
**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

2008 CONTINUING DISCLOSURE STATEMENT

January 9, 2009

**Distributed in Accordance with the Securities and Exchange Commission Rule 15c2-12 in Order to
Fulfill Agreements and Covenants Contained in Continuing Disclosure Undertakings Executed in
Connection with the MTA's Bonds.**

The following annual financial and operating information of the Los Angeles County Metropolitan Transportation Authority (the "MTA") is provided in connection with Continuing Disclosure Undertakings (the "Continuing Disclosure Undertakings") executed in connection with certain of the MTA's outstanding bonds (the "Bonds"). This report contains financial and operating information updating certain information contained in the official statements (the "Official Statements") issued in conjunction with the Bonds. All information contained herein has been obtained from sources believed to be accurate and reliable. Refer to the Official Statements and operative documents for complete information on the bond issues as of the date that such Bonds were issued. Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the MTA's final Official Statements relating to the Bonds.

The MTA is obligated to provide only the information specified in the Continuing Disclosure Undertakings. The tables contained herein reference and update tables in the Official Statements. To the extent the MTA provides information herein that the MTA is not obligated to present or update, the MTA is not obligated to present or update such information in future disclosures. The MTA incorporates by this reference the contents of previous reports of Continuing Disclosure Statements, provided by the MTA, and except as set forth herein, the MTA has not updated any information contained therein with respect to which the MTA believes there has been no material change.

Investors are advised to refer to the Official Statements for information concerning the initial issuance of and security for the Bonds. Neither the full faith and credit nor the taxing power of the County of Los Angeles, the State of California or any political subdivision or public agency thereof, other than the MTA to the extent of the Pledged Revenues, is pledged to the payment of the principal of, or interest or premium, if any, on the Bonds.

By providing the information herein, the MTA does not imply or represent (a) that all information provided herein is material to investors' decisions regarding investment in the Bonds, (b) that no changes, circumstances or events have occurred since the end of the fiscal year ended June 30, 2008 (other than as contained herein), or (c) that no other information exists which may have a bearing on the MTA's financial condition, the security for the Bonds or an investor's decision to buy, sell or hold the Bonds.

All statements and projections regarding future revenues, expenditures and performance are based upon currently known financial and operating information. There is no guarantee that such projections will be accurate given future events and changes in revenues, expenses or operations. No statement contained herein should be construed as a prediction or representation about the future financial performance of the MTA.

TABLE OF CONTENTS

	<u>Page</u>
TABLE 3: Historic and Net Proposition C Sales Tax Revenues, Local Allocations and Pledged Revenues	1
TABLE 5: Proposition C Combined Second Senior Bonds Debt Service Schedule.....	2
TABLE 2: Historic and Projected Net Proposition A Sales Tax Revenues, Local Allocations and Pledged Revenues.....	3
TABLE 3: Proposition A Pledged Revenues and Debt Service Coverage.....	4
TABLE 4: Proposition A Combined First Tier Senior Lien Bonds Debt Service Schedule	5
TABLE 1: Historical Operating Fare Box Revenues and Net Fare Box Revenues Available for Debt Service.....	6
TABLE 2: Bus and Rail Ridership and Fare Box Revenues by Transportation Mode	7
TABLE 3: Fare Structure-Fiscal Years 2007 to Current.....	8
TABLE 4: Historical Boardings and Fares	9
TABLE 6: Historical Proposition A Sales Tax Revenues Net of Local Allocation and Proposition A Debt Service.....	10
TABLE 8: Historical Proposition C Sales Tax Revenues Net of Local Allocation and Proposition C Debt Service.....	11
TABLE 9: Local Transportation Fund (“LTF”) Funding Trends.....	12
TABLE 10: State Transit Assistance (“STA”) Funding Trends.....	13
TABLE 11: Series 2003 Bonds and Series 2004 Bonds Debt Service Schedules.....	14
TABLE 3: Project Funding	15
TABLE 4: Received Full Funding Grant Receipts.....	16
TABLE 7: Historical Section 5307 Grant Receipts.....	17
The Los Angeles County Metropolitan Transportation Authority	17
General.....	17
Board of Directors	17
Management.....	20
Public Transportation Services Corporation.....	21
Rapid Transit System.....	21
Future Transportation Improvements	26
Labor Relations.....	27
Enterprise Fund.....	27
Debt Policy	28
Interest Rate Swap Policy	28
Lease/leaseback and Lease-to-service obligations.....	28
Litigation	29
Sales Tax Litigation.....	29
Fare Increase Litigation	29
Construction Litigation	30
Other Litigation.....	30
Investment Policy	31
General.....	31
Investment Balances	31
Contacts.....	32

Los Angeles County Metropolitan Transportation Authority
\$219,710,000 Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 1998-A
\$124,805,000 Proposition C Sales Tax Revenue Bonds Second Senior Bonds, Series 1999-A
\$161,995,000 Proposition C Sales Tax Revenue Bonds Second Senior Bonds, Series 2000-A
\$94,840,000 Proposition C Sales Tax Revenue Bonds Second Senior Bonds, Series 2003-A
\$170,775,000 Proposition C Sales Tax Revenue Bonds Second Senior Bonds, Series 2003-B
\$221,850,000 Proposition C Sales Tax Revenue Bonds Second Senior Bonds, Series 2003-C
\$176,345,000 Proposition C Sales Tax Revenue Bonds Second Senior Bonds, Series 2004-A
\$129,385,000 Proposition C Sales Tax Revenue Bonds Second Senior Bonds, Series 2006-A
\$128,745,000 Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 2008-A

TABLE 3

**Historic and Projected Net Proposition C Sales Tax Revenues, Local Allocations and Pledged Revenues
(dollars in millions, rounded to closest \$100,000)**

Fiscal Year	Net Sales Tax Revenue ¹	Annual % Change	Allocations to Local Governments	Pledged Revenue ²
<i>Historical</i>				
1997	\$411.2	0.67%	\$ 82.2	\$329.0
1998	441.9	7.47	88.4	353.5
1999	452.2	2.33	90.4	361.8
2000	505.9	11.88	101.2	404.8
2001	528.4	4.44	105.7	422.7
2002	525.9	-0.48	105.2	420.7
2003	548.3	4.26	109.7	438.6
2004	576.7	5.18	115.3	461.4
2005	619.6	7.43	123.9	495.7
2006	669.0	7.97	133.8	535.2
2007	686.3	2.59	137.2	549.0
2008	683.5	-0.41	136.7	546.8

¹ Reflects Proposition C Sales Tax revenues, as found in the MTA's audited financial statements, less administrative fee paid to the State Board of Equalization ("SBOE") but before local allocations.

