

make deposits into the Reserve Fund from and to the extent of Pledged Revenues as provided under the caption “–Funds and Accounts–Revenue Fund; Flow of Pledged Revenues” in clause (c) above until the Reserve Fund Requirement for the First Tier Senior Lien Bonds is restored.

Investments

Moneys held by the Trustee in the funds and accounts created under the Agreement are to be invested and reinvested as directed by the LACMTA, subject to the investment restrictions imposed upon the LACMTA by the laws of the State and provided that moneys in Debt Service Fund and the Reserve Fund will be invested solely in Government Obligations of the type described in provision (a) or (b) of the definition thereof, or in obligations, of any agency or instrumentality of the United States of America backed by the full faith and credit of the United States of America. The Agreement was amended by the Third Supplemental Agreement to recognize a provision recently added to the California Government Code which expands the permissible investments, for trustee-held funds. As a result, those funds which may be invested subject only to the investment restrictions imposed by the laws of the State may be invested in any investment which the LACMTA deems to be prudent.

Defeasance

First Tier Senior Lien Bonds or portions thereof which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Agreement except for the purposes of payment from moneys or Government Obligations held by the Trustee or a Paying Agent for such purpose. When all First Tier Senior Lien Bonds have been paid in full or are deemed to have been paid in full, and all other sums payable by the LACMTA under the Agreement, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the Pledged Revenues will cease, and thereupon the Trustee will cancel, discharge and release the Agreement and will assign and deliver to the LACMTA any property and revenues at the time subject to the Agreement which may then be in the Trustee’s possession, except funds or securities in which such funds are invested and held by the Trustee or a Paying Agent for the payment of the principal of, premium, if any, and interest on the First Tier Senior Lien Bonds.

A First Tier Senior Lien Bond will be deemed to be paid when (a) payment of the principal, interest and premium, if any, either (i) have been made or caused to be made in accordance with the terms of the First Tier Senior Lien Bonds and the Agreement, or (ii) have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment; moneys sufficient to make such payment and/or Government Obligations of the type described in provisions (a) or (b) of the definition thereof, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment; (b) all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agents have been paid or provision made for the payment thereof; and (c) if the deposit is made under the provision described in (a)(ii), then certain opinions of counsel will have been delivered to the Trustee and proper notice of redemption of such First Tier Senior Lien Bonds will have been given or, in the event such First Tier Senior Lien Bonds are not to be redeemed within the next succeeding 60 days, the LACMTA will have given the Trustee irrevocable instructions to notify, as soon as practicable, the holders of the First Tier Senior Lien Bonds that the deposit has been made and that such First Tier Senior Lien Bonds are deemed to have been paid.

Events of Default and Remedies

Events of Default. Each of the following events is defined in the Agreement to constitute an “Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the First Tier Senior Lien Bonds when the same become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the First Tier Senior Lien Bonds when such interest becomes due and payable;

(c) a failure to pay the purchase price of any First Tier Senior Lien Bond when such purchase price is due and payable upon an optional or mandatory tender date as provided in the First Tier Senior Lien Bond;

(d) a failure by the LACMTA to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (a), (b) and (c) above) contained in the First Tier Senior Lien Bonds or in the Agreement, which failure continues for a period of 60 days after written notice has been given to the LACMTA as provided in the Agreement, unless an extension of such period has been granted as provided in the Agreement; provided, however, that such an extension will be deemed to have been granted if corrective action is initiated by the LACMTA within such period and is being diligently pursued;

(e) any proceeding will be instituted by or with the consent of the LACMTA, for the purpose of effecting a composition between the LACMTA and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from Pledged Revenues;

