

T. Adjustment due to Implementation of GASB 45 (OPEB)

LACMTA implemented GASB 45 ("*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB*) for the fiscal year ended June 30, 2008. As a result of implementing this new GASB standard, the activity formerly reported in the postemployment benefits are now reported in the OPEB Trust Fund. Therefore, the beginning net assets was restated by $165,739 to reflect the implementation of GASB 45 prospectively which requires reporting of the liability associated with other postemployment benefits and the OPEB liability at transition was zero. Additional information on OPEB disclosures can be found on pages 84 to 87.

U. Effects of New Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In April 2004, GASB issued Statement No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*." This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans and is effective for fiscal periods beginning after June 30, 2006. The approach followed in this statement reflects differences between pension plans and OPEB plans. The statement applies for OPEB Trust Fund included in the financial reports of plan sponsors or employers, stand-alone financial reports of OPEB plans, the public employee retirement systems, or third parties that administer them. This statement also provides requirements for reporting OPEB funds by administrators of multiple-employer OPEB plans that are not a trust fund. LACMTA established the OPEB Trust Fund on August 1, 2007. The OPEB Trust Fund was included in the Statement of Net Assets – Fiduciary Funds and Statement of Changes in Net Assets – Fiduciary Funds found on pages 40 to 41.

In July 2004, GASB issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*." This statement addresses how the State and local governments should account for and report costs and obligations related to postemployment healthcare and other non-pension benefits and is effective for fiscal periods beginning after December 15, 2006. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. LACMTA implemented GASB 45 for the fiscal year ended June 30, 2008.

In September 2006, GASB issued Statement No. 48 *"Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"*. This statement establishes criteria that government will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be use to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. The disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. The requirements of this statement are effective for periods beginning after December 15, 2006. LACMTA has not engaged in any transactions as described in GASB 48.

In November 2006, GASB issued Statement No. 49 *"Accounting and Financial Reporting for Pollution Remediation Obligations".* This statement addresses accounting and financial reporting standards for pollution remediation obligations. Pollution remediation obligations generally will result in recognition and reporting of pollution remediation liabilities, or in other instance, an obligation to participate in pollution remediation activities will result in recognition and reporting of capital assets transactions at the time those assets are acquired. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2007. LACMTA plans to implement the new reporting requirement for fiscal year ending June 30, 2009.

In May 2007, GASB issued Statement No. 50 *"Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27".* This statement more closely aligns the financial reporting requirements for pensions with those for Other Postemployment Benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement is effective for periods beginning after June 15, 2007. LACMTA implemented GASB 50 for the fiscal year ended June 30, 2008.

In June 2007, GASB issued Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*." This statement addresses how to establish accounting and financial reporting requirements for intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2010, as applicable.

In November 2007, GASB issued Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*." This statement will improve the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value and thus creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. This statement requires governments to report the changes in fair value as investment income. It also requires the governments to disclose the methods and significant assumptions employed to determine fair value, and to provide other information that they currently present for other investments reported at fair value. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2008. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2009, as applicable.

In June 2008, GASB issued Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*". This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by synthetically fixing prices. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swap options, forward contracts, and futures contracts. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. LACMTA plans to implement the new reporting requirements of GASB 53 for fiscal year ending June 30, 2010.

V. Subsequent Events

New Transportation Sales Tax

Measure R was approved by 2/3 of the Los Angeles County voters in the November 2008 election. Measure R is an ordinance authorizing an additional 1/2 of 1% sales tax to fund traffic relief and rail expansion according to an expenditure plan contained in the ordinance. The Measure R sales tax will become effective July 1, 2009 and remain in effect for 30 years.

Lease/leaseback and Lease-to-service Obligations

American International Group (AIG) provided a fixed income investment product known as a payment undertaking agreement that was used in seven of the lease transactions in order to invest proceeds to fund all the scheduled rent payments and early buyout option payments. Under the leveraged lease documents, AIG is required to be replaced or credit enhanced if any of its credit ratings fall below either Aa2/AA or A2/A, depending on the transaction. AIG also provided credit support in the form of letters of credit for three transactions and are required to be replaced if any of its credit ratings fall below either A2or A. On September 15, 2008 AIG was downgraded to "A-" by S&P, requiring replacement of the payment undertaking agreements and credit enhancement, as appropriate, and in two instances required AIG to post collateral. For five of the transactions collateral was posted at inception. Most products specified in the documents as acceptable replacement facilities are not available in the current market. Since LACMTA was unable to provide acceptable replacement facilities within either 30 or 60 days, as applicable, the investor then has the option to exercise any of several remedies, including termination of the lease in which case LACMTA would be required to pay a termination amount that may be substantial. If termination payments were due on each of the seven leases the total payment is estimated to be as much as $166 million, plus legal costs. LACMTA is taking steps to locate qualifying replacement facilities and also to reach an agreement with each investor to implement alternative strategies to replace or provide credit enhancement for the AIG facilities, or to terminate on cost neutral terms. LACMTA is also pursuing Federal legislative or administrative solutions.

As part of a nationwide coalition comprised of over 30 transit agencies affected by similar lease transactions, LACMTA is seeking either a Federal legislative or administrative solution. Such a solution would be implemented by the Federal Reserve or U.S. Treasury to provide a guaranty of the performance of the providers of the payment agreements and credit support facilities in the lease transactions. A guaranty program could be implemented under existing authority or as part of any new bailout or economic stimulus legislation.

Long-term Debt

In September 2008, LACMTA issued a $289,150 Proposition A Sales Tax Revenue Refunding Bonds, Series 2008-A and 2008-B. The proceeds were used to: (a) refund all of the outstanding Proposition A Sales Tax Revenue Refunding Bonds Series 2005-C1, 2005-C2, 2005-C3, and 2005-C4, which were outstanding in the aggregate principal amount of $263,075; (b) make a deposit to the Reserve Fund and pay the premium for the municipal bond debt service reserve policy provided by Financial Security Assurance Inc.; and (c) pay the cost of issuing the Series 2008-A and 2008-B Bonds.

In October 2008, LACMTA redeemed $ 31,575 of the Capital Grant Receipts Revenue Bonds Series 2005 B1 and $31,550 Series 2005 B2 for the total amount of $63,125. A mandatory redemption of $42,325, and $20,800, would have been required in December 2009 and December 2010, respectively. LACMTA redeemed the bonds earlier to reduce its future debt service requirements.

Impact of Bond Insurer Rating Downgrades on LACMTA's Auction Rate Securities and Variable Rate Demand Bonds

Beginning in February 2008, the auction rate securities market and the variable rate demand bond market experienced increased volatility due to, among other things, the deteriorating financial strength and credit ratings downgrades of virtually all of the previously AAA-rated monoline bond insurers. The credit ratings downgrades resulted from the significant actual and potential losses of the insurers resulting from their exposure to sub-prime mortgage securities. LACMTA had approximately $1.1 billion of auction rate securities and variable rate demand bonds outstanding as of November 1, 2008, all of which have experienced increased rates. Approximately $263,075 of auction rate securities were refunded through the issuance of Proposition A Sales Tax Revenue Refunding Bonds, Series 2008-A and 2008-B. Another $21,100 of auction rate securities was refunded through the issuance of the 13th Sub-series of the Proposition A commercial paper program. LACMTA is actively pursuing alternative options to restructure the balance of the affected bonds. LACMTA is re-evaluating its restructuring alternatives following a number of potential liquidity providers pulling out of the market in October 2008. The current plan anticipates that the restructuring activities will have been substantially completed by the end of June 2009. The scheduled restructuring could be delayed unless there are some improvements in the availability of bank liquidity facilities or lowering of yields on fixed rate municipal bonds. LACMTA has included increased estimates of interest expense in its adopted budget for Fiscal Year 2009, in order to account for continued higher interest rates in the auction rate securities and variable rate demand bond markets.

Recent Changes in the Economic Environment and its Impact to LACMTA

The sub-prime mortgage market collapse triggered the breakdown of many financial institutions such as the American International Group Inc. (AIG), Lehman Brothers Holdings, Inc., and Washington Mutual Bank. The financial crisis ultimately exposed investors to lose holdings with various ailing financial institutions. The federal government quickly stepped in by taking control and enacted the Emergency Economic Stabilization Act of 2008 that infused $700 billion into various failing financial institutions. These steps taken by the government alleviated the viability of troubled financial institutions and to some degree also secured the assets of investors.

LACMTA's investment portfolio is reasonably diversified. While LACMTA is susceptible to the current global financial crisis, a majority of its investments have minimal exposure to credit, market, and liquidity risks. In the opinion of management, the current financial crisis has limited effect on LACMTA's financial condition.

Comprehensive Annual Financial Report

Required Supplementary Section

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Required Supplementary Schedule
Schedule of Funding Progress – Pension Plans
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

The schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll for the pension funds contributed to by:

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll (a)-(b)/ (c)
PTSC *						
06/30/07	$ 247,609	$ 246,342	$ 1,267	99.49%	$ 115,303	1.10%
06/30/06	215,195	213,556	1,639	99.24%	108,085	1.52%
06/30/05	187,830	184,569	3,261	98.26%	108,409	3.01%
LACMTA **						
UTU						
12/31/07	439,532	310,067	129,465	70.54%	188,648	68.63%
12/31/06	421,910	294,544	127,366	69.81%	186,564	68.27%
12/31/05	411,570	271,771	139,799	66.03%	174,990	79.89%
TCU						
12/31/07	72,981	53,142	19,839	72.82%	26,735	74.21%
12/31/06	69,215	50,339	18,876	72.73%	26,784	70.47%
12/31/05	66,898	46,440	20,458	69.42%	26,682	76.67%
ATU						
12/31/07	257,642	181,305	76,337	70.37%	100,643	75.85%
12/31/06	257,511	171,621	85,890	66.65%	99,117	86.66%
12/31/05	243,389	156,040	87,349	64.11%	97,789	89.32%
Non-Contract						
12/31/07	121,427	105,987	15,440	87.28%	7,291	211.77%
12/31/06	123,038	103,632	19,406	84.23%	7,161	271.00%
12/31/05	119,412	99,046	20,366	82.94%	7,877	258.55%
AFSCME						
12/31/07	46,482	41,364	5,118	88.99%	7,095	72.14%
12/31/06	44,914	40,127	4,787	89.34%	7,643	62.63%
12/31/05	48,211	40,393	7,818	83.78%	9,102	85.89%
TOTAL						
12/31/07	$ 938,064	$ 691,865	$ 246,199	73.75%	$ 330,412	74.51%
12/31/06	916,588	660,263	256,325	72.03%	327,269	78.32%
12/31/05	889,480	613,690	275,790	68.99%	316,440	87.15%

Annual Financial Report can be obtained by writing to:
**CalPERS, PO BOX 942709, Sacramento, CA 94229-2709*
*** Finance Department, Metro, One Gateway Plaza, Los Angeles, CA 90012-2952*

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
Required Supplementary Schedule
Schedule of Funding Progress – OPEB
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

The schedule of Funding Progress below shows the first year actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll for the OPEB fund established by LACMTA.