² Proposition C Sales Tax revenues for the fiscal years shown, less required allocations to local governments for transit purposes and less the administrative fee paid to the SBOE. Pledged Revenues is 80% of Net Sales Tax Revenue.

On a cash basis, the sales tax revenues of the Authority for the six months ended December 31, 2008 have declined by 1.6% from the six month period ended December 31, 2007. If this trend continues for the full fiscal year ended June 30, 2009, then the actual sales tax receipts for the fiscal year will be less than that assumed in the adopted budget for Fiscal Year 2009 Sales Tax Revenue.

Los Angeles County Metropolitan Transportation Authority
\$219,710,000 Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 1998-A
\$124,805,000 Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 1999-A
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\$170,775,000 Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 2003-B
\$221,850,000 Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 2003-C
\$176,345,000 Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 2004-A
\$129,385,000 Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 2006-A
\$128,745,000 Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 2008-A

TABLE 5
Proposition C Combined Second Senior Bonds Debt Service Schedule

Bond Year Ending July 1	Refunding Series 1993-A	Refunding Series 1998-A	Series 1999-A	Series 2000-A	Refunding Series 2003-A	Refunding Series 2003-B	Refunding Series 2003-C	Series 2004-A	Refunding Series 2006-A	Refunding Series 2008-A	Total Combined Second Senior Bonds
2009	\$11,279,976	\$20,358,300	\$8,045,488	\$4,339,500	\$11,978,488	\$6,161,812	\$16,352,930	\$11,536,093	\$6,179,250	6,233,046	\$102,464,881
2010	11,291,930	20,353,925	8,047,888	4,341,000	11,850,038	6,148,036	16,391,786	11,534,593	6,177,650	6,114,160	102,251,004
2011	11,274,760	1,854,500	8,047,431	4,338,500	11,659,788	6,159,260	16,393,805	11,534,093	6,175,650	24,554,160	101,991,946
2012	11,279,754	1,854,500	8,046,769	4,341,750	11,674,788	6,169,623	16,459,833	11,539,093	6,178,250	24,551,460	102,095,819
2013	11,290,625	1,854,500	8,050,113	-	11,656,438	6,179,125	16,462,332	11,533,843	10,520,250	24,557,010	102,104,235
2014	32,061,856	1,854,500	8,046,413	-	-	19,537,766	16,477,995	11,537,318	10,521,250	3,805,160	103,842,257
2015	32,138,012	1,854,500	8,050,063	-	-	19,585,772	16,530,975	11,015,068	10,520,500	3,800,760	103,495,649
2016	32,225,504	1,854,500	8,050,388	-	-	19,640,697	16,519,581	11,017,643	10,517,500	3,800,960	103,626,772
2017	32,315,465	1,854,500	8,046,150	-	-	19,701,680	16,570,505	11,017,143	10,516,750	3,805,560	103,827,753
2018	32,404,288	1,854,500	8,047,175	-	-	19,767,860	16,606,210	11,015,393	10,519,350	3,804,360	104,019,135
2019	32,503,362	1,854,500	8,047,750	-	-	19,863,376	16,651,696	11,016,893	10,517,750	3,802,560	104,257,887
2020	32,603,308	1,854,500	8,047,400	-	-	19,911,506	16,681,118	11,015,893	10,519,063	3,800,160	104,432,946
2021	-	1,854,500	8,045,650	-	-	19,988,111	16,694,475	11,015,593	10,518,813	36,507,160	104,624,301
2022	-	1,854,500	8,047,025	-	-	20,066,469	16,741,767	11,017,943	10,517,563	36,503,250	104,748,516
2023	-	38,944,500	8,045,813	-	-	20,145,719	16,771,304	11,017,230	10,519,863	-	105,444,428
2024	-	-	8,046,538	-	-	-	16,808,086	11,017,980	10,515,863	-	46,388,466
2025	-	-	8,048,488	-	-	-	16,851,266	11,014,480	10,521,700	-	46,435,934
2026	-	-	8,045,950	-	-	-	-	11,016,255	10,523,100	-	29,585,305
2027	-	-	8,048,450	-	-	-	-	11,017,355	10,518,075	-	29,583,880
2028	-	-	8,050,038	-	-	-	-	11,016,030	10,521,175	-	29,587,243
2029	-	-	-	-	-	-	-	11,014,405	10,516,275	-	21,530,680
2030	-	-	-	-	-	-	-	11,013,525	10,517,925	-	21,531,450
2031	-	-	-	-	-	-	-	11,018,000	-	-	11,018,000
2032	-	-	-	-	-	-	-	11,014,750	-	-	11,014,750
2033	-	-	-	-	-	-	-	11,014,000	-	-	11,014,000
2034	-	-	-	-	-	-	-	11,014,500	-	-	11,014,500
Total	\$ 282,668,839	\$ 101,910,725	\$ 160,950,975	\$ 17,360,750	\$ 58,819,538	\$ 229,026,812	\$ 281,965,661	\$ 289,535,105	\$ 214,053,563	\$ 185,639,766	\$ 1,821,931,733

Source: The MTA and Public Financial Management, Inc.