(f) a default on the part of the LACMTA in payment of the principal of or interest on any obligation for the repayment of borrowed money and such default will continue for a period of 30 days or any default on the part of the LACMTA with respect to a debt obligation which results in an acceleration of the principal and accrued interest of such debt and, in either case, the principal amount of such debt will be at least equal to 3.5% of the Proposition A Sales Tax revenues for the most recent complete Fiscal Year; provided that a payment default as described in this clause (f) will not be an Event of Default if the LACMTA, in good faith, commences proceedings to contest the existence of such default or required payment and sufficient moneys are escrowed or a bond provided to secure for the full payment of the amount claimed to be owed;

(g) the use of amounts from the Reserve Fund to pay principal and/or interest on the First Tier Senior Lien Bonds and the failure to restore the amount on deposit in the Reserve Fund to the Reserve Fund Requirement for the First Tier Senior Lien Bonds within one year from the date of such withdrawal;

(h) there will be a failure on the part of the State Board of Equalization (or any successor to the functions of the State Board of Equalization) to collect the Proposition A Sales Tax or to pay the Pledged Tax to the Trustee or the LACMTA, or the LACMTA diverts or attempts to divert the Pledged Tax for any use prior to the deposit of the Pledged Tax into the funds and accounts held by the Trustee or there is created a lien on or a charge against the Pledged Revenues or the funds and accounts held by the Trustee under the Agreement for the benefit of all the First Tier Senior Lien Bonds which is prior to, or, except to the extent permitted by the Agreement, on a parity with that granted to secure the First Tier Senior Lien Bonds; or

(i) the occurrence of any other Event of Default as is provided in a Supplemental Agreement.

Acceleration; Other Remedies. Upon the occurrence and continuance of an Event of Default, the Trustee may, at any time, and the Trustee will, upon the written request of holders of 25% or more of the principal amount of First Tier Senior Lien Bonds then Outstanding and subject to acceleration, declare the First Tier Senior Lien Bonds which are subject to acceleration to be immediately due and payable. All First Tier Senior Lien Bonds Outstanding under the Agreement will be subject to acceleration unless, under the terms of the Supplemental Agreement providing for such issuance of such First Tier Senior Lien Bonds, a specific Series is, for a specified period, which may include the entire term of such Series, secured by a separate source and not subject to acceleration during such period. If, however, after the principal of the First Tier Senior Lien Bonds which are subject to acceleration will have been declared to be due and payable, and before any judgment or decree for the payment of the moneys due will have been obtained or entered, there is deposited with the Trustee a sum sufficient to pay all matured installments of interest and the principal of any and all First Tier Senior Lien Bonds which will have become due otherwise than by reason of such declaration and such amount as will be sufficient to compensate and reimburse the Trustee, and all Events of Default, other than nonpayment of the principal of First Tier Senior Lien Bonds which will have become due by such declaration, will have been remedied, then the Trustee may, and at the request of the holders of a majority in principal amount of First Tier Senior Lien Bonds outstanding will, waive the Event of Default and rescind or annul the acceleration and its consequences.

Upon the occurrence and continuance of any Event of Default. the Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the principal amount of the First Tier Senior Lien Bonds then outstanding and receipt of indemnity to its satisfaction will:

(a) by mandamus, or other suit, action or proceeding at law or equity, enforce all rights of the First Tier Senior Lien Bondholders, and require the LACMTA to cancel out any agreements with or for the benefit of the First Tier Senior Lien Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Agreement; provided that any such remedy may be taken only to the extent under the applicable provisions of the Agreement;

(b) bring suit upon the First Tier Senior Lien Bonds;

(c) commence an action or suit in equity to require the LACMTA to account as if it were the trustee of an express trust for the First Tier Senior Lien Bondholders; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the First Tier Senior Lien Bondholders.