Actuarial Valuation Date	Projected Unit Credit Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a)-(b)/(c)
LACMTA 01/01/07	$ 104,433	$ -	$ 104,433	- %	$ 144,609	72.22%
ATU 01/01/07	351,541	-	351,541	- %	122,385	287.24%
TCU 01/01/07	62,883	-	62,883	- %	31,242	201.28%
UTU 01/01/07	214,585	-	214,585	- %	233,331	91.97%
Total	$ 733,442	$ -	$ 733,442	- %	$ 531,567	137.98%

Annual Financial Report can be obtained by writing to:
Finance Department, METRO, One Gateway Plaza, Los Angeles, CA 90012-2952

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Budgeted Amounts*			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 5,987	$ 6,465	$ 6,514	$ 49
Investment Income	4,052	4,052	8,235	4,183
Net decline in fair value of investments	-	-	(224)	(224)
Lease and rental	13,075	13,075	10,915	(2,160)
Licenses and fines	500	500	657	157
Fuel tax credit and other	22,892	22,892	28,413	5,521
TOTAL REVENUES	46,506	46,984	54,510	7,526
EXPENDITURES				
Current:				
Administration and other	19,575	20,237	17,401	2,836
Transportation subsidies	-	-	190	(190)
Debt and interest expenditures				
Principal	825	825	907	(82)
Interest and fiscal charges	1,439	1,439	1,310	129
TOTAL EXPENDITURES	21,839	22,501	19,808	2,693
EXCESS OF REVENUES OVER EXPENDITURES	24,667	24,483	34,702	10,219
OTHER FINANCING SOURCES (USES)				
Transfers in	7,017	7,017	2,426	(4,591)
Transfers out	(49,805)	(50,005)	(43,767)	6,238
TOTAL OTHER FINANCING SOURCES AND USES	(42,788)	(42,988)	(41,341)	1,647
NET CHANGE IN FUND BALANCES	(18,121)	(18,505)	(6,639)	11,866
Fund balances – beginning of year	154,042	154,042	154,042	-
FUND BALANCES – END OF YEAR	$ 135,921	$ 135,537	$ 147,403	$ 11,866

**Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Proposition A Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	$ 694,193	$ 694,193	$683,352	$ (10,841)
Investment income	1,200	1,200	11,741	10,541
Net decline in fair value of investments	-	-	(228)	(228)
TOTAL REVENUES	695,393	695,393	694,865	(528)
EXPENDITURES				
Current:				
Transportation subsidies	256,279	257,488	243,397	14,091
TOTAL EXPENDITURES	256,279	257,488	243,397	14,091
EXCESS OF REVENUES OVER EXPENDITURES	439,114	437,905	451,468	13,563
OTHER FINANCING SOURCES (USES)				
Transfers out	(514,118)	(520,688)	(559,535)	(38,847)
TOTAL OTHER FINANCING SOURCES AND USES	(514,118)	(520,688)	(559,535)	(38,847)
NET CHANGE IN FUND BALANCES	(75,004)	(82,783)	(108,067)	(25,284)
Fund balances – beginning of year	304,706	304,706	304,706	-
FUND BALANCES – END OF YEAR	$ 229,702	$ 221,923	$196,639	$ (25,284)

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Proposition C Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Budgeted Amounts *		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	$ 694,281	$ 694,281	$ 683,530	$ (10,751)
Intergovernmental	25,449	31,287	7,999	(23,288)
Investment Income	2,342	2,342	23,840	21,498
Net decline in fair value of investments	-	-	(1,030)	(1,030)
Other	-	-	246	246
TOTAL REVENUES	722,072	727,910	714,585	(13,325)
EXPENDITURES				
Current:				
Administration and other	57,146	65,629	45,556	20,073
Transportation subsidies	452,372	452,372	381,868	70,504
TOTAL EXPENDITURES	509,518	518,001	427,424	90,577
EXCESS OF REVENUES OVER EXPENDITURES	212,554	209,909	287,161	77,252
OTHER FINANCING SOURCES (USES)				
Transfers in	14,804	16,154	65,127	48,973
Transfers out	(275,679)	(210,753)	(162,495)	48,258
TOTAL OTHER FINANCING SOURCES USES	(260,875)	(194,599)	(97,368)	97,231
NET CHANGE IN FUND BALANCES	(48,321)	15,310	189,793	174,483
Fund balances – beginning of year	388,235	388,235	388,235	-
FUND BALANCES – END OF YEAR	$ 339,914	$ 403,545	$ 578,028	$ 174,483

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
PTMISEA Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Budgeted Amounts *			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ -	$ 160,993	$ 160,993	$ -
Investment income	-	-	778	778
Net decline in fair value of investments	-	-	(18)	(18)
TOTAL REVENUES	-	160,993	161,753	760
EXPENDITURES				
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	160,993	161,753	760
OTHER FINANCING SOURCES AND (USES)				
Transfers out	-	(77,500)	(109,129)	(31,629)
TOTAL OTHER FINANCING SOURCES AND USES	-	(77,500)	(109,129)	(31,629)
NET CHANGE IN FUND BALANCES	-	83,493	52,624	(30,869)
Fund balances – beginning of year	-	-	-	-
FUND BALANCES – END OF YEAR	$ -	$ 83,493	$ 52,624	$ (30,869)

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Transportation Development Act Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	$ 352,373	$352,373	$ 340,548	$ (11,825)
Investment income	1,000	1,000	9,047	8,047
TOTAL REVENUES	353,373	353,373	349,595	(3,778)
EXPENDITURES				
Current:				
Transportation subsidies	113,783	113,783	116,555	(2,772)
TOTAL EXPENDITURES	113,783	113,783	116,555	(2,772)
EXCESS OF REVENUES OVER EXPENDITURES	239,590	239,590	233,040	(6,550)
OTHER FINANCING SOURCES (USES)				
Transfers in	635	635	-	(635)
Transfers out	(264,118)	(236,528)	(204,698)	31,830
TOTAL OTHER FINANCING SOURCES AND USES	(263,483)	(235,893)	(204,698)	31,195
NET CHANGE IN FUND BALANCES	(23,893)	3,697	28,342	24,645
Fund balances – beginning of year	173,044	173,044	173,044	-
FUND BALANCES – END OF YEAR	$ 149,151	$176,741	$ 201,386	$ 24,645

** Budget prepared in accordance with GAAP*

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
State Transit Assistance Fund
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	$ 57,058	$ 96,570	$ 61,486	$ (35,084)
Investment income	1,688	1,688	3,875	2,187
TOTAL REVENUES	58,746	98,258	65,361	(32,897)
EXPENDITURES				
Current:				
Transportation subsidies	11,324	16,709	13,592	3,117
TOTAL EXPENDITURES	11,324	16,709	13,592	3,117
EXCESS OF REVENUES OVER EXPENDITURES	47,422	81,549	51,769	(29,780)
OTHER FINANCING SOURCES (USES)				
Transfers out	(69,280)	(85,527)	(77,409)	8,118
TOTAL OTHER FINANCING SOURCES AND USES	(69,280)	(85,527)	(77,409)	8,118
NET CHANGE IN FUND BALANCES	(21,858)	(3,978)	(25,640)	(21,662)
Fund balances – beginning of year	70,076	70,076	70,076	-
FUND BALANCES – END OF YEAR	$ 48,218	$ 66,098	$ 44,436	$ (21,662)

** Budget prepared in accordance with GAAP*

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APPENDIX C

SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS

The following is a brief summary of certain provisions of the principal documents relating to the Series 2009-B Bonds and is supplemental to the summary of provisions of such documents elsewhere in this Official Statement. This summary is not intended to be definitive and is qualified in its entirety by reference to the full text of the summarized documents. Copies of such documents are available from the Authority.

DEFINITIONS

The following terms, as used in the Agreement and elsewhere in this Official Statement and in this summary, have the meanings set forth below.

"*Account*" means any account established pursuant to the Agreement or any Supplemental Agreement.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the applicable interest rate thereon on each date specified therein. The Accreted Value at any date will be the amount set forth in the applicable Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date plus the amount of daily interest accrued from such preceding compounding date to the date of determination.

"Accreted Value Table" means the table denominated as such which appears as an exhibit to a Supplemental Agreement providing for the issuance of Capital Appreciation Bonds.

"Accrued First Senior Interest" means, for any current or future calendar month, the amount of interest which has accrued or will accrue on a Series of First Senior Bonds or First Senior Parity Debt during that month, less any interest which accrues during such period but for which a separate fund has been established and into which have been deposited moneys, Federal Securities, Pre-refunded Municipals or Permitted Investments which, with the earnings thereon, will be sufficient to pay such interest and which fund is irrevocably pledged to payment of such interest. With respect to First Senior Bonds or First Senior Parity Debt (a) bearing an interest rate which will or may fluctuate from the date of calculation to the end of such calendar month or (b) coupled with an interest rate swap agreement in effect on the date of calculation, interest after the calculation date, for purposes of calculating Accrued First Senior Interest for such month, will be assumed to accrue at a rate equal to 12% per annum or any higher rate then prevailing on such First Senior Bonds or First Senior Parity Debt. For any prior calendar month, "Accrued First Senior Interest" means the actual amount of interest which has accrued on a Series of First Senior Bonds or First Senior Parity Debt during that month. With respect to First Senior Capital Appreciation Bonds, the interest accruing thereon will be treated as an accretion of principal not includable as Accrued First Senior Interest.

"Accrued First Senior Premium" means, with respect to any First Senior Bonds or First Senior Parity Debt which are or is to be redeemed or otherwise prepaid, the full amount of the premium or prepayment penalty imposed as a condition of such redemption or prepayment. The full amount of such premium or penalty will be deemed to accrue in the calendar month in which notice of the redemption or prepayment is given by the Authority to the Trustee.

"Accrued First Senior Principal" means, with respect to any calendar month, the amount of principal and Accreted Value which has matured or will mature on a Series of First Senior Bonds or First Senior Parity Debt during that month less any principal and Accreted Value which matures during such period but for which a separate fund has been established and into which have been deposited moneys, Federal Securities, Pre-refunded Municipals or Permitted Investments which, with the earnings thereon, will be sufficient to pay such principal and Accreted Value and which fund is irrevocably pledged to the payment of such principal and Accreted Value. For purposes of this definition, it will be assumed that for any payment of principal or Accreted Value, principal and Accreted Value commences to mature on the later of (a) the date of issue of the Series or (b) one year prior to the payment date (unless principal and Accreted Value is payable more frequently than annually, in which case, principal and Accreted Value will, for the first payment, be assumed to mature from the later of the date of issuance or one year prior to the first payment date and thereafter principal and Accreted Value will mature from the date of each principal payment of principal or Accreted Value) and principal and Accreted Value will be assumed to accrue in equal monthly installments during each calendar month or portion of any calendar month occurring from the time of commencement of such maturity to the payment date.

"Accrued Second Senior Interest" means, for any current or future calendar month, the amount of interest which has accrued or will accrue on a Series of Second Senior Bonds or Second Senior Parity Debt during that month, less any interest which accrues during such period but for which a separate fund has been established and into which have been deposited moneys, Federal Securities, Pre-refunded Municipals or Permitted Investments which, with the earnings thereon, will be sufficient to pay such interest and which fund is irrevocably pledged to payment of such interest. With respect to Second Senior Bonds or Second Senior Parity Debt (a) bearing an interest rate which will or may fluctuate from the date of calculation to the end of such calendar month or (b) coupled with an interest rate swap agreement in effect on the date of calculation, interest after the calculation date, for purposes of calculating Accrued Second Senior Interest for such month, will be assumed to accrue at a rate equal to 12% per annum or any higher rate then prevailing on such Second Senior Bonds or Second Senior Parity Debt. For any prior calendar month, "Accrued Second Senior Interest" means the actual amount of interest which has accrued on a Series of Second Senior Bonds or Second Senior Parity Debt during that month. With respect to Second Senior Capital Appreciation Bonds, the interest accruing thereon will be treated as an accretion of principal not includable as Accrued Second Senior Interest.

"Accrued Second Senior Premium" means, with respect to any Second Senior Bonds or Second Senior Parity Debt which are or is to be redeemed or otherwise prepaid, the full amount of the premium or prepayment penalty imposed as a condition of such redemption or prepayment. The full amount of such premium or penalty will be deemed to accrue in the calendar month in which notice of the redemption or prepayment is given by the Authority to the Trustee.

"Accrued Second Senior Principal" means, with respect to any calendar month, the amount of principal and Accreted Value which has matured or will mature on a Series of Second Senior Bonds or Second Senior Parity Debt during that month less any principal and Accreted Value which matures during such period but for which a separate fund has been established and into which have been deposited moneys, Federal Securities, Pre-refunded Municipals or Permitted Investments which, with the earnings thereon, will be sufficient to pay such principal and Accreted Value and which fund is irrevocably pledged to the payment of such principal and Accreted Value. For purposes of this definition, it will be assumed that for any payment of principal or Accreted Value, principal and Accreted Value commences to mature on the later of (a) the date of issue of the Series or (b) one year prior to the payment date (unless principal and Accreted Value is payable more frequently than annually, in which case, principal and Accreted Value will, for the first payment, be assumed to mature from the later of the date of issuance or one year prior to the first payment date and thereafter principal and Accreted Value will mature from the date of each principal payment of principal or Accreted Value) and principal and Accreted Value will be

assumed to accrue in equal monthly installments during each calendar month or portion of any calendar month occurring from the time of commencement of such maturity to the payment date.

"Act of 1998" means the Metropolitan Transportation Authority (MTA) Reform and Accountability Act of 1998, as approved by the voters of the County of Los Angeles on November 3, 1998.

"Aggregate Accrued First Senior Interest" means, for any calendar month, the sum of the Accrued First Senior Interest for all Series of Outstanding First Senior Bonds and First Senior Parity Debt.

"Aggregate Accrued First Senior Principal" means, for any calendar month, the sum of the Accrued First Senior Principal for all Series of Outstanding First Senior Bonds and First Senior Parity Debt.

"Aggregate Accrued Second Senior Interest" means, for any calendar month, the sum of the Accrued Second Senior Interest for all Series of Outstanding Second Senior Bonds and Second Senior Parity Debt.