Los Angeles County Metropolitan Transportation Authority

\$160,205,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 1999-A
\$150,340,000 Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 1999-B
\$170,495,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 1999-C
\$55,685,000 Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2001-A
\$191,215,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2001-B
\$273,505,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2003-A
\$243,795,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2003-B
\$242,795,000 Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2005-A
\$43,655,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2005-B
\$46,635,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2007-A
\$289,150,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008

TABLE 2

Historic and Projected Net Proposition A Sales Tax Revenues, Local Allocations and Pledged Revenues (dollars in millions, rounded to closest \$100,000)

Fiscal Year	Net Sales Tax Revenue ¹	Annual % Change	Allocations to Local Governments	Pledged Revenue ²
<i>Historical</i>				
1999	\$449.1	2.45%	\$112.3	\$336.8
2000	504.4	12.31	126.1	378.3
2001	528.3	4.75	132.1	396.2
2002	526.0	-0.44	131.5	394.5
2003	548.3	4.24	137.1	411.2
2004	576.7	5.18	144.2	432.5
2005	619.5	7.42	154.9	464.6
2006	669.0	7.99	167.2	501.8
2007	686.2	2.57	171.5	514.6
2008	683.3	-0.42	170.8	512.5

¹ Reflects Proposition A Sales Tax revenues, as found in the MTA's audited financial statements, that are net of State Board of Equalization ("SBOE") administrative costs and deduction of special adjustments related to refunds arising from the litigation associated with Aerospace Corp. v. State Board of Equalization, but before local allocations. The MTA's obligations under the Aerospace Corp. litigation were satisfied in Fiscal Year 2000.

² Pledged Revenue is 75% of Net Sales Tax Revenue.

On a cash basis, the sales tax revenues of the Authority for the six months ended December 31, 2008 have declined by 1.6% from the six month period ended December 31, 2007. If this trend continues for the full fiscal year ended June 30, 2009, then the actual sales tax receipts for the fiscal year will be less than that assumed in the adopted budget for Fiscal Year 2009 Sales Tax Revenue.

Los Angeles County Metropolitan Transportation Authority
\$160,205,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 1999-A
\$150,340,000 Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 1999-B
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\$55,685,000 Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2001-A
\$191,215,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2001-B

TABLE 3
Proposition A Pledged Revenues and Debt Service Coverage
(dollars in millions, rounded to the closest \$100,000)

Fiscal Year	Pledged Revenues ¹	First Tier Senior Lien Bonds Total	First Tier Senior Lien Bonds Debt Service Coverage Ratio ²	Pledged Revenues After Payment of First Tier Senior Lien Bonds	First Tier Senior Lien Total Debt Service	Pledged Revenues After Payment of First Tier Senior Obligations	Second Tier Lien Bonds Total Debt Service ³	Second Tier Lien Bonds Debt Service Coverage Ratio	Net Revenues After Payments of Second Tier Debt Service
		Debt Service		Senior Lien Bonds	Senior Lien Service	Senior Obligations	Service ³		Senior Lien Service
2003	\$411.2	\$132.3	3.11x	\$279.0	\$3.6	\$275.3	\$5.0	2.92x	\$270.3
2004	432.5	131.5	3.29	301.0	3.3	297.7	5.0	3.09	292.7
2005	464.6	130.4	3.56	334.2	3.4	330.8	5.4	3.34	325.4
2006	501.8	141.5	3.55	360.3	3.3	357.0	4.7	3.36	352.3
2007	514.5	147.9	3.48	366.6	5.7	360.9	2.3	3.30	358.6
2008	512.5	148.1	3.46	364.4	-	364.4	2.2	3.41	362.2

¹ Pledged Revenue is 75% of Net Sales Tax Revenue.

² Figures are calculated on a bond year ending July 1 as opposed to a fiscal year ending June 30.

³ Figures are calculated on a bond year ending July 1 as opposed to a fiscal year ending June 30.

Source: The MTA and Public Financial Management, Inc.

Los Angeles County Metropolitan Transportation Authority
\$160,205,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 1999-A
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\$46,635,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2007-A
\$289,150,000 Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008

TABLE 4

Proposition A Combined First Tier Senior Lien Bonds Debt Service Schedule

Bond Year	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Refunding Series	Prop A First Tier Senior Total
Ending July 1	1991-B	Series 1992-A	Series 1999-A	Series 1999-B	Series 1999-C	Series 2001-A	Series 2001-B	Series 2003-A	Series 2003-B	Series 2005-A	Series 2005-B	Series 2007-A	Series 2008-A and B		
009	\$ 21,856,675	\$10,444,760	\$14,886,350	\$4,147,336	\$11,692,885	\$1,801,181	\$ 9,503,025	\$22,951,994	\$11,301,750	\$16,425,531	\$8,935,000	\$2,394,650	\$9,829,267	\$146,170,404	
2010	21,859,125	10,558,380	14,904,850	4,044,586	14,555,385	1,802,181	9,542,025	22,930,394	11,301,750	16,426,781	6,070,750	2,396,888	12,148,509	148,541,604	
2011	-	10,536,840	14,928,675	4,060,641	14,558,710	1,801,181	31,124,225	22,902,956	11,301,750	16,409,781	6,066,000	2,393,913	12,121,523	148,206,195	
2012	-	10,586,000	14,946,250	4,011,981	14,553,010	1,804,869	31,120,513	22,884,151	11,301,750	16,409,781	6,069,000	2,395,938	12,146,947	148,230,189	
2013	-	-	14,976,750	3,925,781	14,551,760	1,806,006	31,121,950	22,857,026	11,301,750	16,410,281	6,063,750	13,072,750	12,141,936	148,229,741	
2014	-	-	15,000,500	3,918,231	14,558,310	1,805,981	26,955,125	27,009,306	11,301,750	16,405,531	-	13,070,000	18,764,902	148,789,637	
2015	-	-	15,026,500	3,922,888	14,560,600	1,803,031	26,960,550	26,964,913	11,301,750	16,405,031	-	13,075,500	18,784,101	148,804,863	
2016	-	-	15,033,250	-	10,566,113	1,802,156	31,682,175	22,254,413	11,301,750	16,407,781	-	13,072,500	26,642,153	148,762,291	
2017	-	-	15,065,250	-	14,782,625	1,806,075	31,684,313	35,814,313	11,301,750	16,407,781	-	-	22,554,864	149,416,970	
2018	-	-	15,094,750	-	14,778,238	-	7,888,488	59,583,563	11,301,750	16,409,281	-	-	24,380,135	149,436,204	
2019	-	-	15,125,250	-	14,778,425	-	-	-	78,936,750	16,411,281	-	-	24,382,443	149,634,149	
2020	-	-	-	-	14,782,000	-	-	-	94,060,000	16,407,781	-	-	24,420,480	149,670,262	
2021	-	-	-	-	14,776,500	-	-	-	93,903,700	13,693,031	-	-	24,457,368	146,830,599	
2022	-	-	-	-	14,780,000	-	-	-	-	13,691,531	-	-	26,107,462	54,578,994	
2023	-	-	-	-	14,775,750	-	-	-	-	13,693,281	-	-	26,149,198	54,618,229	
2024	-	-	-	-	14,777,750	-	-	-	-	13,692,281	-	-	26,194,799	54,664,831	
2025	-	-	-	-	14,779,250	-	-	-	-	13,692,781	-	-	26,242,637	54,714,668	
2026	-	-	-	-	14,673,750	-	-	-	-	13,693,781	-	-	26,317,899	54,685,431	
2027	-	-	-	-	-	-	-	-	-	13,694,281	-	-	26,011,938	39,706,219	
2028	-	-	-	-	-	-	-	-	-	13,693,281	-	-	12,918,203	26,611,484	
2029	-	-	-	-	-	-	-	-	-	13,689,781	-	-	3,614,521	17,304,303	
2030	-	-	-	-	-	-	-	-	-	13,689,906	-	-	3,635,923	17,325,830	
2031	-	-	-	-	-	-	-	-	-	13,691,000	-	-	3,625,803	17,316,803	
2032	-	-	-	-	-	-	-	-	-	13,693,650	-	-	-	13,693,650	
2033	-	-	-	-	-	-	-	-	-	13,689,250	-	-	-	13,689,250	
2034	-	-	-	-	-	-	-	-	-	13,693,000	-	-	-	13,693,000	
2035	-	-	-	-	-	-	-	-	-	<u>13,692,000</u>	-	-	-	<u>13,692,000</u>	
Total	\$ 43,715,800	\$42,125,980	\$164,988,375	\$28,031,445	\$257,281,060	\$ 16,232,663	\$237,582,388	\$286,153,028	\$379,917,950	\$ 402,319,463	\$33,204,500	\$61,872,138	\$423,593,010	\$2,377,017,797	