First Tier Senior Lien Bondholders' Right To Direct Proceedings. The holders of a majority in principal amount of the First Tier Senior Lien Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Agreement to be taken in connection with the enforcement of the terms of the Agreement or exercising any trust or power conferred on the Trustee by the Agreement; provided that such direction will not be otherwise than in accordance with the provisions of law and the Agreement and that the Trustee will first have been indemnified and provided security to the extent satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

Limitation on First Tier Senior Lien Bondholders' Right To Institute Proceedings. No First Tier Senior Lien Bondholder will have any right to institute any suit, action or proceeding for the execution of any trust or power under the Agreement, or any other remedy, unless (a) such First Tier Senior Lien Bondholder or Senior Lien Bondholders have given the Trustee written notice of an Event of Default; (b) the holders of 25% or more of the principal amount of the First Tier Senior Lien Bonds then Outstanding will have made written request of the Trustee so to do and will have afforded the Trustee a reasonable opportunity to proceed to institute the same; (c) there also will have been offered to the Trustee security and indemnity satisfactory to the Trustee; and (d) the Trustee will not have complied with such request within a reasonable time.

Rights and Duties of the Trustee; Other Agents

Under the Agreement, if an Event of Default has occurred and is continuing, the Trustee will exercise its rights and powers and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in the Agreement and no others and, in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Agreement.

The Agreement states that the Trustee will not be liable for any error of judgment made in good faith by an officer of the Trustee unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from First Tier Senior Lien Bondholders or the LACMTA in the manner provided in the Agreement; and no provision of the Agreement requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder or in the exercise of any of its rights or powers, if it will have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee may, unless such right is restricted by a Supplemental Agreement, refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense, but the Trustee may not require indemnity as a condition to declaring the principal of and interest on the First Tier Senior Lien Bonds to be due immediately.

The LACMTA or the Trustee may from time to time appoint other agents to perform duties and obligations under the Agreement or a Supplemental Agreement, which agents may include, but not be limited to, tender agents, remarketing agents and authenticating agents all as provided by a Supplemental Agreement or resolution of the LACMTA.

Replacement of Trustee

The Trustee may resign by notifying the LACMTA in writing at least 60 days prior to the proposed effective date of the resignation. The holders of a majority in principal amount of the First Tier Senior Lien Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the LACMTA's consent. The LACMTA may remove the Trustee by notice in writing delivered to the Trustee 60 days prior to the proposed removal date, if (a) the Trustee fails to comply with the eligibility requirements for the Trustee as set forth in the Agreement which include the requirement that the Trustee have a combined capital and surplus of at least \$ 100,000,000; (b) the Trustee is adjudged a bankrupt or an insolvent; (c) a receiver or other public officer takes charge of the Trustee or its property; (d) the Trustee otherwise becomes incapable of acting; or (e) the LACMTA determines that the Trustee's services are no longer satisfactory to the LACMTA; provided, however, that

the LACMTA will have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing.

The Agreement states that no resignation or removal of the Trustee will be effective until a new Trustee has taken office.

Amendments

Without the Consent of First Tier Senior Lien Bondholders. The LACMTA may, without the consent of or notice to the First Tier Senior Lien Bondholders, execute and deliver Supplemental Agreements as follows:

(a) to provide for the issuance of a Series or multiple Series of First Tier Senior Lien Bonds under the provisions of the Agreement and to set forth the terms of such First Tier Senior Lien Bonds and the special provisions which will apply to such First Tier Senior Lien Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in the Agreement or any Supplemental Agreement;

(c) to add to the covenants and agreements of the LACMTA in the Agreement or any Supplemental Agreement or other covenants and agreements, or to surrender any right or power reserved or conferred upon the LACMTA, and which will not adversely affect the interests of the Senior Lien Bondholders;

(d) to confirm, as further assurance, any interest of the Trustee in and to the Pledged Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the LACMTA provided pursuant to the Agreement or otherwise to add additional security for the First Tier Senior Lien Bondholders;

(e) to evidence any change made in the terms of any Series of First Tier Senior Lien Bonds if such changes are authorized by the Supplemental Agreement at the time the Series of First Tier Senior Lien Bonds is issued and such change is made in accordance with the terms of such Supplemental Agreement;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(g) to modify, alter, amend or supplement the Agreement or any Supplemental Agreement in any other respect which in the judgment of the LACMTA, as concurred in by the Trustee, is not materially adverse to the First Tier Senior Lien Bondholders;

