

## **Description of the Series 2008-A1 Bonds**

The Series 2008-A1 Bonds are limited obligations of LACMTA and are secured under the Trust Agreement, dated as of July 1, 1986, as amended and supplemented (the “Trust Agreement”), by and between LACMTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), including as supplemented by the Amended and Restated Twenty-Eighth Supplemental Trust Agreement, dated as of August 1, 2011 (the “Twenty-Eighth Supplement”). This Remarketing Memorandum refers to the Trust Agreement, as so amended and supplemented, including by the Twenty-Eighth Supplement, as the “Agreement.”

The Series 2008-A1 Bonds are in registered form and mature on July 1, 2031. LACMTA will remarket the Series 2008-A1 Bonds in a Weekly Mode. The Series 2008-A1 Bonds will bear interest at a Weekly Rate determined by the Remarketing Agent as described herein, subject to certain conditions and exceptions. So long as the Series 2008-A1 Bonds bear interest in a Weekly Mode, interest will be payable on the first Business Day of each calendar month. The maximum interest rate on the Series 2008-A1 Bonds is 12% per annum; provided that the maximum interest rate with respect to Liquidity Provider Bonds (as defined herein) will be the maximum rate set forth in the applicable Liquidity Facility. Interest on the Series 2008-A1 Bonds will be computed on the basis of a 365 or 366 day year and the actual number of days elapsed.

LACMTA may convert the Series 2008-A1 Bonds to a different interest rate mode if LACMTA satisfies the conditions set forth in the Agreement.

The Series 2008-A1 Bonds are subject to mandatory and optional redemption and mandatory and optional tender in certain circumstances as described herein.

## **Security and Sources of Payment for the Series 2008-A1 Bonds**

The Series 2008-A1 Bonds are limited obligations of LACMTA payable solely from and secured by a pledge of “Pledged Revenues,” which are moneys collected as a result of the imposition of the Proposition A Sales Tax, less 25% thereof which is allocated to local jurisdictions for local transit purposes (the “Local Allocation”) and 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 A Sales Tax, plus interest, profits and other income received from the investment of such amounts held by the Trustee. In addition, the Series 2008-A1 Bonds are secured by all other amounts held by the Trustee under the Agreement except for amounts held in any rebate fund and any redemption fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008-A1 BONDS” in this Remarketing Memorandum.

## **Proposition A Sales Tax Obligations**

LACMTA has issued other obligations under the Agreement that are secured by and payable from Pledged Revenues on a parity with the Series 2008-A1 Bonds, and LACMTA is permitted to issue additional parity obligations in the future upon satisfaction of certain additional bonds tests contained in the Agreement. The Series 2008-A1 Bonds, the existing obligations on a parity with the Series 2008-A1 Bonds and all future obligations issued on a parity with the Series 2008-A1 Bonds are collectively referred to in this Remarketing Memorandum as the “First Tier Senior Lien Bonds.” As of July 2, 2011, LACMTA has outstanding First Tier Senior Lien Bonds in the aggregate principal amount of \$1,403,600,000, including the Series 2008-A1 Bonds. See “PROPOSITION A SALES TAX OBLIGATIONS.”

In addition, LACMTA has issued other obligations under the Agreement that are secured by and payable from Pledged Revenues on a basis subordinate to the First Tier Senior Lien Bonds, and it may issue additional subordinate obligations in the future. See “PROPOSITION A SALES TAX OBLIGATIONS.”

### **The Series 2008-A1 Bonds Are Limited Obligations of LACMTA Only**

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 2008-A1 Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2008-A1 Bonds.

The Series 2008-A1 Bonds are limited obligations of LACMTA and are payable, both as to principal and interest, solely from a first lien on and pledge of 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 neither the credit nor the taxing power of LACMTA is pledged, for the payment of the Series 2008-A1 Bonds or interest on the Series 2008-A1 Bonds.

### **Reserve Fund and Surety Replacement Account for the First Tier Senior Lien Bonds**

Pursuant to the Agreement, the Reserve Fund was established and is held by the Trustee and used to make payments of principal of and interest on all First Tier Senior Lien Bonds, including the Series 2008-A1 Bonds, issued by LACMTA under the Agreement to the extent the amounts in the Bond Interest Account or the Bond Principal Account (as both are defined in APPENDIX C—“SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—Definitions” of this Official Statement) are not sufficient to pay in full the principal of and interest on the First Tier Senior Lien Bonds when due. The Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement, which is currently \$149,471,174.00. The Reserve Fund Requirement is satisfied by a municipal bond debt service reserve insurance policy provided by Financial Security Assurance Inc., now known as Assured Guaranty Municipal Corp. (“AGM”) (the “AGM Reserve Policy”) with a policy limit of \$85,500,000 and cash and investments in the amount of approximately \$65,103,591.38. The Reserve Fund also contains a municipal bond debt service reserve fund policy (the “FGIC Reserve Policy”) provided by Financial Guaranty Insurance Company. The Reserve Fund Requirement is satisfied without taking the FGIC Reserve Policy into account.