Los Angeles County Metropolitan Transportation Authority
\$88,485,000 General Revenue Refunding Bonds (Workers' Compensation Funding Program),
Series 2003
\$197,050,000 General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004

TABLE 1
Historical Operating Fare Box Revenues and
Net Fare Box Revenues Available For Debt Service

Fiscal <u>Year</u>	Operating Fare Box <u>Revenues</u>	Other General <u>Revenues</u> ¹	Debt Service on the 1996 <u>Bonds</u> ²	Debt Service on Series <u>2003 Bonds</u> ²	Debt Service on Series <u>2004 Bonds</u> ²	Debt Service on the 1996, 2003 & <u>2004 Bonds</u> ²	Debt Service Coverage From Pledged <u>Revenues</u>
2004 ³	\$221,454,000	\$18,175,000	\$10,739,734	\$14,808,980	--	\$25,548,714	9.379x
2005	269,518,000	22,685,000	--	14,617,565	\$10,271,508	24,889,073	11.740
2006	280,572,000	41,195,000 ⁴	--	14,473,747	10,501,296	24,975,043	12.884
2007	293,368,000	54,743,000	--	14,402,134	10,694,134	25,096,267	13.871
2008	336,961,000	41,719,000	--	14,381,476	12,371,836	26,753,312	14.154

Source: The MTA.

¹ Includes advertising revenues, interest income, income derived from the facilities and properties operated by the MTA, and certain other miscellaneous Enterprise Fund revenues.

² Debt service for the Bond Year ending July 1, but budgeted in the fiscal year ending June 30.

³ The MTA experienced a 35-day strike in Fiscal Year 2004, which resulted in a decrease in operating fare box revenues from the prior year.

⁴ Beginning in Fiscal Year 2006, Other General Revenues includes investment income previously reported in other non-operating revenue categories and investment income that was netted against interest expense.

Los Angeles County Metropolitan Transportation Authority
\$88,485,000 General Revenue Refunding Bonds (Workers' Compensation Funding Program),
Series 2003
\$197,050,000 General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004

TABLE 2

Bus and Rail Ridership and Fare Box Revenues by Transportation Mode

Fiscal Year	<u>Passenger Boardings</u>		<u>Fare Box Revenues</u>				Total Percentage Change
	<u>Bus</u>	<u>Rail</u>	<u>Bus</u>	<u>Light Rail</u>	<u>Heavy Rail</u>	<u>Total</u>	
2004 ¹	329,874,399	63,722,704	\$186,441,000	\$18,497,000	\$16,516,000	\$221,454,000	(10.50)%
2005	377,266,668	74,242,912	233,308,000	19,912,000	16,298,000	269,518,000	21.70
2006	400,518,132	82,297,807	233,900,000	22,657,000	24,015,000	280,572,000	4.10
2007	413,645,000	82,228,000	248,877,000	20,752,000	23,739,000	293,368,000	4.56
2008	387,520,000	86,708,000	275,427,000	29,690,000	31,843,000	336,960,000	14.86

Source: The MTA.

¹ The MTA experienced a 35-day strike in Fiscal Year 2004, which resulted in a decrease in operating fare box revenues from the prior year.

Los Angeles County Metropolitan Transportation Authority
\$88,485,000 General Revenue Refunding Bonds (Workers' Compensation Funding Program),
Series 2003
\$197,050,000 General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004

TABLE 3
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
FARE STRUCTURE – FISCAL YEARS 2007 TO CURRENT

	Fiscal Year Ended June 30, 2007	Current Fare Structure⁽¹⁾
Cash Fares		
Cash	\$1.25	\$1.25
Senior/Disabled/Medicare Cash Fare	0.45	0.55
Regular Freeway Express per Zone	0.50	0.60
Metro to Muni Transfer	0.25	0.30
Senior/Disabled/Medicare Metro to Muni Transfer	0.10	0.10
Senior/Disabled/Medicare Freeway Express per Zone	0.25	0.30
Senior/Disabled/Medicare Off Peak Cash Fare	N/A	0.25
Pass Fares⁽²⁾		
Daily	\$3.00	\$5.00
Senior/Disabled/Medicare Day Pass	1.50	1.80
Weekly	14.00	17.00
Monthly	52.00	62.00
Senior/Disabled/Medicare Monthly	12.00	14.00
Student K-12	20.00	24.00
College/Vocational	30.00	36.00
EZ Transit Pass	58.00	70.00
EZ Monthly Premium Stamp per Zone	15.00	18.00

Source: The LACMTA.