(h) to provide for uncertificated First Tier Senior Lien Bonds or for the issuance of coupons and bearer First Tier Senior Lien Bonds or First Tier Senior Lien Bonds registered only as to principal;

(i) to qualify the First Tier Senior Lien Bonds or a Series of First Tier Senior Lien Bonds for a rating or ratings by Fitch, Moody's and/or S&P; and

(j) to comply with the requirements of the Code as are necessary, in the opinion of bond counsel, to prevent the federal income taxation of the interest on the First Tier Senior Lien Bonds.

Before the LACMTA will, without First Tier Senior Lien Bondholder consent, execute any Supplemental Agreement subsequent to the First Supplemental Agreement, there will be delivered to the LACMTA an opinion of bond counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the LACMTA in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on First Tier Senior Lien Bonds which are then unpaid and for which there has been delivered an opinion of bond counsel to the effect that interest in such First Tier Senior Lien Bonds is exempt from federal income taxation.

In addition to the foregoing provisions, if at any time when the reimbursement agreement relating to the Proposition A Commercial Paper Notes is in effect, the LACMTA will request that the Trustee execute a Supplemental Agreement, and such Supplemental Agreement provides for the deposit of Pledged Revenues into the Subordinate Lien Obligation Fund to be used to pay subordinate obligations, the Trustee will execute and deliver such Supplemental Agreement only if it has first received a written statement of an Authorized Authority Representative certifying that, after the issuance of such subordinated obligations, the ratio of Pledged Revenues to Projected Maximum Total Annual Debt Service (as defined in such reimbursement agreement) will be in compliance with the provisions of such reimbursement agreement and a written statement of the agent bank under such reimbursement agreement that it has reviewed the information on which the LACMTA has relied in making such certificate and finds it to be satisfactory.

With the Consent of First Tier Senior Lien Bondholders. Except for amendments described above or amendments affecting less than all Series of First Tier Senior Lien Bonds as described in the following paragraph, the holders of not less than 60% in aggregate principal amount of the First Tier Senior Lien Bonds then Outstanding will have the right to consent to and approve the execution of any Supplemental Agreement deemed necessary or desirable by the LACMTA for the purposes of modifying, altering, amending, supplementing or rescinding, any of the terms or provisions contained in the Agreement or a Supplemental Agreement; provided, however, that, unless approved in writing by the holders of all the First Tier Senior Lien Bonds then Outstanding or unless such change affects less than all Series of First Tier Senior Lien Bonds and the following paragraph is applicable, no amendment may (a) change the times, amounts of currency of payment of the principal of or interest on any Outstanding First Tier Senior Lien Bonds; (b) reduce the principal amount or redemption price of any Outstanding First Tier Senior Lien Bonds or the rate of interest thereon; and no amendment will, unless approved in writing by the holders of all the First Tier Senior Lien Bonds then Outstanding, permit or be construed as permitting; (c) the creation of a lien except as expressly permitted by the Agreement as originally executed upon or pledge of the Pledged Revenues created by the Agreement, ranking prior to or on a parity with the claim created by the Agreement; (d) except with respect to additional security which may be provided for a particular Series of First Tier Senior Lien Bonds, a preference or priority of any Senior Lien Bond or First Tier Senior Lien Bonds over any other Senior Lien Bond or First Tier Senior Lien Bonds; or (e) a reduction in the aggregate principal amount of First Tier Senior Lien Bonds the consent of the Senior Lien Bondholders of which is required for any such Supplemental Agreement.