"Aggregate Accrued Second Senior Principal" means, for any calendar month, the sum of the Accrued Second Senior Principal for all Series of Outstanding Second Senior Bonds and Second Senior Parity Debt.

"Agreement" means the Trust Agreement dated as of October 1, 1992, between the Commission and Bank of America National Trust and Savings Association, as predecessor trustee to U.S. Bank Trust National Association, as succeeded by merger by U.S. Bank National Association, as amended and supplemented, under which the Series 2009-B Bonds are authorized and secured.

"Annual Debt Service" means for any Fiscal Year the aggregate amount of principal and interest on all Bonds and Parity Debt becoming due and payable during such Fiscal Year, calculated using the principles and assumptions set forth under the definition of Maximum Annual Debt Service, as certified by a certificate of a Consultant delivered within 30 days of the date of calculation to the Trustee, who may conclusively rely on such certificate.

"Annual First Senior Debt Service" means for any Fiscal Year the aggregate amount of principal and interest on all First Senior Bonds and First Senior Parity Debt becoming due and payable during such Fiscal Year, calculated using the principles and assumptions set forth under the definition of Maximum Annual First Senior Debt Service, as certified by a certificate of a Consultant delivered within 30 days of the date of calculation to the Trustee, who may conclusively rely on such certificate.

"Assumed Debt Service" means for any Fiscal Year the aggregate amount of principal and interest which would be payable assuming that each payment of principal of Bonds or Parity Debt subject to optional tender is amortized on a substantially level debt service basis for a period ending on the earlier of (a) 25 years from the date of calculation or (b) if a binding commitment has been provided for the refinancing of the applicable indebtedness, the term specified in the lender's commitment for such refinancing indebtedness, in either case calculated based on an assumed interest rate equal to the actual rate of interest payable on the applicable indebtedness if the interest rate is a fixed rate, or equal to the maximum interest rate specified in any credit or liquidity facility or other arrangement for the tender of such Bonds or Parity Debt if the rate of interest is a variable rate.

"Authority" or *"LACMTA"* means the Los Angeles County Metropolitan Transportation Authority created under the provisions of the LACMTA Act, and any successor to its function.

"Authority Act" or *"LACMTA Act"* means Chapter 2, Division 12 of the California Public Utilities Code (commencing with Section 130050.2).

"Authorized Authority Representative" means the Chairperson, the Chief Executive Officer, the Chief Administrative Officer or the Chief Financial Officer of the Authority or such other officer or employee of the Authority or other person who has been designated an agent of the Authority by resolution of the Authority.

"Authorized Denomination" means, with respect to the Series 2009-B Bonds, $5,000 or any integral multiple thereof.

"Beneficial Owner" means, whenever used with respect to a Series 2009-B Bond, the person in whose name such Series 2009-B Bond is recorded as the beneficial owner of such Series 2009-B Bond by a Participant on the records of such Participant or such person's subrogee.

"Board of Equalization" means the California State Board of Equalization which collects the Proposition C Sales Tax.

"Bond" or *"Bonds"* means indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations issued under the provisions of the Agreement. "Bond" or "Bonds" will not include any subordinated obligations incurred by the Authority as permitted by the Agreement.

"Bond Counsel" means a firm of attorneys nationally recognized as experts in the area of municipal finance who are familiar with the transactions contemplated under the Agreement and acceptable to the Authority.

"Book-Entry Bonds" means the Series 2009-B Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of the Sixteenth Supplemental Agreement.

"Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which commercial banks in New York, New York or Los Angeles, California are authorized or required by law to close.

"Capital Appreciation Bonds" means Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Agreement providing for the issuance of such Series and on which interest is compounded and paid at maturity or on prior redemption.

"Capitalized Interest" means the amount set aside from the proceeds of the Bonds which is used to pay interest on the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations applicable thereto or issued thereunder or any successor statute thereto.

"Construction Fund" means the fund or funds authorized to be created by the Agreement.

"Consultant" means the accountant, attorney, consultant, financial advisor or investment banker, or firm thereof retained by the Authority to perform acts and carry out the duties provided for such

Consultant in the Agreement. Such accountant, attorney, consultant, financial advisor or investment banker, or firm thereof will be nationally recognized within its profession for work of the character required.

"*Continuing Disclosure Certificate"* means the Continuing Disclosure Certificate to be entered into by the Authority on the date of the delivery of the Series 2009-B Bonds in order to comply with Securities and Exchange Commission Rule 15c2-12(b)(5).

"Costs" or *"Costs of the Projects,"* as applied to a Project or portion thereof financed under the Agreement, has the meaning set forth in the Act, to wit, all or any part of the cost of construction and acquisition of all real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for a Project, the cost of demolishing or removing any structures on land so acquired, including the cost of acquiring any land to which the structures may be removed, the cost of all machinery and equipment, vehicles, rolling stock, financing charges, interest prior to, during and for a period after completion of construction as determined by the Authority, provisions for working capital, reserves for principal and interest, and for extensions, enlargements, additions, replacements, renovations and improvements, the cost of architectural, engineering, financial and legal services, plans, specifications, estimates and administrative expenses and other expenses necessary or incidental to the determination of the feasibility of constructing any Project or incidental to the construction, acquisition or financing of any Project and, with respect to the use of Bond proceeds, such other costs and expenses as are permitted by the Act at the time such Bonds are issued.

"Costs of Issuance" means all costs and expenses incurred by the Authority in connection with the issuance of the Series 2009-B Bonds, including, but not limited to, costs and expenses of printing and copying documents and the Series 2009-B Bonds, and the fees, costs and expenses of rating agencies, credit or liquidity providers or enhancers, if any, the Trustee, bond counsel, disclosure counsel, counsel to credit or liquidity providers or enhancers, if any, verification agents, accountants, financial advisors and other consultants and the premium for any reserve fund surety bond insurance.

"Costs of Issuance Fund" means the fund of that name established pursuant to the Sixteenth Supplemental Agreement.

"DTC" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Escrow Agent" means U.S. Bank National Association, as escrow agent under the Escrow Agreement, and its successors.

"Escrow Agreement" means the Escrow Agreement, dated as of June 16, 2009 among the Authority, the Trustee and the Escrow Agent.

"Escrow Account" means the account held by the Escrow Agent under the terms of the Escrow Agreement, which account is established and held for the purpose of providing for the redemption of the Refunded Bonds.

"Event of Default" means any occurrence or event described in this Appendix A under the caption "TRUST AGREEMENT - Events of Default and Remedies."

"Federal Securities" means, for purposes other than defeasance of the Series 2009-B Bonds, direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct

and general obligations of the United States of America) evidence of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations, (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations and (c) the underlying United States obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated.

"First Senior Bond Interest Account" means the account by that name established within the First Senior Debt Service Fund pursuant to the Agreement.

"First Senior Bond Principal Account" means the account of that name established within the First Senior Debt Service Fund pursuant to the Agreement.

"First Senior Bonds" means Bonds of any Series expressly designated as First Senior Bonds in the Supplemental Agreement pursuant to which they are issued.

"First Senior Debt Service Fund" means the fund of that name established pursuant to the Agreement.

"First Senior Deficiency" means, as of the first day of any calendar month, the amount by which the Aggregate Accrued First Senior Interest or Aggregate Accrued First Senior Principal, as the case may be, exceeds the amount on deposit in the First Senior Bond Interest Account or the First Senior Bond Principal Account, respectively.

"First Senior Excess Deposit" means, at any time, the amount of Pledged Revenues deposited into the First Senior Bond Interest Account or the First Senior Bond Principal Account, as the case may be, in excess of the corresponding amount of Aggregate Accrued First Senior Interest or Aggregate Accrued First Senior Principal, respectively.

"First Senior Parity Debt" means any Parity Debt payable from Pledged Revenues on a parity basis with the First Senior Bonds.

"Fiscal Year" means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period as the Authority designates as its fiscal year.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of New York, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any nationally recognized rating agency designated by the Authority.

"*Fund*" means any fund established pursuant to the Agreement or any Supplemental Agreement.

"Holder" or "Bondholder" or "Owner" means the registered owner of any Series 2009-B Bond, including DTC or its nominee as the sole registered owner of Book-Entry Bonds.

"Information Services" means any of Financial Information, Inc.'s Financial Daily Called Bond Service, Interactive Data Corporation's Bond Service, Kenny Information Service's Called Bond Service,

Moody's Investors Service's Municipal and Government Called Bond Service, or Standard & Poor's Called Bond Record.

"Interest Payment Date" means each January 1 and July 1, commencing January 1, 2010, the dates upon which interest on the Series 2009-B Bonds becomes due and payable.

"Issuing and Paying Agent" means U.S. Bank Trust National Association as issuing and paying agent for the Authority's commercial paper program.

"Local Allocation" means 20% of the Proposition C Sales Tax, calculated on an annual basis, which 20% is, under Ordinance No. 49, allocated to local jurisdictions for public transit, paratransit and related services.

"Mail" means by first-class United States mail, postage prepaid.

"Maximum Annual Debt Service" means the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Debt in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year as certified by a certificate of a Consultant delivered within 30 days of the date of calculation to the Trustee, who may rely conclusively on such certificate; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) if the Bonds or Parity Debt constitute or constitutes Variable Rate Indebtedness, the interest rate on such Bonds or Parity Debt will be assumed to be the maximum interest rate specified in any credit or liquidity facility or other arrangement for the tender of such Bonds or Parity Debt, or if no such facility or arrangement exists, the maximum stated interest rate which may be borne by such Bonds or Parity Debt; provided that in the event that such Variable Rate Indebtedness is issued in connection with an interest rate swap agreement in which the Authority has agreed to pay a fixed interest rate and such interest rate swap agreement has been reviewed and approved by S&P, and to the extent MBIA is then insuring any Bonds and is not in default under the related insurance policy, MBIA, for purposes of this definition, then the interest rate for purposes of computing Maximum Annual Debt Service will be such fixed interest rate for the period that such interest rate swap agreement is contracted to remain in full force and effect and thereafter will be assumed to be such maximum interest rate described above;

(b) principal and interest payments on Bonds and Parity Debt will be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from Capitalized Interest;

(c) in determining the principal amount due in each Fiscal Year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any mandatory sinking account payments or any scheduled redemption or payment of Bonds or Parity Debt on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as part of Accreted Value will be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(d) if any interest rate swap agreement or similar agreement or arrangement in which the Authority has agreed to pay the floating amount thereunder is in effect with respect to the Bonds or Parity Debt to which it relates, no fixed amounts payable under such interest rate swap

agreement will be included in the calculation of Maximum Annual Debt Service, and the interest rate with respect to such Bonds or Parity Debt will be assumed to be 12% per annum, unless the interest rate swap agreement has been reviewed and approved by S&P, and to the extent MBIA is then insuring any Bonds and are not in default under the related insurance policy, MBIA, for purposes of this definition, in which event only the amount of such floating payments to be made by the Authority that exceed the fixed amounts to be paid under the interest rate swap agreement will be included in the calculation of Maximum Annual Debt Service;

(e) if any Bonds or Parity Debt feature an option on the part of the holders thereof or an obligation under the terms of such Bonds or Parity Debt to tender all or a portion of such Bonds or Parity Debt to the Authority, the Trustee or other fiduciary or agent and require that such Bonds or Parity Debt or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds or Parity Debt, the options or obligations of the Owners of such Bonds or Parity Debt to tender the same for purchase or payment prior to their stated maturity or maturities will be treated as a principal maturity occurring on the first date on which Owners of such Bonds or Parity Debt may or are required to tender such Bonds or Parity Debt except that any such option or obligation to tender will not be treated as a single principal maturity, but rather such principal will be deemed amortized as specified in the definition of Assumed Debt Service, if (i) such Bonds or Parity Debt are rated in one of the two highest long-term Rating Categories by Moody's and S&P, or such Bonds are rated in the highest short-term, note or commercial paper Rating Categories by Moody's and S&P, and (ii) funds for the purchase price of such Bonds or Parity Debt are to be provided by a letter of credit or standby bond purchase agreement and the obligation of the Authority with respect to the provider of such letter of credit or standby bond purchase agreement, other than its obligations on such Bonds or Parity Debt, will be subordinated to the obligation of the Authority on such Bonds or Parity Debt or, if not subordinate, will be incurred (assuming such immediate tender) under the conditions and meeting the tests for the issuance of additional Bonds or Parity Debt set forth in the Agreement; and

(f) if the Bonds or Parity Debt are Paired Obligations, the interest rate on such Bonds or Parity Debt will be the resulting linked rate or effective fixed interest rate to be paid by the Authority with respect to such Paired Obligations.