⁽¹⁾ Effective July 1, 2007

⁽²⁾ Monthly pass ("EZpass") for use on LACMTA and several other regional transit services.

Los Angeles County Metropolitan Transportation Authority
\$88,485,000 General Revenue Refunding Bonds (Workers' Compensation Funding Program),
Series 2003
\$197,050,000 General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004

TABLE 4
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
HISTORICAL BOARDINGS AND FARES
FISCAL YEARS 2004 THROUGH 2008

Fiscal Year	Cash Base Fare	Average Fare per Boarding	Bus and Rail Boardings (in millions)	Change in Average Fare	Change in Boardings
2004 ¹	\$1.25	\$0.56	393.6	-2.3%	-8.4%
2005	1.25	\$0.60	451.5	6.1%	14.7%
2006	1.25	\$0.58	482.8	-2.6%	6.9%
2007	1.25	\$0.59	495.9	1.8%	2.7%
2008 ²	1.25	\$0.71	474.2	20.1%	-4.4%

¹ The MTA experienced a 35-day strike in Fiscal Year 2004, which resulted in a decrease in operating fare box revenues and boardings from the prior year.

² The MTA introduced a fare restructuring July 1, 2007.

Los Angeles County Metropolitan Transportation Authority
\$88,485,000 General Revenue Refunding Bonds (Workers' Compensation Funding Program),
Series 2003
\$197,050,000 General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004

TABLE 6

Historical Proposition A Sales Tax Revenues
Net of Local Allocation and Proposition A Debt Service

Fiscal Year	Annual Net Sales Tax Revenues ¹	Annual Percentage Change	Proposition A Debt Service ²	Net Revenues After Payment of Proposition A Debt Service ³
2004	\$432,488,000	5.17%	\$140,466,000	\$292,022,000
2005	464,623,000	7.43	143,811,000	320,812,000
2006	501,738,000	7.99	156,199,000	345,539,000
2007	514,625,000	2.57	143,017,000	371,608,000
2008	512,514,000	-0.41	148,065,000	364,449,000

Source: The MTA.

¹ Actual Proposition A Sales Tax revenues for the Fiscal Years shown (as reported in the MTA's audited financial statements), 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 \$1,000.

² Includes debt service on first tier senior, first tier second senior and second tier bonds, and interest paid on third tier obligations of the MTA, which constitute outstanding tax-exempt commercial paper, rounded to the closest \$1,000.

³ Proposition A component of Remaining Sales Tax.

Los Angeles County Metropolitan Transportation Authority
\$88,485,000 General Revenue Refunding Bonds (Workers' Compensation Funding Program),
Series 2003
\$197,050,000 General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004

TABLE 8

Historical Proposition C Sales Tax Revenue
Net of Local Allocation and Proposition C Debt Service

<u>Fiscal Year</u>	<u>Annual Net Sales Tax Revenues¹</u>	<u>Annual Percentage Change</u>	<u>Proposition C Debt Service²</u>	<u>Net Revenues After Payment of Proposition C Debt Service³</u>
2004	\$461,323,000	5.18%	\$ 94,864,000	\$366,459,000
2005	495,660,000	7.44	97,916,000	397,744,000
2006	535,220,000	7.98	103,727,000	431,493,000
2007	549,046,000	2.58	93,771,000	455,275,000
2008	546,824,000	-0.40	103,089,000	443,735,000

Source: The MTA.

¹ Actual Proposition C Sales Tax revenues for the Fiscal Years shown (as reported in the MTA's audited financial statements), 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 \$1,000.

² Includes debt service on second senior bonds and interest paid on subordinate obligations of the MTA, which constitute outstanding taxable commercial paper, rounded to the closest \$1,000.

³ Proposition C component of Remaining Sales Tax.

Los Angeles County Metropolitan Transportation Authority
\$88,485,000 General Revenue Refunding Bonds (Workers' Compensation Funding Program),
Series 2003
\$197,050,000 General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004

TABLE 9

Local Transportation Fund ("LTF") Funding Trends

<u>Fiscal Year</u>	<u>Operations¹</u>	<u>Capital Projects</u>
2004	\$169,029,000	\$ 31,880,000
2005	143,412,000	44,387,000
2006	141,298,000	76,975,000
2007	151,923,000	80,207,000
2008	138,640,000	66,058,000

Source: The MTA.

¹ LTF funds include receipts for Riverside, San Bernardino and Orange Counties for services provided by the MTA.

Los Angeles County Metropolitan Transportation Authority
\$88,485,000 General Revenue Refunding Bonds (Workers' Compensation Funding Program),
Series 2003
\$197,050,000 General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004

TABLE 10

State Transit Assistance ("STA") Funding Trends

<u>Fiscal Year</u>	<u>Operations</u>	<u>Capital Projects</u>
2004	\$ 9,266,000	\$ 9,126,000
2005	13,185,000	14,133,000
2006	23,834,000	22,481,000
2007 ¹	141,950,000	22,453,000
2008	63,870,000	13,539,000

Source: The MTA.

¹ Increase in STA funds for FY 2007 due to Prop 42, which requires existing revenues resulting from state sales and use tax on the sale of motor vehicle fuel be used for transportation purposes as provided by law, and "spillover" or excess revenues.