In addition to the Reserve Fund, approximately \$32.4 million is on deposit in a Surety Replacement Account established under the Agreement. These monies are being held in the Surety Replacement Account in order to assist in funding the Reserve Fund if AGM’s ratings are downgraded below specified levels. Funds in the Surety Replacement Account may be withdrawn for purposes other than the payment of debt service in certain circumstances. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008-A1 BONDS—Reserve Fund for First Tier Senior Lien Bonds—Surety Replacement Account” for further discussion of the Surety Replacement Account.

### **Payment of Purchase Price; Liquidity Facility**

The Series 2008-A1 Bonds are being remarketed in connection with the amendment, restatement and extension of the prior standby bond purchase agreement securing payment of the purchase price of any tendered Series 2008-A1 Bonds. For so long as the Series 2008-A1 Bonds bear interest at a Weekly Rate, they are subject to optional and mandatory tender for purchase as described herein. The purchase

price of Series 2008-A1 Bonds in connection with any such optional or mandatory tender for purchase is payable solely from the proceeds of remarketing the Series 2008-A1 Bonds. If the proceeds of remarketing of the Series 2008-A1 Bonds are insufficient to pay the purchase price of any tendered Series 2008-A1 Bonds, then Bank of America, N.A. (the “Liquidity Provider”) will be obligated to pay the purchase price of such tendered Series 2008-A1 Bonds under the terms and subject to the conditions and limitations set forth in an amended and restated standby bond purchase agreement (the “Liquidity Facility”), dated as of August 1, 2011, among LACMTA, the Trustee, the Tender Agent and the Liquidity Provider. The Liquidity Facility will expire on August 4, 2014, unless extended or terminated pursuant to its terms. For a more detailed description of the provision of the Series 2008-A1 Bonds relating to the optional and mandatory tender for purchase, see “DESCRIPTION OF THE 2008-A1 BONDS—Optional Tender of Series 2008-A1 Bonds” and “—Mandatory Tender for Purchase of Series 2008-A1 Bonds.” For a more detailed description of the provisions of the Liquidity Facility, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008-A1 BONDS—Liquidity Facility” and “THE LIQUIDITY FACILITY AND LIQUIDITY FACILITY PROVIDER” herein.

**Pursuant to the Liquidity Facility, the obligation of the Liquidity Provider to purchase Series 2008-A1 Bonds subject to optional tender or mandatory tender for purchase may be immediately and automatically suspended or terminated without notice if certain events occur. If such events occur, the purchase price of any tendered Series 2008-A1 Bonds will be payable only from remarketing proceeds. LACMTA has no obligation to pay the purchase price of any tendered Series 2008-A1 Bonds.**

**Under the terms of the Liquidity Facility, the Liquidity Provider does not support or otherwise guarantee the payment of principal of or interest on the Series 2008-A1 Bonds by LACMTA.**

### **Continuing Disclosure Certificate**

To assist the Remarketing Agent in complying with Rule 15c2-12 (the “Rule”) promulgated by the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended, LACMTA has agreed to provide or cause to be provided with respect to the Series 2008-A1 Bonds to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”) certain annual financial information and operating data relating to LACMTA and notice of certain material events. See “CONTINUING DISCLOSURE” and APPENDIX E—“COPY OF CONTINUING DISCLOSURE CERTIFICATE” in this Remarketing Memorandum. 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 Remarketing Memorandum 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 Remarketing Memorandum 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 Remarketing Memorandum 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, 25<sup>th</sup> Floor, Treasury Department, Los Angeles, California 90012, Attention: Chief Financial Services Officer and Treasurer, or by calling (213) 922-4042.

## **RISK FACTORS**

### **Economic Factors May Cause Declines in Proposition A Sales Tax Revenues**

The Series 2008-A1 Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and pledge of Pledged Revenues, consisting primarily of certain revenues of the Proposition A Sales Tax and other amounts that are held by the Trustee under the Agreement. The level of Proposition A Sales Tax revenues collected depends on the level of taxable sales transactions within the County, which, in turn, depends on the level of general economic activity in the County. In fiscal years 2009 and 2010, the national economic recession and regional general economic conditions resulted in reductions in economic activity and taxable sales within the County and correspondingly Proposition A Sales Tax revenues received by LACMTA declined. Sales tax revenues increased in fiscal year 2011 even though the economy of the County continues to experience significant weaknesses. It is possible that Proposition A Sales Tax revenues could decline further in the future, reducing amounts available to pay the principal of and interest on the Series 2008-A1 Bonds.