"Maximum Annual First Senior Debt Service" means the greatest amount of principal and interest becoming due and payable on all First Senior Bonds and First Senior Parity Debt in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year as certified by a certificate of a Consultant delivered within 30 days of the date of calculation to the Trustee, who may rely conclusively on such certificate; provided, however, that for the purposes of computing Maximum Annual First Senior Debt Service:

(a) if the First Senior Bonds or First Senior Parity Debt constitute or constitutes Variable Rate Indebtedness, the interest rate on such Bonds or Parity Debt will be assumed to be the maximum interest rate specified in any credit or liquidity facility or other arrangement for the tender of such First Senior Bonds or First Senior Parity Debt, or if no such facility or arrangement exists, the maximum stated interest rate which may be borne by such First Senior Bonds or First Senior Parity Debt; provided that in the event that such Variable Rate Indebtedness is issued in connection with an interest rate swap agreement in which the Authority has agreed to pay a fixed interest rate and such interest rate swap agreement has been reviewed and approved by S&P, and to the extent MBIA is then insuring any Bonds and is not in default under the related insurance policy, MBIA, for purposes of this definition, the interest rate for purposes of computing Maximum Annual First Senior Debt Service will be such fixed interest rate for the period that

such interest rate swap agreement is contracted to remain in full force and effect and thereafter will be assumed to be such maximum interest rate described above;

(b) principal and interest payments on First Senior Bonds and First Senior Parity Debt will be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from Capitalized Interest;

(c) in determining the principal amount due in each Fiscal Year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any mandatory sinking account payments or any scheduled redemption or payment of First Senior Bonds or First Senior Parity Debt on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as part of Accreted Value will be deemed due on the scheduled redemption or payment date of such First Senior Capital Appreciation Bond;

(d) if any interest rate swap agreement or similar agreement or arrangement in which the Authority has agreed to pay the floating amount thereunder is in effect with respect to the First Senior Bonds or First Senior Parity Debt to which it relates, no fixed amounts payable under such interest rate swap agreement will be included in the calculation of Maximum Annual First Senior Debt Service, and the interest rate with respect to such Bonds and Parity Debt will be assumed to be 12% per annum, unless the interest rate swap agreement has been reviewed and approved by S&P, and to the extent MBIA is then insuring any Bonds and is not in default under the related insurance policy, MBIA, for purposes of this definition, in which event only the amount of such floating payments to be made by the Authority that exceed the fixed amounts to be paid under the interest rate swap agreement will be included in the calculation of Maximum Annual First Senior Debt Service;

(e) if any First Senior Bonds or First Senior Parity Debt feature an option on the part of the holders thereof or an obligation under the terms of such Bonds or Parity Debt to tender all or a portion of such Bonds or Parity Debt to the Authority, the Trustee or other fiduciary or agent and require that such Bonds or Parity Debt or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds or Parity Debt, the options or obligations of the Owners of such Bonds or Parity Debt to tender the same for purchase or payment prior to their stated maturity or maturities will be treated as a principal maturity occurring on the first date on which Owners of such Bonds or Parity Debt may or are required to tender such Bonds or Parity Debt except that any such option or obligation to tender will not be treated as a single principal maturity, but rather such principal will be deemed amortized as specified in the definition of Assumed Debt Service, if (i) such Bonds or Parity Debt are rated in one of the two highest long-term Rating Categories by Moody's and S&P, or such Bonds are rated in the highest short-term, note or commercial paper Rating Categories by Moody's and S&P, and (ii) funds for the purchase price of such Bonds or Parity Debt are to be provided by a letter of credit or standby bond purchase agreement and the obligation of the Authority with respect to the provider of such letter of credit or standby bond purchase agreement, other than its obligations on such Bonds or Parity Debt, will be subordinated to the obligation of the Authority on such Bonds or Parity Debt or, if not subordinate, will be incurred (assuming such immediate tender) under the conditions and meeting the tests for the issuance of additional First Senior Bonds or First Senior Parity Debt set forth in the Agreement; and

(f) if the First Senior Bonds or First Senior Parity Debt are Paired Obligations, the interest rate on such Bonds or Parity Debt will be the resulting linked rate or effective fixed interest rate to be paid by the Authority with respect to such Paired Obligations.

"MBIA" means MBIA Insurance Corporation, a New York stock insurance corporation, in its capacity as bond insurer or surety bond provider for one or more Series of Bonds.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized rating agency designated by the Authority.

"Nonarbitrage Certificate" means the nonarbitrage certificate prepared by Bond Counsel and delivered to the Authority at the time of issuance and delivery of any Series of Bonds which purport to bear interest which is excluded from gross income for federal income tax purposes, as the same may be amended or supplemented in accordance with its terms.

"Opinion of Bond Counsel" means a written opinion of a law firm of recognized national standing in the field of public finance selected by the Authority.

"Ordinance No. 49" means "An Ordinance Establishing an Additional Retail Transaction and Use Tax in the County of Los Angeles for Public Transit Purposes" adopted by the Authority on August 8, 1990.

"Outstanding," means, when used with reference to Series 2009-B Bonds, all Series 2009-B Bonds which have been authenticated and delivered by the Trustee under the Agreement and the Sixteenth Supplemental Agreement, except:

(a) Series 2009-B Bonds cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Series 2009-B Bonds deemed to be paid in accordance with the Agreement;

(c) Series 2009-B Bonds in lieu of which other Series 2009-B Bonds have been authenticated under the Agreement;

(d) Series 2009-B Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent; and

(e) for purposes of any consent or other action to be taken by the holders of a specified percentage of Series 2009-B Bonds under the Agreement, any Series 2009-B Bonds held by or for the account of the Authority or by any person controlling, controlled by or under common control with the Authority, unless such Series 2009-B Bonds are pledged to secure a debt to an unrelated party, in which case such Series 2009-B Bonds shall, for purposes of consents and other Bondholder action, be deemed to be outstanding and owned by the party to which such Series 2009-B Bonds are pledged.

"Paired Obligations" means any Series (or portion thereof) of Bonds or Parity Debt designated as Paired Obligations in the Supplemental Agreement or other document authorizing the issuance or

incurrence thereof, which are simultaneously issued or incurred (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Authority for the terms of such Bonds or Parity Debt.

"Parity Debt" means any indebtedness, installment sale obligation, lease obligation or other obligation for borrowed money, or any payment obligation under an interest rate swap agreement or other arrangement, in each case having an equal lien and charge upon Pledged Revenues and therefore payable on a parity with either the First Senior Bonds or the Second Senior Bonds, as the case may be (whether or not any Bonds are Outstanding).

"Participant" means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

"Permitted Investments" means:

(a) direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations");

(b) direct obligations of the Export-Import Bank of the United States; consolidated debt obligations of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("Freddie Mac"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("Fannie Mae"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); senior debt obligations of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; REFCORP Strips (stripped with the Federal Reserve Bank of New York); debt obligations of the Resolution Trust Corporation;

(c) Project Notes, Local Authority Bonds, New Communities Debentures-U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds-U.S. government guaranteed public housing notes and bonds, all either issued or guaranteed by the U.S. Department of Housing and Urban Development and backed by the full faith and credit of the United States of America and rated "A" or better by Moody's and "A" or better by S&P;

(d) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated "Aa" or better by Moody's and "AA" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated or better by Moody's and "AA" or better by S&P;

(e) commercial paper (having original maturities of not more than 270 days) rated "P-1" by Moody's and "A-1" or better by S&P;

(f) federal funds or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank (including the Trustee) including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which has the highest short-term rating of each Rating Agency then rating any of the Bonds;

(g) deposits of any bank or savings and loan association (including the Trustee) which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation (the "FDIC");

(h) investments in money-market funds rated "AAAm" or "AAAm-G" by S&P;

(i) repurchase agreements collateralized by Direct Obligations, GNMAs, obligations of Fannie Mae, or obligations of Freddie Mac with any registered broker/dealer or any commercial bank insured by the FDIC, if such broker/dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A" or better by Moody's, and "A-1" or "A" or better by S&P or such bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "Aa" or better by Moody's, and "A-l" or "AA" by S&P, provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction;

(ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits of not less than $50 million and the Trustee will have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee;

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee;

(iv) the Agent provides the Trustee with a valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation;

(v) the fair market value of the securities in relation to the principal amount of the repurchase obligation is equal to levels sufficient to cause the repurchase agreement to have a rating equal to the rating on the broker/dealer or bank providing the repurchase agreement; and

(vi) the Authority has the option of terminating the repurchase agreement in the event that either the long-term or short-term ratings of the provider are reduced below "A/A" and "A-1/P-1," respectively;

(j) investment agreements with any bank, insurance company or broker/dealer, or any corporation whose principal business is to enter into such agreements, if at the time of such

investment, such insurance company has an unsecured, uninsured and unguaranteed claims-paying ability rated "Aaa" by Moody's and "AAA" by S&P, or such corporation has an unsecured, uninsured and unguaranteed investment agreement rated "Aaa" by Moody's and "AAA" by S&P, or such bank has an unsecured, uninsured and unguaranteed obligation rated "Aa" or better by Moody's and "AA" or better by S&P, or such broker/dealer (or its parent) has a long-term unsecured, uninsured and unguaranteed obligation rated "A" or better by Moody's and "A" or better by S&P or a short-term unsecured, uninsured and unguaranteed obligation rated "P-1" by Moody's and "A-1" by S&P; provided, that such bank or broker/dealer also collateralize the obligation under the investment agreement with securities described in paragraph (i) above meeting the requirements of subparagraphs (ii) through (v) of paragraph (i) above; provided further, that such agreement will include a provision to the effect that if any rating of any such bank, insurance company, broker/dealer (or its parent) or corporation is downgraded below the rating existing at the time such agreement was entered into the Authority will have the right to terminate such agreement;

(k) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (a) through (j) of this definition of Permitted Investments and which shares are rated "AA-m" or better by S&P;

(1) deposits in the pooled investment fund maintained by the Treasurer-Tax Collector of the County;

(m) subject to the provisions of Section 53601 of the Government Code, any investment approved by the Board of Commissioners of the Authority for which confirmation is received from each Rating Agency then rating any of the Bonds that such investment will not adversely affect such agency's rating on such Bonds; and

(n) any cash sweep or similar account arrangement of or available to the Trustee which is fully insured by the FDIC and the investments of which are limited to investments described in clauses (a) through (k) of this definition of Permitted Investments, and any money market fund rated in the two highest Rating Categories by Moody's and S&P, the investments of which are limited to investments described in clauses (a) through (k) of this definition of Permitted Investments.

Notwithstanding anything in the Agreement to the contrary with respect to provisions in this definition which describe the long-term debt rating assigned to a Permitted Investment or to the unsecured obligations of the provider of a Permitted Investment, as the case may be, in no event will such long-term debt rating be less than the long-term debt rating assigned to the First Senior Bonds with respect to the investment of amounts held in the First Senior Debt Service Fund or less than the long-term debt rating assigned to the Second Senior Bonds with respect to the investment of amounts held in the Second Senior Debt Service Fund or the Reserve Fund.

"Pledged Revenues" means the Pledged Tax and all interest, profits and other income received from the investment of the Pledged Tax (other than amounts in the Rebate Fund). Pledged Revenues will also include such additional sources of revenue, if any, pledged to pay the Bonds as set forth in a Supplemental Agreement, but only if such revenue is irrevocably pledged and the Authority has received written confirmation from each Rating Agency then rating any of the Bonds that such inclusion of additional sources of revenue in the definition of Pledged Revenues will not result in a lowering or withdrawal of any such rating on any of the Bonds. Pledged Revenues will not include any amounts released by the Trustee to the Authority to be utilized by the Authority for any lawful purpose.

"Pledged Tax" means the Proposition C Sales Tax (a) less the administrative fee deducted by the State Board of Equalization, (b) less the Local Allocation and (c) plus such portion, if any, of the Local Allocation as any jurisdiction entitled to such amount has authorized to be pledged to secure the Bonds in accordance with the Agreement.

"Pre-refunded Municipals" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (a) which are rated, based on the escrow, in the highest Rating Category of Moody's and S&P or (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this definition on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

"Projects" will have the meaning set forth in the Act.

"Proposition C Sales Tax" means the retail transactions and use tax imposed by Ordinance No. 49 and approved by the electors of the County at an election held November 6, 1990.

"Rating Agencies" means Moody's, S&P and Fitch.

"Rating Category" means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rebate Fund" means the fund of that name established pursuant to the Agreement.

"Rebate Instructions" means those calculations and directions required to be delivered to the Trustee by the Authority under the Nonarbitrage Certificate.

"Rebate Requirement" means the Rebate Requirement defined in the Nonarbitrage Certificate.