Los Angeles County Metropolitan Transportation Authority

**\$88,485,000 General Revenue Refunding Bonds (Workers' Compensation Funding Program),
Series 2003**

\$197,050,000 General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004

TABLE 11

Series 2003 Bonds and Series 2004 Bonds Debt Service Schedules

Bond Year Ending July 1	Series 2003 Workers' Comp.			Series 2004 Gateway Refunding Bonds			Total Combined General Revenue Bonds
	Principal	Interest	Total	Principal	Interest	Total	
2009	\$13,200,000	\$ 1,179,492	\$ 14,379,492	\$ 4,850,000	\$6,293,923	\$ 11,143,923	\$ 25,523,415
2010	13,795,000	629,052	14,424,052	5,225,000	6,124,124	11,349,124	25,773,176
2011	-	-	-	5,650,000	5,941,197	11,591,197	11,591,197
2012	-	-	-	6,075,000	5,743,391	11,818,391	11,818,391
2013	-	-	-	6,525,000	5,530,705	12,055,705	12,055,705
2014	-	-	-	7,000,000	5,302,265	12,302,265	12,302,265
2015	-	-	-	7,475,000	5,057,195	12,532,195	12,532,195
2016	-	-	-	8,000,000	4,795,495	12,795,495	12,795,495
2017	-	-	-	8,525,000	4,515,415	13,040,415	13,040,415
2018	-	-	-	9,075,000	4,216,955	13,291,955	13,291,955
2019	-	-	-	9,675,000	3,899,239	13,574,239	13,574,239
2020	-	-	-	10,275,000	3,560,517	13,835,517	13,835,517
2021	-	-	-	10,925,000	3,200,789	14,125,789	14,125,789
2022	-	-	-	11,575,000	2,818,305	14,393,305	14,393,305
2023	-	-	-	12,275,000	2,413,064	14,688,064	14,688,064
2024	-	-	-	13,000,000	1,983,317	14,983,317	14,983,317
2025	-	-	-	13,750,000	1,528,187	15,278,187	15,278,187
2026	-	-	-	14,550,000	1,046,799	15,596,799	15,596,799
2027	-	-	-	<u>15,350,000</u>	<u>537,404</u>	<u>15,887,404</u>	<u>15,887,404</u>
Total	\$ 26,995,000	\$ 1,808,544	\$28,803,544	\$ 179,775,000	\$ 74,508,282	\$ 254,283,282	\$ 283,086,826

Source: The MTA

¹ Based on a fixed rate of 3.501% per annum payable by MTA under the 2004 Gateway Swap Agreement.

Los Angeles County Metropolitan Transportation Authority

\$264,885,000 Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project)

**TABLE 3
PROJECT FUNDING
(\$ in millions)**

<u>Funding Source</u>	<u>Amount</u>	<u>Amount Received as of August 2008</u>	<u>Percentage Received as of August 2008</u>
<u>Federal Sources</u>			
Federal Section 5309 New Starts	\$490.7	\$333.6	68.0%
Federal Other (5309 Fixed Guideway)	12.0	12.0	100.0
CMAQ Regional Improvement Program	10.3	10.3	100.0
Regional Improvement Program – Federal	<u>4.6</u>	<u>4.6</u>	<u>100.0</u>
Total Federal Sources	\$517.6	\$360.5	69.6%
<u>Non-Federal Sources</u>			
Regional Improvement Program – State	\$175.6	\$131.8	75.1%
State TCRP	45.0	45.0	100.0
Prop. A/Prop. C Bonds	135.7	135.7	100.0
Lease Revenues	<u>10.1</u>	<u>10.1</u>	<u>100.0</u>
Total Non-Federal Sources	\$366.4	\$322.6	88.0%
Prop. A/Prop. C Sales Tax Revenue	<u>\$ 14.8</u>	<u>\$4.4</u>	<u>29.7%</u>
Grand Total	<u>\$898.8</u>	<u>\$687.5</u>	76.5%

Source: The MTA

**Los Angeles County Metropolitan Transportation Authority
\$264,885,000 Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project)**

**TABLE 4
RECEIVED AND ANTICIPATED FULL FUNDING GRANT RECEIPTS**

Federal Fiscal Year	Original Grant Commitment	Full Funding Grant Receipts Received and Anticipated⁽¹⁾
Pre-2005	\$17,265,449	\$ 17,265,449
2005	60,000,000	59,500,000 ⁽²⁾
2006	80,000,000	78,408,000 ⁽³⁾
2007	100,000,000	100,000,000
2008	80,000,000	78,400,000 ⁽³⁾
2009	80,000,000	80,000,000
2010	73,434,551	77,126,551
TOTAL	\$490,700,000	\$490,700,000

(1) The anticipated amount of Full Funding Grant Receipts in each Federal Fiscal Year is the Original Grant Commitment less an amount that is withheld by the FTA for payment to the appointed Project Management Oversight Consultant (“PMOC”), and less any rescission of grant funding enacted by Congress. Withheld PMOC amounts in each year are expected to be approximately 1% of the annual grant commitment. All PMOC withholdings and grant rescissions relating to the Grant Agreement are expected to be paid to the MTA after completion of the Project.

(2) For FFY 2005, Congress rescinded approximately 0.8% of the year’s grant funding, in addition to the PMOC withholdings.

(3) For FFY 2006 and FFY 2008, Congress rescinded approximately 1.0% of the year’s grant funding, in addition to the PMOC withholdings.

Los Angeles County Metropolitan Transportation Authority
\$264,885,000 Capital Grant Receipts Revenue Bonds (Gold Line Eastside Extension Project)

TABLE 7
HISTORICAL AND PROJECTED
SECTION 5307 GRANT RECEIPTS

(\$ in Millions) <u>Federal Fiscal Year</u>	<u>Section 5307 Grant</u> <u>Receipts</u>
2001	\$134.8
2002	84.4 ⁽¹⁾
2003	151.8 ⁽¹⁾
2004	164.0
2005	177.4
2006	168.1
2007	139.6
2008	142.5 ⁽²⁾
2009	160.9 ⁽³⁾
2010	137.0 ⁽³⁾
2011	139.0 ⁽³⁾
2012	141.0 ⁽³⁾

⁽¹⁾ SCAG allocated approximately \$44 million to the LACMTA for FFY 2002 that the LACMTA did not actually receive until FFY 2003.

⁽²⁾ Actual receipts as of May, 2008.

⁽³⁾ Projected.

Source: The LACMTA.

THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

General

The MTA was established in 1993, pursuant to the provisions of Sections 130050.2 et seq. of the California Public Utilities Code, as a consolidated successor entity to the District and the Commission. The MTA 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, 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. In November 2008, a County-wide sales tax measure (“Measure R”) was approved by 67.93% of the voters, which increases the County sales tax rate by ½ of 1% to fund LACMTA transportation projects. The additional sales tax rate will start being collected July 1, 2009, for a period of 30 years. No assurance can be given as to the impact, if any, the additional tax will have on retail sales in the County and, therefore, on Pledged Revenues.

Board of Directors

The 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. 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 the 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 eight 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 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 the 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.

