



Metro

Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

November 14, 2016

TO: BOARD OF DIRECTORS

THROUGH: PHILLIP A. WASHINGTON
CHIEF EXECUTIVE OFFICER

FROM: NALINI AHUJA
CHIEF FINANCIAL OFFICER

SUBJECT: ISSUANCE OF PROPOSITION C BONDS

ISSUE

At the December 1, 2016 meeting, the Board will be requested to authorize the issuance of Proposition C Sales Tax Bonds in order to fund capital projects. As part of that authorization, the Board will authorize the preparation of a preliminary official statement (POS). In connection with the upcoming issuance of the bonds, Bond Counsel requires that the POS be provided to Board members. The Board should review the draft POS to ensure it provides an accurate and complete description of the LACMTA. Should you have questions or comments, please call Donna Mills at 213-922-4047.

NEXT STEPS

- Obtain Board authorization to issue bonds.
- Obtain credit ratings on the bonds.
- Distribute the POS and Notice Inviting Bids to prospective underwriters.
- Receive electronic bids from underwriters.
- Finalize bond documentation and deliver the 2017 Prop C Bonds.

ATTACHMENT

A. Draft Preliminary Official Statement

Prepared by: Donna R. Mills, Treasurer

PRELIMINARY OFFICIAL STATEMENT DATED [____], 2017

NEW ISSUE-BOOK-ENTRY-ONLY

[Insert DAC Bond Logo]

RATING: Moody's: "[____]"

S&P: "[____]"

(See "RATINGS" herein)

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by LACMTA described herein, interest on the Series 2017-A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2017-A Bonds is exempt from personal income taxes of the State of California under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.

[LACMTA
Logo]

\$[____]*

**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**
Proposition C Sales Tax Revenue Bonds
Senior Bonds, Series 2017-A

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

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") is issuing its Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2017-A (the "Series 2017-A Bonds") pursuant to the Amended and Restated Trust Agreement, dated as of January 1, 2010 (the "Trust Agreement"), by and between LACMTA and U.S. Bank National Association, as trustee (the "Trustee"), and the Twenty-Seventh Supplemental Trust Agreement, to be dated as of _____, 2017 (the "Twenty-Seventh Supplemental Agreement," and together with the Trust Agreement, the "Agreement"), by and between LACMTA and the Trustee. The Series 2017-A Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and pledge of the "Pledged Revenues" and by other amounts held by the Trustee under the Agreement. "Pledged Revenues" are receipts from the Proposition C Sales Tax, less amounts described in this Official Statement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS" and "PROPOSITION C SALES TAX AND COLLECTIONS" herein. LACMTA will use the proceeds of the Series 2017-A Bonds to (a) finance or refinance (through the repayment of Proposition C Commercial Paper Notes) the development and construction of certain projects of the rail, bus and highway transit system as further described herein, (b) make a deposit to the reserve fund further described herein and (c) pay the costs of issuance of the Series 2017-A Bonds.

The Series 2017-A Bonds will be issued in denominations of \$5,000 and integral multiples thereof. The Series 2017-A Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Series 2017-A Bonds. Individual purchases and sales of the Series 2017-A Bonds may be made in book-entry form only. See "APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Series 2017-A Bonds will mature in the principal amounts and will bear interest at the rates set forth on the inside front cover. LACMTA will pay interest on the Series 2017-A Bonds on January 1 and July 1, commencing on January 1, 2018.

The Series 2017-A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement.⁵ See "DESCRIPTION OF THE SERIES 2017-A BONDS – Redemption."

Neither the faith and credit nor the taxing power of the County of Los Angeles, the State of California or any political subdivision or agency thereof, other than LACMTA to the extent of the Pledged Revenues and certain other amounts held by the Trustee under the Agreement, is pledged to the payment of the principal of or interest on the Series 2017-A Bonds. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series 2017-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2017-A Bonds.