"Record Date" means for a January 1 Interest Payment Date the immediately preceding December 15 and for a July 1 Interest Payment Date the immediately preceding June 15. Such dates shall be Record Dates notwithstanding if such dates are not a Business Day.

"Refunded Bonds" means all of the Outstanding Series 1993-A Bonds.

"Redemption Fund" means the fund of that name established pursuant to the Agreement.

"Registrar" means, for purposes of the Sixteenth Supplemental Agreement, the Trustee.

"Representation Letter" means the Blanket Issuer Letter of Representations from the Authority to DTC as supplemented and amended from time to time.

"Reserve Fund" means the account of that name established pursuant to the Agreement.

"Reserve Fund Insurance Policy" means an insurance policy or surety bond provided by a bond insurer, or a letter of credit, deposited in the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Insurance Policy will be rated in one of the two highest Rating Categories by Moody's and S&P.

"Reserve Fund Requirement" means, with respect to an Account within the Reserve Fund related to any Second Senior Bonds Outstanding, as of any date of calculation, the least of (a) 10% of the proceeds of such Second Senior Bonds, (b) Maximum Annual Debt Service on such Series of Second Senior Bonds or (c) 125% of average Annual Debt Service on such Series of Second Senior Bonds. For purposes of determining if the amount on deposit in the Reserve Fund meets the Reserve Fund Requirement for all Second Senior Bonds Outstanding, any Reserve Fund Insurance Policy deposited with the Trustee will be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, less any unreimbursed drawings or other amounts not reinstated under such Reserve Fund Insurance Policy.

"Responsible Officer" means an officer of the Trustee assigned by the Trustee to administer the Agreement.

"Revenue Fund" means the fund by that name created by the Agreement.

"Second Senior Bonds" means Bonds of any Series expressly designated as Second Senior Bonds in the Supplemental Agreement pursuant to which they are issued.

"Second Senior Bond Interest Account" means the account by that name established within the Second Senior Debt Service Fund pursuant to the Agreement.

"Second Senior Bond Principal Account" means the account by that name established within the Second Senior Debt Service Fund pursuant to the Agreement.

"Second Senior Debt Service Fund" means the fund by that name established pursuant to the Agreement.

"Second Senior Deficiency" means, as of the first day of any calendar month, the amount by which the Aggregate Accrued Second Senior Interest or Aggregate Accrued Second Senior Principal, as the case may be, exceeds the amount on deposit in the Second Senior Bond Interest Account or the Second Senior Bond Principal Account.

"Second Senior Excess Deposit" means, at any time, the amount of Pledged Revenues deposited into the Second Senior Bond Interest Account or the Second Senior Bond Principal Account, as the case may be, in excess of the corresponding amount of Aggregate Accrued Second Senior Interest or Aggregate Accrued Second Senior Principal.

"Second Senior Parity Debt" means any Parity Debt payable from Pledged Revenues on a parity basis with the Second Senior Bonds.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, New York, New York 10041, Telephone: (212) 855-1000, Facsimile: (212) 855-7320, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other

securities depositories as the Authority may designate in a certificate of the Authority delivered to the Trustee.

"Series" means Bonds issued at the same time or sharing some other common term or characteristic and designated as a separate Series.

"Series 1993-A Bonds" means the $204,095,000 original principal amount of bonds issued under the Agreement and the Third Supplemental Agreement and designated as "Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1993-A."

"Series 1993-A Swap" means the Interest Rate Swap Agreement dated as of June 1, 1993, between AIG Financial Products Corp. and the Authority, entered into with respect to the Series 1993-A Bonds whereby the Authority has agreed to pay AIG a fixed amount (based upon the fixed interest rate of 5.155%) on the notional amounts set forth in the AIG Swap Agreement and AIG has agreed to pay the Authority a floating amount (based upon the floating interest rate of 67% of the LIBOR-based Relevant Rate, as such term is defined in the AIG Swap Agreement).

"Series 1993-A Swap Provider" means AIG Financial Products Corp.

"*Series 2009-B Account of the Reserve Fund*" means the account of that name established under and pursuant to the Sixteenth Supplemental Agreement.

"Series 2009-B Bonds" means the $245,825,000 original principal amount of bonds issued under the Agreement and this Sixteenth Supplemental Agreement and designated as "Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-B" and described in the Sixteenth Supplemental Agreement.

"*Series 2009-B Costs of Issuance Fund*" means the fund of that name established under and pursuant to the Sixteenth Supplemental Agreement.

"*Series 2009-B Rebate Fund*" means the fund of that name established under and pursuant to the Sixteenth Supplemental Agreement.

"*Series 2009-B Subaccount of the Second Senior Bond Interest Account*" means the subaccount of that name established within the Bond Interest Account of the Debt Service Fund pursuant to the Sixteenth Supplemental Agreement.

"*Series 2009-B Subaccount of the Second Senior Bond Principal Account*" means the subaccount of that name established within the Bond Principal Account of the Debt Service Fund pursuant to the Sixteenth Supplemental Agreement.

"Sixteenth Supplemental Agreement" means the Sixteenth Supplemental Trust Agreement, dated as of June 1, 2009, by and between the Authority and the Trustee which includes the terms of the Series 2009-B Bonds.

"*Standard & Poor's*" or "S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such entity shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

"State" means the State of California.

"State Board of Equalization" means the California State Board of Equalization which collects the Proposition C Tax.

"State Information Depository" means any appropriate California state information depository within the meaning of Rule 15c2-12.

"*Subaccount*" means any subaccount established pursuant to the Agreement or any Supplemental Agreement.

"Subordinate Lien Obligations" means an obligation issued on a subordinate basis to the Bonds and any Parity Debt as permitted by the Agreement and payable from and secured by amounts on deposit in the accounts established within a subordinate lien obligation fund with respect to such obligation.

"Supplemental Agreement" means any supplemental trust agreement then in full force and effect which has been duly approved by resolution of the Authority and signed by the Authority and the Trustee and providing for the issuance of a Series or multiple Series of Bonds, amending and/or supplementing the Agreement or amending and/or supplementing another Supplemental Agreement.

"Tax Certificate" means the Tax and Nonarbitrage Certificate executed and delivered by the Authority at the time of issuance and delivery of the Series 2009-B Bonds, as the same may be amended or supplemented in accordance with its terms.

"Third Supplemental Agreement" means the Third Supplemental Trust Agreement, dated as of June 1, 1993, by and between the Authority and the Trustee.

"Trustee" means U.S. Bank National Association, as successor by merger to U.S. Bank Trust National Association, as successor in interest to Bank of America National Trust and Savings Association, as trustee under the Agreement, and its successors.

"Variable Rate Indebtedness" means any portion of indebtedness the interest rate on which is not established at the time of incurrence of such indebtedness and has not at some subsequent date been established at a single numerical rate for the entire term of the indebtedness, excluding Paired Obligations.

TRUST AGREEMENT

The below summary of the Agreement contains a brief summary of certain basic provisions of the Trust Agreement entered into by and between the Authority and Trustee, dated as of October 1, 1992 which are generally applicable to all Bonds. For the Series 2009-B Bonds, these provisions are supplemented by, and also may in certain instances be modified by, the provisions of the Sixteenth Supplemental Agreement.

Grant to Secure the Bonds; Pledge of Pledged Revenues

The Agreement states that the Bonds and Parity Debt authorized and issued under the Agreement will be secured by a prior lien on and pledge of Pledged Revenues and all amounts (including proceeds of Bonds and Parity Debt) held by the Trustee under the Agreement or under any Supplemental Agreement, including earnings thereon, and all proceeds of Bonds and Parity Debt, including earnings thereon, held by the Authority in any Fund, Account or Subaccount (except for amounts held in the Rebate Fund and

the Redemption Fund and, with respect to First Senior Bonds, First Senior Parity Debt and Second Senior Parity Debt, except for amounts held in the Reserve Fund, which Reserve Fund amounts are pledged on a first lien basis only to the payment of the Second Senior Bonds) in accordance with the lien priority established under the Agreement, and within a lien priority, such Bonds and Parity Debt shall be of equal rank without preference, priority or distinction of any Bond or Parity Debt over any other Bonds or Parity Debt within such lien priority. The Authority does grant such pledge and prior lien on the Pledged Revenues and amounts in such Funds, Accounts and Subaccounts described above to secure the Bonds and Parity Debt, in the order of priority set forth in the Agreement. Such pledge constitutes a first lien on Pledged Revenues and amounts in such Funds, Accounts and Subaccounts described above with respect to the First Senior Bonds and First Senior Parity Debt, and constitutes a lien subordinate only to the First Senior Bonds and First Senior Parity Debt with respect to the Second Senior Bonds and Second Senior Parity Debt. The Authority represents and states that it has not previously created any charge or lien on the Pledged Revenues or the amounts in such Funds, Accounts and Subaccounts described above, and the Authority covenants that, until all the Bonds and Parity Debt authorized and issued under the Agreement and the interest thereon shall have been paid or are deemed to have been paid, it will not grant any pledge of Pledged Revenues or amounts in such Funds, Accounts and Subaccounts described above ranking senior to the pledge under the Agreement or create or permit to be created any charge or lien on the Pledged Revenues or the amounts in such Funds, Accounts and Subaccounts described above ranking senior to the charge or lien of the Bonds and Parity Debt issued pursuant to the Agreement. The Authority may create or permit to be created a charge or lien on the Pledged Revenues ranking junior and subordinate to the charge or lien of the Bonds and Parity Debt issued pursuant to the Agreement.

The Authority has covenanted that it will not take any action which will have a materially adverse effect upon the Pledged Revenues or will have materially adverse effect upon the pledge of the Pledged Revenues or the rights of the holders of the Bonds. The Authority has covenanted that it will not issue any other obligations, except upon the conditions and in the manner provided in the Agreement, payable from or secured by the Pledged Revenues or amounts held by the Trustee or the Authority under the Agreement or under any Supplemental Agreement on a basis senior to or on parity with any Bonds or any Parity Debt, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or any other charge on a basis senior to or on parity with the lien held by the holders of any Bonds or any Parity Debt, upon the Pledged Revenues or any part thereof or amounts held by the Trustee or the Authority under the Agreement or under any Supplemental Agreement (except for amounts held in the Rebate Fund). The Authority may issue obligations on a subordinated basis as provided in the Supplemental Agreement; provided that any such subordinated obligations issued by the Authority and payable from the Pledged Revenues must contain an express statement that such obligations are junior and subordinate in all respects to the Bonds issued under the Agreement as to lien on and source and security for payment from the Pledged Revenues. The Authority will be unconditionally and irrevocably obligated, so long as any of the Bonds are outstanding and unpaid, to take all lawful action necessary or required to continue to entitle the Authority to receive the Pledged Revenues at the same rates as provided by law at the time of execution of the Agreement to pay from the Pledged Revenues the principal of and interest on the Bonds and to make the other payments provided for in the Agreement.

Payment of Principal and Interest

The Authority has covenanted and agreed that it will duly and punctually pay or cause to be paid from the Pledged Revenues and to the extent thereof the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner in the Agreement and in the Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements contained in the Agreement and in the Bonds. The Authority may, in its discretion, provide funds other than Pledged Revenues to the Trustee to be used to pay principal of, premium, if any, and interest on the Bonds, but is under no obligation to do so.

Additional Bonds

Upon compliance with the terms of the Agreement, the Authority is permitted to issue First Senior Bonds, First Senior Parity Debt, Second Senior Bonds or Second Senior Parity Debt under the Agreement secured on a parity by and payable from the Pledged Revenues. Bonds may be issued by the Authority under the terms of the Agreement for any purpose for which the Authority, at the time of such issuance, may incur debt which, if the Authority may then otherwise do so, may include issuing Bonds and loaning the proceeds to other entities.

Prior to issuance of First Senior Bonds or First Senior Parity Debt subsequent to the issuance of the initial Bonds under the Agreement, there will be delivered to the Trustee, in addition to other items, a certificate prepared by a Consultant showing that the Pledged Tax collected for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed First Senior Bonds or First Senior Parity Debt was at least equal to (a) 400% of Maximum Annual First Senior Debt Service for all First Senior Bonds and First Senior Parity Debt which will be Outstanding, and (b) 130% of Maximum Annual Debt Service for all Bonds and Parity Debt which will be Outstanding, in each case immediately after the issuance of the proposed First Senior Bonds or First Senior Parity Debt.

If any city or the County has authorized the pledging of all or a portion of its share of the Local Allocation to secure the Bonds or Parity Debt and a certified copy of the ordinance, resolution or other official action authorizing the pledge and setting forth the terms of such pledge (including its duration, which will not be less than the term of any Bonds or Parity Debt then issued and Outstanding or proposed to be issued) and a written opinion of Bond Counsel that the pledge of such portion of the Local Allocation is a valid pledge of the Authority have been filed with the Trustee, then the reference to the Pledged Tax in the immediately preceding paragraph will include such pledged portion of the Local Allocation.