David W. Fleming. Mr. Fleming was appointed to the Board by Mayor Antonio Villaraigosa effective July 2005. An attorney for 43 years, Mr. Fleming has been of counsel to Latham & Watkins LLP since 1992. In 2003, he was appointed a trustee of the James Madison Foundation by President George W. Bush, and Mr. Fleming is currently the First Vice Chair of the Los Angeles Area Chamber of Commerce. In 1997, he co-chaired with then Mayor Riordan a voters' initiative to reform Los Angeles City government, culminating in the creation of a citizens' Charter Reform Commission, which drafted the new city charter that was adopted in 1999. From 1996 to 1999, he served as a member and vice chairman of the California Transportation Commission as an appointee of Governor Pete Wilson. He has also served as president of the Los Angeles Board of Fire Commissioners, commissioner on the Los Angeles City Ethics Commission and chairman of the board of the Los Angeles County Economic Development Corporation. Mr. Fleming holds a Bachelor of Arts Degree from Augustana College and a Juris Doctor from the University of California, Los Angeles.

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 the 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.

Bernard C. Parks. Mr. Parks was appointed to the Board by Mayor Antonio Villaraigosa effective July 2005. He is currently a City Councilman of the City of Los Angeles for the Eighth Council District, who was first elected in March 2003. He is Chair of the Budget and Finance Committee and Vice-President of the Coliseum Commission. Councilmember Parks also sits on the Public Safety Committee, the Claims Board, the Housing and Community and Economic Development Committee, the Board of Referred Powers and the Transportation Committee where he serves as Vice Chair. Prior to his election to the City Council, Mr. Parks served as a police officer for 38 years and rose through the ranks to become the Chief of Police of the Los Angeles Police Department in 1997. Mr. Parks holds a Bachelor

of Science degree from Pepperdine University and a Masters in Public Administration from the University of Southern California.

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 the 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.

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. The 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 the LACMTA and its organizational units, (vi) establishment of the 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 the 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 the LACMTA's executives and a brief biography of each executive are provided below.

Chief Executive Officer. Roger Snoble was hired as the LACMTA's Chief Executive Officer in September 2001. Mr. Snoble had been president/executive director of the Dallas Area Rapid Transit

District (“DART”) since 1994. Prior to joining DART, he served as president and general manager of the San Diego Transit Corporation where he worked for 20 years. Mr. Snoble began his transportation career in 1965 as a planner for the TriCounty Regional Planning Commission in Akron, Ohio. He also worked as a planner for Akron Metro Transit District from 1971-1973. On December 17, 2008, Mr. Snoble announced he would retire once his successor has been appointed.

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 the 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 the LACMTA. As Chief Financial Services Officer and Treasurer, he is responsible for the oversight of the 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 the LACMTA and as Director of Strategic Funding Analysis for the LACMTA’s Regional Transportation Planning and Development Division. Prior to joining the 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, the 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 the 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 the 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 the LACMTA, to participate in the California Public Employees Retirement System.

Rapid Transit System

The 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 the LACMTA from other transportation agencies across the country. Most other transportation agencies specialize in three or fewer of the referenced transportation services.

Bus System. The LACMTA is the largest public transit operator west of Chicago. The 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 2,500 buses that operates a weekday total of 259,400 revenue service miles over a route system of 2,870 miles carrying approximately 1.22 million weekday boardings in October 2008. In addition, the LACMTA contracts with outside service providers for an additional 185 buses that operate a weekday total of 21,600 revenue service miles over a route system of

379 miles carrying approximately 44,000 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 articulated buses and six gasoline hybrid buses in Fiscal Year 2008-09. As of July 1, 2008, the average age of LACMTA's bus fleet was just under 7.6 years old.

Metro Rapid Bus. In June 2000, the 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 the operating Metro Rapid corridors is the Lincoln Rapid 3, which is operated by Santa Monica's Big Blue Bus. The LACMTA implemented six new corridors in June 2008 with two additional corridors to be implemented in the near future by Culver City Bus and Torrance Transit. Metro Rapid service along Pico Boulevard has been extended and operates from Pico/Rimpau to downtown Santa Monica by Santa Monica Big Blue Bus.

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 ten 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 October 2008 averaged approximately 25,000 boardings per weekday.

Highway System. The High Occupancy Vehicle ("HOV") lane program is a cooperative effort between Caltrans and the 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 January 1, 2009. As reported by Caltrans, as of June 30, 2007, the HOV lanes carried an average volume of 330,000 vehicles and over 750,000 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 81,000 in October 2008.

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 42,000 in October 2008.

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 the 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 October 2008.

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 the 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, the 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 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 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 154,935 in October 2008. 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 the 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. The 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, the LACMTA issued its Grant Receipts Bonds, 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 the 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 the 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. The 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. The 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 September 2008, the Metrolink system consisted of seven lines totaling 512 miles and 55 stations serving approximately 47,600 weekday commuters daily. These facilities were constructed within their project budgets and time specifications.

Future Transportation Improvements

The 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. The 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. The 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.

The 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 the 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 the 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 the 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.

Labor Relations

The LACMTA currently employs approximately 9,210 employees. As of January 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 the LACMTA with each of its employee bargaining units as of January 1, 2009.

<u>Employee Bargaining Unit</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
United Transportation Union	4,535	06/30/09
Amalgamated Transit Union	2,083	06/30/09
Transportation Communications Union	692	06/30/09
American Federation of State, County and Municipal Employees	597	06/30/11
Teamsters Union	80	09/30/09

In June 2006, the LACMTA renegotiated contracts (effective as of July 1, 2006) with the UTU, the ATU and the TCU. Terms of the new 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, the LACMTA and the AFSCME reached a successor agreement for a three-year term ending June 30, 2011. In December 2006, the LACMTA renegotiated its contract with the Teamsters. Terms of the new labor agreement, which expires on September 30, 2009, include a 10.5% wage increase over a three-year period.

Since September 16, 2000, the 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 the 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.

Enterprise Fund

As is generally true with large transit systems, the MTA does not generate sufficient fare box or other revenues from the operation of its bus and rail systems to pay for the operation of the bus and rail systems. Thus, the operational costs of the MTA’s transit system are subsidized from other sources, primarily, from the Proposition C Sales Tax and the Proposition A Sales Tax. The MTA anticipates that transit operations will require substantial subsidies for the foreseeable future.