Purchasers of the Series 2017-A Bonds will be deemed to have consented to certain amendments to the Trust Agreement. See "INTRODUCTION – Proposed Amendments to Trust Agreement" herein.

This cover page contains certain information for general reference only. It is not intended to be a summary of the terms of, or the security for, the Series 2017-A Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

LACMTA is offering the Series 2017-A Bonds when, as and if it issues the Series 2017-A Bonds. The issuance of the Series 2017-A Bonds is subject to the approval as to their validity by Nixon Peabody LLP, Bond Counsel to LACMTA. The Los Angeles County Counsel, as General Counsel to LACMTA, and Nixon Peabody LLP, as Disclosure Counsel, will pass on certain legal matters for LACMTA. LACMTA anticipates that the Series 2017-A Bonds will be available for delivery

* Preliminary, subject to change.
4838-6503-1227.5

through the facilities of DTC on or about [_____,] 2017.* Electronic bids for the purchase of the Series 2017-A Bonds will be received by LACMTA until [8:30 a.m]., California time, on [_____,] 2017 unless postponed as set forth in the Notice Inviting Bids.

Date of Official Statement: _____, 2017

MATURITY SCHEDULE

\$[_____]*

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY Proposition C Sales Tax Revenue Bonds Senior Bonds, Series 2017-A

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.†</u>
2018	\$	%	%	
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				

* Preliminary, subject to change.

† Copyright 2016, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with LACMTA and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Series 2017-A Bonds. LACMTA does not take any responsibility for the accuracy of the CUSIP numbers provided herein. **[to be confirmed/updated before printing]**

[INSERT MAP OF LACMTA SYSTEM – USE REVISED MAP]

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Board Members [To Be Updated]

John Fasana, Chair
Eric Garcetti, First Vice-Chair
Sheila Kuehl, Second Vice-Chair
Michael D. Antonovich
Mike Bonin
James T. Butts, Jr.
Diane DuBois
Jacquelyn Dupont-Walker
Don Knabe
Paul Krekorian
Ara J. Najarian
Mark Ridley-Thomas
Hilda L. Solis
Carrie Bowen, Non-Voting Member

LACMTA Officers

Phillip A. Washington, Chief Executive Officer
Nalini Ahuja, Chief Financial Officer
Donna R. Mills, Treasurer

LACMTA General Counsel

Office of the County Counsel
Los Angeles, California

FINANCIAL ADVISOR

Public Resources Advisory Group
Los Angeles, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Nixon Peabody LLP

TRUSTEE

U.S. Bank National Association
Los Angeles, California

LACMTA has not authorized any dealer, broker, salesperson or other person to give any information or to make any representation in connection with the offer or sale of the Series 2017-A Bonds other than as set forth in this Official Statement and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2017-A Bonds, by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not a contract with the purchasers or owners of the Series 2017-A Bonds. Statements contained in this Official Statement which involve estimates, projections or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of facts.

The information and expressions of opinion in this Official Statement are subject to change without notice, and the delivery of this Official Statement and any sale made pursuant to this Official Statement do not, under any circumstances, imply that the information and expressions of opinion in this Official Statement and other information regarding LACMTA have not changed since the date hereof. LACMTA is circulating this Official Statement in connection with the sale of the Series 2017-A Bonds and this Official Statement may not be reproduced or used, in whole or in part, for any other purpose.

In making an investment decision, investors must rely on their own examination of the terms of the offering and the security and sources of payment of the Series 2017-A Bonds, including the merits and risks involved. The Series 2017-A Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Agreement been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. Neither the U.S. Securities and Exchange Commission nor any other federal, state or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2017-A Bonds or the accuracy or completeness of this Official Statement. The Series 2017-A Bonds have not been recommended by any federal or state securities commission or regulatory authority. Any representation to the contrary may be a criminal offense.