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

Prior to issuance of Second Senior Bonds or Second Senior Parity Debt subsequent to the issuance of the initial Bonds under the Agreement there will be delivered to the Trustee, in addition to other items, a certificate prepared by a Consultant showing that the Pledged Tax collected for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed Second Senior Bonds or Second Senior Parity Debt was at least equal to 130% of Maximum Annual Debt Service for all Bonds and Parity Debt which will be Outstanding immediately after the issuance of the proposed Second Senior Bonds or Second Senior Parity Debt.

If any city or the County has authorized the pledging of all or a portion of its share of the Local Allocation to secure the Bonds or Parity Debt and a certified copy of the ordinance, resolution or other official action authorizing the pledge and setting forth the terms of such pledge (including its duration, which will not be less than the term of any Bonds or Parity Debt then issued and Outstanding or proposed to be issued) and a written opinion of Bond Counsel that the pledge of such portion of the Local Allocation is a valid pledge of the Authority have been filed with the Trustee, then the reference to the

Pledged Tax in the immediately preceding paragraph will include such pledged portion of the Local Allocation.

The certificate described above will not be required if the Second Senior Bonds or Second Senior Parity Debt being issued are for the purpose of refunding then Outstanding Bonds or Parity Debt and there is delivered to the Trustee, instead, a certificate of the Authorized Authority Representative showing that Annual Debt Service in each year on all Bonds Outstanding and Parity Debt after the issuance of the refunding Second Senior Bonds or Second Senior Parity Debt will not exceed Annual Debt Service in each year on all Bonds Outstanding and Parity Debt prior to the issuance of such Second Senior Bonds or Second Senior Parity Debt.

If the Authority is issuing Parity Debt, the following additional documents must be filed with the Trustee:

(a) a certificate of an Authorized Authority Representative stating that no Event of Default has occurred and is continuing;

(b) the certificate of the Consultant required by the Agreement, or, if the Parity Debt to be issued is for refunding Outstanding Bonds or Parity Debt, the certificate of an Authorized Authority Representative described therein;

(c) an opinion of Bond Counsel to the effect that such Parity Debt has been duly authorized in accordance with applicable law and that the issuance of such Parity Debt and the intended expenditure of the proceeds thereof will not adversely affect the tax-exempt status of any Bonds Outstanding immediately after such issuance which purport to bear interest which is excluded from gross income for federal income tax purposes; and

(d) a transcript of the proceedings providing for the issuance of such Parity Debt, including issuing documents which designate the Trustee as a paying agent or trustee for such Parity Debt (but the Trustee will not be responsible for the validity or sufficiency of such proceedings for such Parity Debt).

Subordinated Obligations

The Authority may issue obligations on a subordinated basis as provided in a Supplemental Agreement; provided that any such subordinated obligations issued by the Authority and payable from Pledged Revenues will contain an express statement that such obligations are junior and subordinate in all respects to the Bonds issued under the Agreement as to lien on and source and security for payment from the Pledged Revenues. No additional debt tests or restrictions are imposed by the Agreement upon the incurrence of such subordinated obligations.

Funds and Accounts

The Agreement creates the Construction Fund containing a Discretionary Account, a Rail and Bus Security Account, a Commuter Rail and Transit Center Account, a Freeways and State Highway Account and a Cost of Issuance Account; the Revenue Fund; the First Senior Debt Service Fund containing a First Senior Bond Interest Account and a First Senior Bond Principal Account; the Second Senior Debt Service Fund containing a Second Senior Bond Interest Account and a Second Senior Bond Principal Account; the Reserve Fund; a subordinate lien obligation fund; the Redemption Fund; the Rebate Fund; an account within the Reserve Fund; and subaccounts within the Cost of Issuance Account,

the Discretionary Account, the Commuter Rail and Transit Center Account, and the Second Senior Bond Interest Account.

The Agreement provides that the moneys in each of such funds and accounts and in the Construction Fund, if held by the Trustee, will be held by the Trustee in trust and applied as hereinafter provided with regard to each such fund and account and, pending such application, will be subject to a lien and charge in favor of the holders of the Bonds issued and Outstanding under the Agreement and for the further security of such holders until paid out or transferred as provided in the Agreement.

Revenue Fund; Flow of Pledged Revenues. The Trustee is required under the Agreement, on each day that Pledged Revenues are deposited into the Revenue Fund, to withdraw from the Revenue Fund an amount sufficient, with other funds, if any, provided to the Trustee and previously used in such month to make such deposits, to make the deposits described in clauses (a) to (f), inclusive, below and deposit such sum so withdrawn to the credit of the following accounts in the following order of priority:

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

(b) to the credit of the First Senior Bond Principal Account an amount equal to the Aggregate Accrued First Senior Principal for the current calendar month less any First Senior Excess Deposit made with respect to the last preceding calendar month plus any Accrued First Senior Premium and any First Senior Deficiency existing on the first day of such calendar month plus any amount of principal which has become due and has not been paid and for which there are insufficient funds in the First Senior Bond Principal Account or another special account to be used to make such payment;

(c) to the credit of the Second Senior Bond Interest Account an amount equal to the Aggregate Accrued Second Senior Interest for the current calendar month less any Second Senior Excess Deposit made with respect to the last preceding calendar month plus any Second Senior Deficiency existing on the first day of such calendar month plus any amount of interest which has become due and has not been paid and for which there are insufficient funds in the Second Senior Bond Interest Account or another special account to be used to make such payment;

(d) to the credit of the Second Senior Bond Principal Account an amount equal to the Aggregate Accrued Second Senior Principal for the current calendar month less any Second Senior Excess Deposit made with respect to the last preceding calendar month plus any Accrued Second Senior Premium and any Second Senior Deficiency existing on the first day of such calendar month plus any amount of principal which has become due and has not been paid and for which there are insufficient funds in the Second Senior Bond Principal Account or another special account to be used to make such payment;

(e) to the credit of the Reserve Fund such portion of the balance, if any, remaining after making the deposits described in clauses (a) through (d) above to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement for all Second Senior Bonds Outstanding (including such amounts required to reimburse draws on any Reserve Fund Insurance Policy), or if the entire balance is less than the amount necessary, then the entire balance will be deposited into the Reserve Fund, and such amounts shall be used to reimburse

draws on any Reserve Fund Insurance Policy prior to replenishing the cash or Permitted Investments formerly on deposit therein; and

(f) if the Authority has incurred a Subordinate Lien Obligation, to a subordinate lien obligation fund to the credit of accounts to be created within such subordinate lien obligation fund by the Trustee pursuant to the Agreement for the deposit of funds to pay Subordinate Lien Obligation. The Trustee is instructed to create accounts within a subordinate lien obligation fund for each type of Subordinate Lien Obligation as such obligations arise and to credit such accounts in such amounts and at such times as will be needed to provide for payments of such Subordinate Lien Obligations under the Supplemental Agreement or Supplemental Agreements relating to such obligations. The credit of Pledged Revenues to such accounts will be made in accordance with the rank of the pledge created by such Subordinate Lien Obligations. Notwithstanding the foregoing, however, if there will be insufficient Pledged Revenues in any Fiscal Year to make all of the foregoing deposits, such Pledged Revenues will be allocated to the accounts within a subordinate lien obligation fund on a pro rata basis based on the amounts required to be deposited therein during such Fiscal Year among all such Subordinate Lien Obligations issued or entered into on a parity basis and in accordance with the rank of the pledge created by such Subordinate Lien Obligations.

Any Pledged Revenues remaining after making the deposits described in clauses (a) through (f) above will immediately be transferred to the Authority for use for any lawful purpose and will no longer be "Pledged Revenues." If, by the twenty-fifth day of any month, the Trustee has not received the Pledged Tax from the State Board of Equalization in amounts necessary to make the deposits required by paragraphs (a) through (f) above, the Trustee will immediately notify the Authority. If the Pledged Revenues are at any time insufficient to make the deposits required by the Agreement, or at any time, the Authority may, at its election, deposit with the Trustee funds from any available sources with the direction that such funds be deposited into the funds and accounts or specified funds and accounts held by the Trustee.

Debt Service Funds. In addition to the amounts deposited into the accounts described in clauses (a) through (d) above, the Trustee may accept and deposit into the First Senior Debt Service Fund or the Second Senior Debt Service Fund other amounts from the Authority or from other sources to be used for regularly scheduled principal and interest payments or for the redemption of Bonds or Parity Debt. There will be withdrawn from the First Senior Bond Interest Account and the First Senior Bond Principal Account from time to time and set aside or deposited with the applicable Paying Agent or Paying Agents sufficient money for paying the interest on the First Senior Bonds and First Senior Parity Debt and the principal of and premium on the First Senior Bonds and First Senior Parity Debt as the same will fall due, or if such interest, principal or premium is paid by or through a form of liquidity support, credit enhancement, interest rate swap agreement or other arrangement provided therefor, amounts in the First Senior Bond Interest Account and First Senior Bond Principal Account may, if so provided by Supplemental Agreement, be used to reimburse such amounts to the party providing such credit enhancement, liquidity support, interest rate swap agreement or other arrangement.

There will be withdrawn from the Second Senior Bond Interest Account and the Second Senior Bond Principal Account from time to time and set aside or deposited with the applicable Paying Agent or Paying Agents sufficient money for paying the interest on the Second Senior Bonds and Second Senior Parity Debt and the principal of and premium on the Second Senior Bonds and Second Senior Parity Debt as the same will fall due, or if such interest, principal or premium is paid by or through a form of liquidity support, credit enhancement, interest rate swap agreement or other arrangement provided therefor, amounts in the Second Senior Bond Interest Account and Second Senior Bond Principal Account may, if so provided by Supplemental Agreement, be used to reimburse such amounts to the party providing such

credit enhancement, liquidity support, interest rate swap agreement or other arrangement. For purposes of complying with the allocation requirements of Ordinance No. 49, the payment of principal and interest with respect to any Bonds and Parity Debt shall be deemed to be an expenditure of Proposition C Sales Tax receipts corresponding to the allocation of the proceeds of such Bonds and Parity Debt.

Reserve Fund. Moneys held in the Reserve Fund will be used for the purpose of paying principal and/or interest on the Second Senior Bonds if the amounts in either of the accounts mentioned in clauses (c) and (d) in "Reserve Fund; Flow of Pledge Revenues" above will on any date be insufficient to pay in full the interest and principal due on such date. Investments in the Reserve Fund may not have maturities extending beyond five years. On or about July 1 of each year, commencing July 1, 1993, the Trustee will value the Reserve Fund at the then current market value in a manner satisfactory to the Trustee. If, on any valuation of the Reserve Fund, the value of the Reserve Fund will exceed the Reserve Fund Requirement for all Second Senior Bonds Outstanding, such excess will be withdrawn and transferred to the Authority to be used for any lawful purpose. In addition, at such time as any Second Senior Bonds will be paid in full or will be deemed to have been paid in full, or are other-wise no longer Outstanding, the Trustee will value the Reserve Fund, and if the amount on deposit in the Reserve Fund after such Second Senior Bonds is paid in full or deemed to have been paid in full, or are otherwise no longer Outstanding, exceeds the Reserve Fund Requirement for all Second Senior Bonds Outstanding, such excess will be withdrawn and transferred to the Authority to be used for any lawful purpose. If, on any valuation of the Reserve Fund, the value is less than the Reserve Fund Requirement for all Second Senior Bonds Outstanding, deposits will be made into the Reserve Fund from and to the extent of Pledged Revenues as provided under clause (e) in "Reserve Fund; Flow of Pledge Revenues" above (after deposits provided in clauses (a) through (d) in "Reserve Fund; Flow of Pledge Revenues" above have been made) until the Reserve Fund Requirement for all Second Senior Bonds Outstanding is met.

Redemption Fund. All moneys deposited by the Authority with the Trustee for the purpose of optionally redeeming Bonds of any Series will, unless otherwise directed by the Authority, be deposited in the Redemption Fund. Moneys held by the Trustee in an account of the Construction Fund upon closing of such account will, unless otherwise directed by the Authority, be transferred to the Redemption Fund as provided in the Supplemental Agreement creating such account. All amounts deposited in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series, in the manner, at the times and upon the terms and conditions specified in the Supplemental Agreement pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee will, upon receipt of written instructions from an Authorized Authority Representative, apply such amounts to the purchase of Bonds of such Series At public or private sale, as and when and at such prices (including brokerage and other charges) as directed by the Authority.