The MTA’s enterprise fund is used to account for the MTA’s ongoing transit operations and activities. Prior to the implementation of GASB 34, the MTA’s Fiscal Year 2001 financial statements

showed a cumulative retained deficit in the enterprise fund of approximately \$63.3 million, compared to the Fiscal Year 1998 cumulative deficit of \$102 million. The deficit reduction over that period reflected increased operating subsidies and reduced overhead. GASB 34 significantly altered the presentation of the financial statements for enterprise funds. As a result of GASB 34, the MTA reports net assets instead of retained earnings in the enterprise fund, although it continues to subsidize its transit operations at roughly the same levels as in prior years.

Debt Policy

In September 2008, the LACMTA updated its formal Debt Policy (the “Debt Policy”). The Debt Policy sets forth guidelines for the issuance and management of the LACMTA’s debt. Among other things, the Debt Policy requires the LACMTA to develop a capital improvement plan which includes the capital projects the 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 2008. The Debt Policy also sets forth guidance on the type of debt that may be incurred by the 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 LACMTA updated its Interest Rate Swap Policy (the “Swap Policy”). The Swap Policy includes guidelines to be used by the 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 the LACMTA evaluate the risks, on an on going basis, of existing interest rate swaps. The LACMTA has entered into the Series 2003 Swap Agreements and the Series 1993 Swap Agreement, pursuant to which regularly scheduled payments payable by the LACMTA are secured by Proposition C Sales Tax revenues on a parity with the Second Senior Bonds. The LACMTA has also entered into the 2004 Gateway Swap Agreement, the Proposition A Series 2005 C Swap Agreements and the Proposition A Series 1992-A Swap Agreement.

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.

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 those 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. If LACMTA is 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 the 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. The LACMTA is taking steps to locate qualifying replacement facilities and also to reach agreements with each investor to implement alternative strategies to replace or provide credit enhancement for the AIG facilities, or to terminate on cost neutral terms. MTA is also pursuing Federal legislative or administrative solutions.

As part of a nationwide coalition comprised of 30 large transit agencies affected by similar lease transactions, MTA 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.

LITIGATION

Except as stated herein, there is no litigation pending or, to the knowledge of the MTA, threatened, in any way questioning or affecting the validity of the Bonds, the imposition and collection of the Proposition A and Proposition C Sales Taxes or the pledge of the Pledged Revenues.

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. The LACMTA does not believe such decision has any effect on the validity of the LACMTA’s Proposition C Sales Tax.

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 the LACMTA and then Chief Executive Officer, Franklin E. White, as defendants, and alleged various discriminatory practices by the LACMTA and its predecessor agencies in providing transportation services in the County.

In the Complaint, the Class Action Plaintiffs sought to enjoin the 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 the LACMTA and the Class Action Plaintiffs. A Special Master was appointed to oversee LACMTA compliance with the Consent Decree. The Consent Decree provides for the 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 the 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 the 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 the 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. No decision has been made by the court at this time.

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

Construction Litigation

Tutor-Saliba-Perini ("TSP"), a construction company, filed suit against the LACMTA claiming extra charges under certain Metro Red Line Segment 2 contracts. The 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 the 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 the LACMTA. In the opinion of the LACMTA, none of the pending claims will materially and adversely affect the LACMTA's ability to pay the principal and purchase price of and interest on any of its obligations.

INVESTMENT POLICY

General

Certain features of the LACMTA’s Investment Policy are summarized in the LACMTA’s financial statements.

Investment Balances

As of September 30, 2008 (based on unaudited financial information), the LACMTA had approximately \$1.89 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 September 30, 2008 (unaudited), the LACMTA also had approximately \$1.77 billion in book value deposited in discretionary (operating) accounts. Such discretionary investments are summarized below:

Investments	Percentage of Total Book Value as of September 30, 2008
Los Angeles County Investment Pool	
Local Agency Investment Fund	4.8%
Bank Deposits	1.6
Certificates of Deposit	0.0
Managed Investments	
Federal Agencies	42.1
Treasuries	18.5
Commercial Paper	9.0
Corporate Notes	10.4
Money Market Funds	6.4
Asset Backed Securities; Mortgages	0.0
Bankers Acceptance	3.8
Repurchase Agreements	3.4
Sub Total Managed Investments	93.6
Total Cash and Investments*	100.0%

* Numbers may not add due to rounding.

Source: The LACMTA.

As of September 30, 2008 (unaudited), the liquid reserve of the discretionary accounts, which totaled approximately \$616.0 million in both book value and market value, was managed internally by the LACMTA and had an average maturity of 27 days. The LACMTA’s Investment Policy prohibits investing in reverse repurchase agreements.

The March 11, 2008 investment policy of the County Treasurer and Tax Collector permits 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 October 31, 2008 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 October 31, 2008 was approximately \$19.283 billion (unaudited).

Additional information regarding the LACMTA's investments is included in the LACMTA's financial statements.

CONTACTS

Bond Insurers:

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
(212) 208-3280
FAX: (212) 208-3527

FGIC
125 Park Avenue
New York, NY 10017
(212) 312-3269
FAX: (212) 312-3206

Financial Security Assurance Inc.
31 West 52nd Street
New York, New York 10019
(212) 896-9673
FAX: (212) 857-0405

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
(914) 765-3171
FAX: (914) 765-3555
(Insured Portfolio Management)

Letter of Credit Banks:

BNP Paribas
U.S. Public Finance - Origination
787 Seventh Avenue, 7th Floor
New York, NY 10019
(212) 841-3083

Dexia Credit Local
445 Park Avenue, 7th Floor
New York, NY 10022
(212) 515-7025
FAX: (212) 753-5516

Bank of America
333 S. Hope Street, 13th Floor
CA9-193-13-17
Los Angeles, CA 90071
(213) 621-7184
FAX: (213) 621-3606

Bayerische Landesbank
560 Lexington Avenue
New York, NY 10022
(212) 310-9943
FAX: (212) 230-9114

Los Angeles County Metropolitan Transportation Authority:

Los Angeles County Metropolitan Transportation Authority

Treasury Department

One Gateway Plaza, 21st Floor

Los Angeles, CA 90012

Attention:

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(213) 922-2473

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(213) 922-4042

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