

Reserve Fund for 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 and interest with respect to all First Tier Senior Lien Bonds, including the Series 2008-A1 Bonds, to the extent amounts in the Bond Interest Account or the Bond Principal Account are not sufficient to pay in full the interest on or principal (including accreted value) of 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 generally Maximum Annual Debt Service on outstanding First Tier Senior Lien Bonds. See APPENDIX C—“SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—Reserve Fund Requirement” for the complete definition of Reserve Fund Requirement.

Under the terms of the Agreement, LACMTA may substitute an insurance policy provided by a bond insurer or a letter of credit in lieu of or in partial substitution for cash or securities deposited in the Reserve Fund in order to meet the Reserve Fund Requirement. The entity providing a Reserve Fund Insurance Policy must be rated in one of the two highest classifications by Moody’s and S&P. The Agreement provides that any Reserve Fund Insurance Policy is to be valued at its face value less any unreimbursed drawings (of which there currently are none). See APPENDIX C—“SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—Reserve Fund Insurance Policy.”

At the time of remarketing of the Series 2008-A1 Bonds, the Reserve Fund Requirement is expected to equal approximately \$149,471,174.00, which LACMTA anticipates will be satisfied in part by the AGM Reserve Policy with a policy limit of \$85,500,000, with the balance satisfied by cash and investments held in the Reserve Fund totaling approximately \$65,103,591.38. The Reserve Fund Requirement is satisfied without taking into account the FGIC Reserve Policy described below.

Proposed Amendments to Agreement Relating to Reserve Fund.

In connection with the remarketing of the Series 2008-A1 Bonds, LACMTA will execute and deliver a Thirtieth Supplemental Agreement to the Agreement, which would, upon their effectiveness, make the following amendments to the Agreement (the “Reserve Fund Amendments”):

- The last sentence of the definition of “Reserve Fund Insurance Policy” would be amended and restated in its entirety to read as follows:

“The entity providing such Reserve Fund Insurance Policy shall be rated, at the time such policy is delivered, in one of the two highest Rating Categories by both Moody’s and S&P.”

- The provisions relating to the Reserve Fund would be amended to add the following provision at the end of those provisions:

“Notwithstanding the last sentence of the immediately preceding paragraph, if a Reserve Fund Insurance Policy has been deposited to the Reserve Fund, LAMCTA hereby agrees that, if, at the time of valuation of the Reserve Fund, the entity providing such Reserve Fund Insurance Policy is not rated in one of the three highest Rating Categories by Moody’s and S&P, deposits shall be made into the Reserve Fund from and to the extent of Pledged Revenues (after deposits which are to be made before deposits in the Reserve Fund are made), at such times and in such amounts as directed by LACMTA, until (but in no event later than thirty-six (36) months following such valuation date) the lesser of (a) an amount equal to the face value of such Reserve Fund Insurance Policy or (b) the amount necessary for the amount on deposit in the Reserve Fund to equal the Reserve Fund Requirement has been deposited to the Reserve Fund.”

The Reserve Fund Amendments will not become effective until such time as LACMTA receives (a) the consents, in writing, of the holders of not less than 60% in aggregate principal amount of the Outstanding First Tier Senior Lien Bonds and any other consents then required under the Agreement and (b) an opinion of Bond Counsel as required by the Agreement

The AGM Reserve Policy. Generally, the AGM Reserve Policy unconditionally and irrevocably guarantees the payment of that portion of the principal of and interest on the First Tier Senior Lien Bonds that becomes due for payment but shall be unpaid by reason of “nonpayment” by LACMTA. “Nonpayment” means, in respect of a First Tier Senior Lien Bond, the failure of LACMTA to have provided sufficient funds for the payment in full of all principal and interest that is due for payment on such First Tier Senior Lien Bond. Nonpayment also includes any payment of principal or interest that is due for payment made to an Owner by or on behalf of LACMTA that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. The AGM Reserve Policy does not cover payments due as a result of optional redemption or acceleration of a First Tier Senior Lien Bond or payments of purchase price on tendered First Tier Senior Lien Bonds.

The AGM Reserve Policy will terminate on July 1, 2021. The AGM Reserve Policy is noncancellable and the premium therefor has been paid in full. The cash and investments that are expected to be in the Reserve Fund as of the date of remarketing of the Series 2008-A1 Bonds are in an amount at least sufficient to satisfy the Reserve Fund Requirement as of July 1, 2021 with respect to the portion of the First Tier Senior Lien Bonds that will be outstanding as of the date of remarketing of the Series 2008-A1 Bonds (excluding any future issuances of First Tier Senior Lien Bonds and assuming debt service is paid on the outstanding First Tier Senior Lien Bonds as scheduled). If LACMTA issues First Tier Senior Lien Bonds in the future or does not pay debt service on First Tier Senior Lien Bonds as scheduled, an additional deposit may be required to be made on (or before) July 1, 2021.

The AGM Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law or by the California Insurance Guaranty Association established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

If LACMTA fails to reimburse AGM for draws on the AGM Reserve Policy or to pay expenses and accrued interest thereon, AGM is entitled to exercise any remedies available to it, including those provided under the Agreement, other than (i) acceleration of the First Tier Senior Lien Bonds, or (ii) remedies which would adversely affect holders.