Proposition A Sales Tax receipts fluctuate based on general economic conditions within the County. To project future Proposition A 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 State Board of Equalization does not provide LACMTA with any forecasts of Proposition A Sales Tax revenues for future periods. Therefore, LACMTA is unable to forecast or predict with certainty future levels of Proposition A Sales Tax receipts, including receipts based on sales activity occurring in the three months ending June 30, 2011 (which LACMTA will receive in the three-month period ending September 30, 2011). Continued significant declines in the amount of Proposition A Sales Tax receipts could ultimately impair the ability of LACMTA to pay principal of and interest on the Series 2008-A1 Bonds. See “PROPOSITION A SALES TAX AND COLLECTIONS—Historical Proposition A Sales Tax Collections.”

### **California State Legislature or Electorate May Change Items Subject to Proposition A Sales Tax**

With limited exceptions, the Proposition A 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 A 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 A 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 A Sales Tax are imposed. Such a change could either increase or decrease Proposition A Sales Tax revenues depending on the nature of the change. See “PROPOSITION A SALES TAX AND COLLECTIONS.”

### **Increases in Sales Tax Rate May Cause Declines in Proposition A Sales Tax Revenues**

In November 2008, County voters approved Measure R, which increased the sales tax rate within the County by  $\frac{1}{2}$  of 1 percent for a period of 30 years to fund LACMTA transportation projects and operations. Measure R sales tax revenues are separate from Proposition A Sales Tax revenues and do not secure the First Tier Senior Lien Bonds, including the Series 2008-A1 Bonds. Collection of the

additional sales tax rate commenced July 1, 2009. In addition, in connection with its approval of the State of California's revised budget, the California State Legislature temporarily increased the State's general sales tax rate by 1.0 percent between April 1, 2009 and July 1, 2011. Increases in sales tax rates may affect consumer spending decisions and as a result adversely impact sales transactions in the County and, thereby, reduce Proposition A Sales Tax revenues.

### **Increased Internet Use May Reduce Proposition A Sales Tax Revenues**

The increasing use of the Internet to conduct electronic commerce may affect the levels of Proposition A 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 of California are generally subject to the retail transactions and use tax imposed by Proposition A. However, LACMTA believes that many of these transactions may avoid taxation either through error or deliberate non-reporting and this potentially reduces the amount of Proposition A Sales Tax revenues. As a result, the more that Internet use increases, the more that LACMTA may experience reductions of Proposition A 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 A Sales Tax is fully enforceable only if a bankruptcy court determines that the Proposition A Sales Tax revenues are "Special Revenues" under Chapter 9 and that the pledge is valid and binding under Chapter 9. The Proposition A Sales Tax revenues may not constitute "Special Revenues" under Chapter 9 because, among other reasons, the Proposition A Sales Tax was not levied for a particular project and is available for the general purposes of LACMTA. If a bankruptcy court were to hold the pledge of Proposition A Sales Tax to be unenforceable under Chapter 9, then the owners of the First Tier Senior Lien Bonds (including the Series 2008-A1 Bonds) would no longer be entitled to any special priority to the Proposition A Sales Tax revenues and may be treated as general unsecured creditors of LACMTA as to the Proposition A Sales Tax revenues.

Furthermore, since the obligations of LACMTA under the Agreement, including its obligations to pay principal of and interest on the Series 2008-A1 Bonds, are limited obligations and are payable solely from a first lien and pledge of the Proposition A 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 First Tier Senior Lien Bonds (including the Series 2008-A1 Bonds) could have no recourse to any assets or revenues of LACMTA other than the Proposition A Sales Tax revenues.

### **Voter Initiatives and California State Legislative Action May Impact Proposition A Sales Tax**

Voters have the right to place measures before the electorate in the County or the State of California and the California State Legislature may take actions to limit the collection and use of the Proposition A Sales Tax. Such initiatives or actions may impact various aspects of the security, source of payment and other credit aspects of the Series 2008-A1 Bonds. See "PROPOSITION A SALES TAX AND COLLECTIONS—Initiatives and Changes to Proposition A Sales Tax."

### **Risks Related to the Liquidity Facility**

For so long as the Series 2008-A1 Bonds bear interest at a Weekly Rate, the Series 2008-A1 Bonds are subject to optional and mandatory tender for purchase as described in this Remarketing Memorandum. The purchase price of Series 2008-A1 Bonds in connection with any such optional or