Investments

Moneys held by the Trustee in the funds and accounts created under the Agreement are to be invested and reinvested as directed by the Authority solely in Permitted Investments subject to the restrictions set forth in the Agreement and in any Supplemental Agreement and subject to the investment restrictions imposed upon the Authority by the laws of the State. In addition to investing in Permitted Investments, the Authority may enter into an interest rate swap agreement corresponding to the interest rate or rates payable on a Series of Bonds or Parity Debt or any portion thereof with an entity the debt securities of which are rated (at the time the swap is entered into) at least "A-3" by Moody's and "A-" by S&P, and the amounts received by the Authority or the Trustee, if any, pursuant to such a swap agreement may be applied to the deposits required under the Agreement.

Defeasance

Bonds or portions thereof which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Agreement except for the purposes of payment from moneys, Federal Securities or Pre-refunded Municipals set aside for such payment. When all Bonds which have been issued under the Agreement have been paid in full or are deemed to have been paid in full, and all other sums payable by the Authority under the Agreement, including all necessary and proper fees, compensation and expenses of the Trustee, any Registrars and any Paying Agents, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the Pledged Revenues will cease, terminate and become void, and thereupon the Trustee will cancel, discharge and release the Agreement and will execute, acknowledge and deliver to the Authority such instruments of satisfaction and discharge or release as will be requisite to evidence such release and such satisfaction and discharge and will assign and deliver to the Authority any property and revenues at the time subject to the Agreement which may then be in the Trustee's possession, except funds or securities in which such funds are invested and held by the Trustee or the Paying Agents for the payment of the principal of, premium, if any, and interest on the Bonds.

A Bond will be deemed to be paid when (A) payment of the principal, interest and premium, if any, either (i) will have been made or caused to be made in accordance with the terms of the Bonds and the Agreement or (ii) will have been provided for, as certified to the Trustee by a Consultant, by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment: (1) moneys sufficient to make such payment, (2) Federal Securities maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment and/or (3) Pre-refunded Municipals, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (B) all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent pertaining to the Bonds with respect to which such deposit is made will have been paid or provision made for the payment thereof. No deposit under (A)(ii) will be deemed a payment of such Bonds until (a) proper notice of redemption of such Bonds will have been given in accordance with the Agreement, or, in the event such Bonds are not to be redeemed within the next succeeding 60 days, until the Authority will have given the Trustee irrevocable instructions to notify, as soon as practicable, the holders of the Bonds that the deposit required by clause A(ii) above has been made and that such Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or, premium, if any, and unpaid interest on such bonds; or (b) the maturity of such Bonds.

Events of Default and Remedies

Events of Default. Each of the following events will constitute and is referred to in the Agreement as an "Event of Default" (but an Event of Default with respect to the First Senior Bonds will not by itself constitute an Event of Default with respect to the Second Senior Bonds, and an Event of Default with respect to the Second Senior Bonds will not by itself constitute an Event of Default with respect to the First Senior Bonds):

(a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same becomes due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Bonds when such interest becomes due and payable;

(c) a failure to pay the purchase price of any Bond when such purchase price is due and payable upon an optional or mandatory tender date as provided in the Bond;

(d) a failure by the Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) contained in the Bonds or in the Agreement on the part of the Authority to be observed or performed, which failure continues for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Authority by the Trustee; provided, however, that the Trustee will be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority within such period and is being diligently pursued;

(e) if the Authority files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(f) if a court of competent jurisdiction enters an order, judgment or decree declaring the Authority insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Authority, or approving a petition filed against the Authority seeking reorganization of the Authority under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree will not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

(g) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Authority or of the Pledged Revenues, and such custody or control is not terminated within 60 days from the date of assumption of such custody or control; or

(h) the occurrence of any other Event of Default as is provided in a Supplemental Agreement.

Upon its actual knowledge of the occurrence of any Event of Default, the Trustee will immediately give written notice thereof to the Authority.

Remedies. Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the principal amount of the Bonds then Outstanding of the lien priority for which an Event of Default has occurred and is continuing and receipt of indemnity to its satisfaction, will, in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Authority to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Agreement, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Agreement;

(b) bring suit upon the defaulted Bonds;

(c) commence an action or suit in equity to require the Authority to account as if it were the trustee of an express trust for the Bondholders; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

Bondholders' Right to Direct Proceedings. The holders of a majority in principal amount of the Bonds then Outstanding of the lien priority for which an Event of Default has occurred and is continuing will have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Agreement to be taken in connection with the enforcement of the terms of the Agreement or exercising any trust or power conferred on the Trustee by the Agreement; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Agreement and that there will have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee; provided further that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Debt of such lien priority not parties to such direction.

Limitation on Bondholders' Right to Institute Proceedings. No owner of any Bond will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Agreement, the Act or any other applicable law with respect to such Bond unless (a) such owner will have given to the Trustee written notice of the occurrence of an Event of Default; (b) owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding of the lien priority for which an Event of Default has occurred and is continuing will have made written request upon the Trustee to exercise the powers granted in the Agreement or to institute such suit, action or proceeding in its own name; (c) such owner or said owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee will have refused or failed to comply with such request for a period of 60 days after such written request will have been received by and said tender of indemnity will have been made to, the Trustee and (e) the Trustee will not have received contrary directions from the owners of a majority in aggregate principal amount of the Bonds then Outstanding of the lien priority for which an Event of Default has occurred and is continuing.

Rights and Duties of the Trustee; Other Agents

Under the Agreement, if an Event of Default has occurred and is continuing, the Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in the Agreement and no others and, in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Agreement. However, the Trustee will examine the certificates and opinions to determine whether they confirm with the requirements of the Agreement.

The Agreement states that the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; the Trustee will not be liable with respect to any action it takes or fails to take in good faith in accordance with a direction received by it from Bondholders or the Authority in the manner provided in the Agreement; and no provision of the Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder or in the exercise of any of its rights or powers if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee may, unless such right is restricted by

Supplemental Agreement, refuse to perform any duty or exercise any right or power unless it receives indemnity reasonably satisfactory to it against any loss, liability or expense. The Trustee will not be liable for interest on any cash held by it except as the Trustee may agree with the Authority.

The Authority or the Trustee may from time to time appoint other agents to perform duties and obligations under the Agreement or under a Supplemental Agreement, which agents may include, but not be limited to, tender agents, remarketing agents and authenticating agents all as provided by Supplemental Agreement or resolution of the Authority.

Replacement of Trustee

The Trustee may resign as trustee as to all Bonds or as to Bonds of either lien priority by notifying the Authority in writing prior to the proposed effective date of the resignation. The holders of a majority in principal amount of the Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the Authority's consent. The Authority may remove the Trustee by notice in writing delivered to the Trustee 60 days prior to the proposed removal date; provided, however, that the Authority will have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing unless (a) the Trustee fails to comply with the eligibility requirements for the Trustee as set forth in the Agreement which include the requirement that the Trustee have a combined capital and surplus of at least $100,000,000, (b) the Trustee is adjudged a bankrupt or an insolvent, (c) a receiver or other public officer takes charge of the Trustee or its property, (d) the Trustee otherwise becomes incapable of acting or (e) the Authority determines that the Trustee's services are no longer satisfactory to the Authority.

The Agreement states that no resignation or removal of the Trustee will be effective until a new Trustee has taken office.

Amendments

Without the Consent of Bondholders. The Authority may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Agreements supplementing and/or amending the Agreement or any Supplemental Agreement as follows:

(a) to provide for the issuance of a Series or multiple Series of Bonds under the applicable provisions of the Agreement and to set forth the terms of such Bonds and the special provisions which will apply to such Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in the Agreement or any Supplemental Agreement;

(c) to add to the covenants and agreements of the Authority in the Agreement or any Supplemental Agreement other covenants and agreements, or to surrender any right or power reserved or conferred upon the Authority, and which will not adversely affect the interests of the Bondholders;

(d) to confirm, as further assurance, any interest of the Trustee in and to the Pledged Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the Authority provided pursuant to the Agreement or otherwise to add additional security for the Bondholders;

(e) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Agreement at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Agreement relating to such Series of Bonds;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(g) to modify, alter, amend or supplement the Agreement or any Supplemental Agreement in any other respect which, in the judgment of the Authority, is not materially adverse to the Bondholders;

(h) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(i) to qualify the Bonds or a Series of Bonds for a rating or ratings by any Rating Agency; and

(j) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on any of the Bonds.

Before the Authority, without Bondholder consent, executes any Supplemental Agreement subsequent to the First Supplemental Agreement, there will delivered to the Authority an opinion of Bond Counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on Bonds.

With the Consent of Bondholders. Except for amendments described above or amendments affecting less than all Series of Bonds as described in the following paragraph, the holders of not less than 60% in aggregate principal amount of the Bonds of each lien priority then Outstanding will have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Agreement deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Agreement or in a Supplemental Agreement; provided, however, that, unless approved in writing by the holders of all the Bonds then outstanding or unless such change affects less than all Series of Bonds and the following paragraph is applicable, no amendment may (a) change the times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds, (b) reduce the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and no amendment will, unless approved in writing by the holders of all the Bonds then Outstanding, permit or be construed as permitting (x) the creation of a lien (except as expressly permitted by the Agreement as originally executed) upon or pledge of the Pledged Revenues created by the Agreement, ranking prior to or on a parity with any of the liens and pledges created by the Agreement, or (y) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided in the Agreement, or (z) a reduction in the aggregate principal amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Agreement.

The Authority may, from time to time and at any time, execute a Supplemental Agreement which amends the provisions of an earlier Supplemental Agreement under which a Series or multiple Series of Bonds were issued. If such Supplemental Agreement is executed for one of the purposes set forth under

the caption "Amendments—Without the Consent of Bondholders," no notice to or consent of the Bondholders will be required. If such Supplemental Agreement contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding, then the holders of not less than 60% in aggregate principal amount of the Bonds of all Series which are affected by such changes will have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Agreement deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Agreement and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Bonds of all the affected Series then Outstanding, no amendment may (i) change the times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds of such Series or (ii) reduce the principal, amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon.

Rebate Fund

The Agreement creates a Rebate Fund established for the purpose of complying with the terms and requirements of the Nonarbitrage Certificate. Subject to the transfer provisions provided in the following paragraph, all money at any time deposited in the Rebate Fund will be held by the Trustee for the account of the Authority in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Nonarbitrage Certificate), for payment to the federal government of the United States of America, and neither the Trustee nor the Owner of any Bonds will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the Agreement and by the Nonarbitrage Certificate. The Authority covenants to comply with the directions contained in the Nonarbitrage Certificate and the Trustee covenants to comply with all written instructions of the Authority delivered to the Trustee pursuant to the Nonarbitrage Certificate (which instructions will state the actual amounts to be deposited in or withdrawn from the Rebate Fund and will not require the Trustee to make any calculations with respect thereto).

Upon receipt of the rebate instructions required to be delivered to the Trustee by the Nonarbitrage Certificate, the Trustee will remit part or all of the balances in the Rebate Fund to the federal government of the United States of America, as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Rebate Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, will be withdrawn and remitted to the Authority in accordance with a request of the Authority.

Tax Covenants

In order to maintain the tax-exempt status of Bonds which purport to bear interest which is excluded from gross income for federal income tax purposes, the Authority will make all calculations relating to any rebate of excess investment earnings on the proceeds of such Bonds due to the United States Treasury in a reasonable and prudent fashion and will segregate and set aside the lawfully available amounts such calculations indicate may be required to be paid to the United States Treasury, and otherwise will at all times do and perform all acts and things within its power and authority necessary to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the Authority agrees to comply with the Nonarbitrage Certificate. The Trustee, by acceptance of its duties under the Agreement, agrees to comply with any instructions received from the Authority which the Authority indicates must be followed in order to comply with the Nonarbitrage Certificate.

In the event that at any time the Authority is of the opinion that for purposes of maintaining the tax-exempt status of the Bonds it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Agreement, the Authority will instruct the Trustee in writing and the Trustee will take such action as may be directed in accordance with such instructions.

Notwithstanding the two foregoing paragraphs, if the Authority receives an opinion of Bond Counsel to the effect that any action required under the Agreement is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on such Bonds pursuant to Section 103 of the Code, the Authority and the Trustee may rely conclusively on such opinion in complying with the provisions of the Agreement, and the covenants thereunder will be deemed to be modified to that extent.

SIXTEENTH SUPPLEMENTAL AGREEMENT

The below summary of the Sixteenth Supplemental Agreement contains a brief summary of certain basic provisions of the Sixteenth Supplemental Agreement.