In addition, LACMTA and the Trustee have agreed with AGM that all cash and investments will be used to pay debt service on the First Tier Senior Lien Bonds prior to any drawing on the AGM Reserve Policy or any other Reserve Policy and that draws on Reserve Policies shall be made on a pro rata basis. Further, draws on the AGM Reserve Policy and any other Reserve Policy are required to be reimbursed on a pro rata basis prior to the replenishment of any cash withdrawn from the Reserve Fund.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. (“Holdings”). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure

and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA+" (stable outlook) by S&P and "Aa3" (negative outlook) by Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 13, 2011, S&P issued a release stating that it had affirmed the "AA+" financial strength rating of AGM, with a stable outlook. Reference is made to the release, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the "Bond Insurance RFC") in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the SEC on March 1, 2011, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011.

Capitalization of AGM

At March 31, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,058,791,206 and its total net unearned premium reserve was approximately \$2,285,987,748, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the SEC that relate to AGM are incorporated by reference into this Remarketing Memorandum and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011); and

- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the remarketing of the Series 2008-A1 Bonds shall be deemed incorporated by reference into this Remarketing Memorandum and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008-A1 BONDS—Reserve Fund for First Tier Senior Lien Bonds—Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Remarketing Memorandum, except as so modified or superseded.

AGM makes no representation regarding the Series 2008-A1 Bonds or the advisability of investing in the Series 2008-A1 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Remarketing Memorandum or any information or disclosure contained herein, or omitted herefrom, except that AGM has provided to LACMTA the information presented under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008A-1 BONDS—Reserve Fund for First Tier Senior Lien Bonds—Assured Guaranty Municipal Corp."

FGIC Reserve Policy. Concurrently with the issuance of the Proposition A Sales Tax Revenue Refunding Bonds Series 1991-B on December 4, 1991, Financial Guaranty Insurance Company ("Financial Guaranty"), issued the FGIC Reserve Policy in an amount not to exceed the lesser of \$111,463,547.50 or the Reserve Fund Requirement. The FGIC Reserve Policy terminates on July 1, 2021. The amount of cash and other investments in the Reserve Fund together with the AGM Reserve Policy satisfy the Reserve Fund Requirement without taking into account the FGIC policy.

No review of the business or affairs of Financial Guaranty has been conducted in connection with the remarketing of the Series 2008-A1 Bonds. This Remarketing Memorandum does not contain any financial information about Financial Guaranty or the FGIC Reserve Policy and does not refer to any such information that may be available elsewhere, and Financial Guaranty has not reviewed or approved this Remarketing Memorandum.

Both before and after the occurrence of a payment or other default by LACMTA in respect of the Series 2008-A1 Bonds, Financial Guaranty may be entitled to exercise certain rights and remedies pursuant to the Agreement and a debt service reserve policy agreement with LACMTA; such remedies shall not include acceleration or remedies which would adversely affect the holders of First Tier Senior Lien Bonds. While the FGIC Reserve Policy remains in effect, and so long as Financial Guaranty is not in default with respect to its obligations thereunder, Financial Guaranty will be entitled to consent to certain changes in documents, and if past due amounts are owing to Financial Guaranty under the FGIC Reserve Policy, Financial Guaranty will have the right to consent to the issuance of additional First Tier

Senior Lien Bonds. The interests of Financial Guaranty and the interests of the Bondholders may not be aligned with respect to these matters.

Surety Replacement Account. Approximately \$32.4 million (the “Surety Replacement Deposit”) is on deposit in the Surety Replacement Account as of July 2, 2011. 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 such that it is no longer rated in one of the two highest classifications by both Moody’s and S&P. The Surety Replacement Deposit will remain in the Surety Replacement Account until the earlier of such time as (a) it is transferred to the Reserve Fund as a result of a downgrade of AGM’s ratings below Aa3 by Moody’s or below AA- by S&P, (b) Bond Counsel notifies LACMTA that the release of such monies is necessary for interest on the First Tier Senior Lien Bonds that financed the Surety Replacement Deposit to remain excluded from gross income for Federal income tax purposes or to comply with applicable law, the Trust Agreement or other related documentation or (c) LACMTA determines that AGM is no longer likely to have its rating downgraded such that it is no longer rated in one of the two highest classifications by both Moody’s and S&P. In the case of (b) or (c) above, amounts in the Surety Replacement Account will be transferred to LACMTA to be used for any lawful purpose.

If AGM’s ratings are downgraded such that it is no longer rated in one of the two highest classifications by both Moody’s and S&P, then amounts remaining in the Surety Replacement Account will be transferred to the Reserve Fund and LACMTA will work with the Trustee to determine any other appropriate steps that should be taken. The AGM Reserve Policy may continue to be taken into consideration in determining the Reserve Fund Requirement. The monies deposited into the Surety Replacement Account are not in a sufficient amount to replace the AGM Reserve Policy in full.

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 any Series 2008-A1 Bonds in connection with any such optional or mandatory tender for purchase is payable from the proceeds of remarketing of 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 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 the Liquidity Facility. The Liquidity Facility will expire on August 4, 2014, unless extended or terminated pursuant to its terms. For a more detailed description of the provisions of the Series 2008-A1 Bonds relating to the optional and mandatory tender for purchase, see “DESCRIPTION OF THE SERIES 2008-A1 BONDS—Optional Tender of Series 2008-A1 Bonds” and “—Mandatory Tender for Purchase of Series 2008-A1 Bonds.”

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.