The LACMTA may, from time to time and at any time, execute a Supplemental Agreement which amends the provisions of an earlier Supplemental Agreement under which a Series or multiple Series of First Tier Senior Lien Bonds were issued. If such Supplemental Agreement is executed for one of the purposes set forth under the caption “-Amendments-Without the Consent of Senior Lien Bondholders,” no notice to or consent of the Senior Lien Bondholders will be required. If such Supplemental Agreement contains provisions which affect the rights and interests of less than all Series of First Tier Senior Lien Bonds Outstanding, then the holders of not less than 60% in aggregate principal amount of the First Tier Senior Lien Bonds of all Series which are affected by such changes will have the

right from time to time to consent to and approve the execution of any Supplemental Agreement deemed necessary or desirable by the LACMTA for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular any of the terms or provisions contained in such Supplemental Agreement and affecting only the First Tier Senior Lien Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the First Tier Senior Lien Bonds of all the affected Series, no amendment may (a) change the times, amounts or currency of payment of the principal of or interest on any outstanding First Tier Senior Lien Bonds of such Series; or (b) reduce the principal amount or redemption price of any outstanding First Tier Senior Lien Bonds of such Series or the rate of interest thereon.

TWENTY-EIGHTH SUPPLEMENT

The following is a summary of certain provisions of the Twenty-Eighth Supplement. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Twenty-Eighth Supplement. This Appendix C describes the terms of the Series 2008-A1 Bonds while they bear interest at a Weekly Rate. There are significant differences in the terms of the Series 2008-A1 Bonds bearing interest at other rates. This Appendix C is not intended to provide information with respect to the Series 2008-A1 Bonds bearing interest at rates other than a Weekly Rate.

Terms of the Series 2008-A1 Bonds

The Twenty-Eighth Supplement sets forth the terms of the Series 2008-A1 Bonds, most of which terms are described earlier in this Official Statement under the caption “DESCRIPTION OF THE SERIES 2008-A1 BONDS.”

Rebate Fund

LACMTA agrees that it will instruct the Trustee to establish and maintain a Rebate Fund which fund will be established for the purpose of complying with certain provisions of the Code which require that the LACMTA pay to the United States of America the excess, if any, of the amounts earned on certain funds held with respect to the Series 2008-A1 Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Series 2008-A1 Bonds. Such excess is to be deposited into the Rebate Fund and periodically paid to the United States of America. The Rebate Fund to be held by the Trustee under the terms of the Twenty-Eighth Supplement will be held in trust to the extent required to satisfy the Rebate Requirement, for the account of the LACMTA, and will not be pledged as security for nor be available to make payment on the Series 2008-A1 Bonds.

Separate Accounts

The Twenty-Eighth Supplement creates, among other funds and accounts, the Series 2008 Costs of Issuance Fund, the Series 2008 Reserve Account in the Reserve Fund, the Series 2008-A Bond Interest Subaccount of the Bond Interest Account of the Debt Service Fund, the Series 2008-A Bond Principal Subaccount of the Bond Principal Account of the Debt Service Fund, and with respect to each series of Series 2008 Bonds, a Purchase Fund and a Liquidity Facility Purchase Account, Remarketing Proceeds Account and Authority Purchase Account within each such Purchase Fund.

Tax Covenants

In order to maintain the exclusion from gross income of the interest on the Series 2008-A1 Bonds for federal income tax purposes, the LACMTA will make all calculations relating to any rebate of excess investment earnings on the proceeds of the Series 2008-A1 Bonds due to the federal government of the United States in a reasonable and prudent fashion and will segregate and set aside the lawfully available amounts such calculations indicate may be required to be paid to the federal government of the United States, and otherwise will at all times do and perform all acts and things within its power and authority necessary to comply with each applicable requirement of the Code.

Additional Event of Default

The LACMTA agrees to comply with the Tax Certificate. The Trustee, by acceptance of its duties under the Twenty-Eighth Supplement, agrees to comply with any instructions received from the LACMTA which the LACMTA indicates must be followed in order to comply with the Tax Certificate. The failure of the LACMTA to comply with the Tax Certificate, certain provisions of the Twenty-Eighth Supplement or this summarized section is determined to be an Event of Default under the Twenty-Eighth Supplement.