Terms of the Series 2009-B Bonds

The Sixteenth Supplemental Agreement sets forth the terms of the Series 2009-B Bonds, most of which terms are described earlier in this Official Statement under the caption "DESCRIPTION OF THE SERIES 2009-B BONDS."

Rebate Fund

The Authority has agreed that it will establish and maintain the Series 2009-B Rebate Fund for the purpose of complying with certain provisions of the Code which require that the Authority pay to the United States of America the excess, if any, of the amounts earned on certain funds held with respect to the Series 2009-B Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Series 2009-B Bonds all as set forth in the Tax Certificate. In accordance with the Tax Certificate, such excess is to be deposited into the Series 2009-B Rebate Fund and periodically paid to the United States of America. The Series 2009-B Rebate Fund to be held by the Trustee under the terms of the Sixteenth Supplemental Agreement will be held in trust to the extent required to satisfy the Rebate Requirement, for the account of the Authority, and will not be pledged as security for nor be available to make payment on the Series 2009-B Bonds.

Separate Accounts

The Sixteenth Supplemental Agreement creates, among other funds and accounts, the Series 2009-B Costs of Issuance Fund, the Series 2009-B Account of the Reserve Fund in the Reserve Fund, the Series 2009-B Subaccount of the Second Senior Bond Interest Account, and the Series 2009-B Subaccount of the Second Senior Bond Principal Account.

Tax Covenants

The Authority has agreed at all times to do and perform all acts and things permitted by law and the Sixteenth Supplemental Agreement which are necessary or desirable in order to assure that interest paid on the Series 2009-B Bonds will be exempt from federal income taxes and that the Authority will take no action that would result in such interest not being exempt from federal income taxes.

APPENDIX D

FORM OF BOND COUNSEL APPROVING OPINION

[Closing Date]

Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, California 90012-2932

Re: $245,825,000 Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-B

Ladies and Gentlemen:

We have acted as Bond Counsel to the Los Angeles County Metropolitan Transportation Authority (the "Authority") in connection with the authorization, issuance, sale and delivery of the Authority's $245,825,000 Los Angeles County Metropolitan Transportation Authority Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-B (the "Bonds") being issued and delivered by the Authority on the date hereof. The Bonds are issued pursuant to, and payable from and secured under, a Trust Agreement, dated as of October 1, 1992, as amended and supplemented (the "Trust Agreement"), by and between the Authority, as successor to the Los Angeles County Transportation Commission, and U.S. Bank National Association, as successor by merger to U.S. Bank Trust National Association, as successor to Bank of America National Trust and Savings Association, as trustee, and as further supplemented by the Sixteenth Supplemental Trust Agreement, dated as of June 1, 2009 (the "Sixteenth Supplemental Agreement"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Trust Agreement and the Sixteenth Supplemental Agreement are collectively referenced herein as the "Agreement." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

As Bond Counsel, we have examined the Agreement, the Tax and Nonarbitrage Certificate of the Authority dated the date hereof (the "Tax Certificate"), opinions of counsel to the Authority and the Trustee, certificates of the Authority, the Trustee and others, copies, certified to us as being true and complete, of the proceedings of the Authority for the issuance of the Bonds, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties other than the Authority thereto.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have neither undertaken to determine, nor to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the rights and obligations under the Bonds, the Agreement and the Tax Certificate may be subject to (i) any applicable bankruptcy, reorganization, insolvency, reorganization, arrangement, moratorium or similar laws affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (ii) general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or

injunctive relief, regardless of whether considered in a proceeding in equity or at law, (iii) the exercise of judicial discretion in appropriate cases, (iv) the limitations on legal remedies imposed on actions against public entities in the State of California and (v) the application of California laws relating to conflicts of interest to which public entities are subject. We express no opinion as to any provision in the Agreement, the Tax Certificate or the Bonds with respect to the priority of any pledge or security interest, indemnification, or governing law. We undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto in this letter.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Agreement has been duly authorized, executed and delivered by the Authority and constitutes the legally valid and binding obligation of the Authority, enforceable in accordance with its terms.

2. The Bonds are valid and legally binding special sales tax obligations of the Authority, payable from and secured by a pledge of Pledged Revenues as defined in the Agreement, subject to the provisions of the Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein. The Bonds do not constitute general obligations of the Authority.

3. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Agreement and the Tax Certificate, the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain representations and certifications in the Agreement and Tax Certificate. We have not independently verified the accuracy of such certifications and representations. Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

4. Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2009-B Bonds maturing on July 1, 2010 (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2009-B Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial

offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

5. We are further of the opinion that interest on the Bonds is exempt from present personal income taxation by the State of California.

Except as stated in the preceding three paragraphs, we express no opinion as to any other federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

The opinion set forth in paragraph 2 above assumes that the Trustee has duly authenticated the Bonds.

We have acted in this transaction solely as Bond Counsel to the Authority. This opinion is addressed to you solely for your benefit in connection with the initial issuance and delivery of the Bonds on the date hereof. No persons other than you may rely upon this letter without our express prior written consent. This opinion may not be utilized for any other purpose and may not be quoted without our express prior written consent. This opinion speaks only as of its date and is limited to the opinions expressly stated herein. We assume no obligation to review, supplement or update this opinion subsequent to its date, whether by reason of a change in law, legislative or regulatory action, judicial decision or for any other reason.

Respectfully submitted,

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APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the subcaption "—General" below has been provided by DTC. LACMTA makes no representations as to the accuracy or completeness of such information. Further, LACMTA undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC's websites as described under "—General," including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites. The beneficial owners of the Series 2009-B Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER LACMTA NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2009-B BONDS UNDER THE AGREEMENT; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2009-B BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES 2009-B BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2009-B BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2009-B Bonds. The Series 2009-B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2009-B Bond certificate will be issued for each issue of the Series 2009-B Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC or held by the Trustee.

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

DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2009-B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009-B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009-B Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009-B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2009-B Bonds, except in the event that use of the book-entry system for the Series 2009-B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009-B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009-B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009-B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009-B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2009-B Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2009-B Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009-B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to LACMTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009-B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2009-B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from LACMTA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions

and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, LACMTA, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of LACMTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2009-B Bonds at any time by giving reasonable notice to LACMTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2009-B Bond certificates are required to be printed and delivered.

LACMTA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2009-B Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that LACMTA believes to be reliable, but LACMTA takes no responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2009-B BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

In the event that the book entry-only system is discontinued, payments of principal of and interest on the Series 2009-B Bonds will be payable as described in this Official Statement under the caption "DESCRIPTION OF THE SERIES 2009-B BONDS—General."

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the Los Angeles County Metropolitan Transportation Authority (the "Authority") in connection with the issuance of its $245,825,000 Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-B (the "Series 2009-B Bonds") pursuant to the terms of the Agreement (as defined herein). The Authority covenants and agrees as follows:

WITNESSETH:

Section 1. Definitions.

"Agreement" shall mean, collectively, the Trust Agreement, dated as of October 1, 1992, as amended and supplemented, by and between the Authority, as successor to the Los Angeles County Transportation Commission, and U.S. Bank National Association, as successor by merger to U.S. Bank Trust National Association, as successor to Bank of America National Trust and Savings Association, as trustee (the "Trustee"), and the Sixteenth Supplemental Trust Agreement, dated as of June 1, 2009, by and between the Authority and the Trustee.

"Annual Information" shall mean the information specified in Section 4 hereof.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system or any successor nationally recognized municipal securities information repositories recognized by the Securities and Exchange Commission for the purposes referred to in Rule 15c2-12.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"Holder" shall mean any registered owner of Series 2009-B Bonds and any beneficial owner of Series 2009-B Bonds within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

"Official Statement" means the Official Statement, dated June 4, 2009, prepared and distributed in connection with the initial sale of the Series 2009-B Bonds.

"Rule 15c2-12" shall mean Rule 15c2-12(b)(5), as amended through the date of this Certificate, as promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

Section 2. Purpose of the Certificate. This Certificate is being executed and delivered by the Authority pursuant to Rule 15c2-12 for the benefit of the Holders of the Series 2009-B Bonds in order to assist the participating underwriters in complying with Rule 15c2-12.

Section 3. Obligation To Provide Continuing Disclosure.

(a) The Authority hereby undertakes, for the benefit of the Holders, to provide or cause to be provided:

(i) to the EMMA System, no later than 195 days after the end of each fiscal year, commencing with the fiscal year ended June 30, 2009, the Annual Information relating to such fiscal year;

(ii) if not submitted as part of the Annual Information, to the EMMA System, audited financial statements of the Authority for such fiscal year when and if they become available;

(iii) to the EMMA System, and before July 1, 2009, to the then-existing nationally recognized municipal securities information repositories, in a timely manner, notice of any of the following events with respect to the Series 2009-B Bonds, if material:

(A) principal and interest payment delinquencies;
(B) nonpayment related defaults;
(C) unscheduled draws on debt service reserves relating to financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;
(F) adverse tax opinions or events affecting the tax-exempt status of the Series 2009-B Bonds;
(G) modifications to the rights of the Holders;
(H) optional, contingent or unscheduled bond calls;
(I) defeasances;
(J) release, substitution or sale of property securing repayment of the Series 2009-B Bonds; and
(K) rating changes; and

(iv) to the EMMA System, in a timely manner, notice of a failure to provide any Annual Information required by clause (a)(i) of this Section 3.

(b) Nothing herein shall be deemed to prevent the Authority from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authority disseminates any such additional information, the Authority shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) The Annual Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof.

Section 4. Annual Information.

(a) The required Annual Information shall contain or incorporate by reference the following:

(i) If available at the time of filing of the Annual Information pursuant to Section 3(a) hereof, the financial statements of the Authority for such recently ended fiscal years, prepared in accordance with the provisions of Section 4 hereof. If the Authority's audited financial statements are not available by the time the Annual Information is required to be filed

pursuant to Section 3(a), the Annual Information shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Information when they become available.

(ii) Updated historical information of the type set forth in "TABLE 3—Historic Net Proposition C Sales Tax Receipts, Local Allocations, Pledged Revenues and Debt Service Coverage" of the Official Statement.

(iii) Updated information of the type set forth in "TABLE 5—Los Angeles County Metropolitan Transportation Authority, Combined Debt Service Schedule Second Senior Bonds" of the Official Statement, but only the information in the columns entitled "Principal Requirements on Series 2009-B Bonds," "Interest Requirements on Series 2009-B Bonds" and "Combined Total Debt Service Second Senior Bonds" and only to the extent the information in these columns has changed.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been filed with (i) the EMMA System; or (ii) the Securities and Exchange Commission.

(c) Annual information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8(e), hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Section 5. Financial Statements. The Authority's annual financial statements for each fiscal year shall be prepared in accordance with GAAP as in effect from time to time and as applied to governmental units. Such financial statements shall be audited by an independent accounting firm.

Section 6. Remedies. If the Authority shall fail to comply with any provision of this Certificate, then any Holder may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding in law or in equity, this Certificate against the Authority and any of the officers, agents and employees of the Authority, and may compel the Authority or any such officers, agents or employees to perform and carry out their duties under this Certificate; provided that the sole and exclusive remedy for breach of this Certificate shall be an action to compel specific performance of the obligations of the Authority hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and, provided further, that any challenge to the adequacy of any information provided pursuant to Section 3 may be brought only by the Holders of 25% in aggregate principal amount of the Series 2009-B Bonds at the time outstanding. A failure by the Authority to comply with the provisions of this Certificate shall not constitute an Event of Default under the Agreement.

Section 7. Parties in Interest. This Certificate is executed and delivered solely for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 8. Amendment. Without the consent of any holders of Series 2009-B Bonds, the Authority at any time and from time to time may enter into any amendments or changes to this Certificate for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 or any authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Authority and the assumption by any such successor of the covenants of the Authority hereunder;

(d) to add to the covenants of the Authority for the benefit of the Holders, or to surrender any right or power herein conferred upon the Authority; or

(e) to modify the contents, presentation and format of the Annual Information from time to time as a result of a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority, or type of business conducted; provided that (i) the certificate, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the offering of the Series 2009-B Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances; and (ii) the amendment or change does not materially impair the interests of Holders, as determined either by a party unaffiliated with the Authority (such as bond counsel), or by the vote or consent of Holders of a majority in outstanding principal amount of the Series 2009-B Bonds on or prior to the time of such amendment or change.

Section 9. Termination. This Certificate shall remain in full force and effect until such time as all principal of and interest on the Series 2009-B Bonds shall have been paid in full or legally defeased pursuant to the Agreement. Upon any such legal defeasance, the Authority shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Series 2009-B Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Certificate as of June 16, 2009.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By:_____
Michael J. Smith, Assistant Treasurer

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