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

In connection with this offering, the Winning Bidder may overallocate or effect transactions which stabilize or maintain the market price of the Series 2017-A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing transactions, if commenced, may be discontinued at any time. The Winning Bidder may offer and sell the Series 2017-A Bonds to certain dealers and others at yields higher or prices lower than the public offering yields and/or prices stated on the inside cover page of this Official Statement, and such public offering yields and/or prices may be changed from time to time by the Winning Bidder.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION	1	Security for the Series 2017-A Bonds	13
LACMTA	1	Proposition C Sales Tax Obligations	14
Purpose of the Series 2017-A Bonds	1	Flow of Funds	15
Description of the Series 2017-A Bonds	2	Reserve Fund for Senior Bonds	17
Security and Sources of Payment for the		PROPOSITION C SALES TAX AND	
Series 2017-A Bonds	2	COLLECTIONS	18
Proposition C Sales Tax Obligations	2	The Proposition C Sales Tax	18
The Series 2017-A Bonds are Limited		Initiatives and Changes to Proposition C	
Obligations of LACMTA Only	3	Sales Tax	21
Reserve Fund	3	Historical Proposition C Sales Tax	
Proposed Amendments to Trust		Collections	22
Agreement	4	PROPOSITION C SALES TAX	
Continuing Disclosure	4	OBLIGATIONS	24
Additional Information	5	General	24
PLAN OF FINANCE AND APPLICATION		Senior Bonds and Senior Parity Debt	25
OF SERIES 2017-A BOND PROCEEDS	5	Subordinate Lien Obligations	25
Use of Proceeds; Plan of Finance	5	Other Obligations	26
Sources and Uses of Funds	6	Policy Limits on Additional Bonds	27
RISK FACTORS	6	COMBINED SENIOR BONDS DEBT	
Economic Factors May Cause Declines in		SERVICE SCHEDULE	28
Proposition C Sales Tax Revenues	6	LITIGATION	28
California State Legislature or Electorate		LEGAL MATTERS	29
May Change Items Subject to		TAX MATTERS	29
Proposition C Sales Tax	7	Federal Income Taxes	29
Increases in Sales Tax Rate May Cause		State Taxes	29
Declines in Proposition C Sales Tax		Original Issue Discount	29
Revenues	7	Original Issue Premium	30
Increased Internet Use May Reduce		Ancillary Tax Matters	30
Proposition C Sales Tax Revenues	7	Changes in Law and Post Issuance Events	31
Project Costs; Capital Needs	8	MUNICIPAL ADVISOR	31
After Amendment Effective Date Series		FINANCIAL STATEMENTS	31
2017-A Bonds May Not be Secured by		CERTAIN ECONOMIC AND	
Reserve Fund	8	DEMOGRAPHIC INFORMATION	31
Transit System Operations Dependent on		CONTINUING DISCLOSURE	32
Non-Farebox Revenues	8	SALE OF BONDS	32
Impact of Bankruptcy of LACMTA	9	RATINGS	32
Voter Initiatives and California State		ADDITIONAL INFORMATION	33
Legislative Action May Impair			
Proposition C Sales Tax	11		
DESCRIPTION OF THE SERIES 2017-A			
BONDS	11		
General	11		
Redemption	12		
SECURITY AND SOURCES OF PAYMENT			
FOR THE SERIES 2017-A BONDS	13		

TABLE OF CONTENTS
(continued)

Page

APPENDICES

APPENDIX A	LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY	A-1
APPENDIX B	LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016	B-1
APPENDIX C	LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION.....	C-1
APPENDIX D	SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS	D-1
APPENDIX E	PROPOSED AMENDMENTS TO TRUST AGREEMENT	E-1
APPENDIX F	FORM OF BOND COUNSEL APPROVING OPINION.....	F-1
APPENDIX G	FORM OF CONTINUING DISCLOSURE CERTIFICATE	G-1
APPENDIX H	BOOK-ENTRY-ONLY SYSTEM.....	H-1

OFFICIAL STATEMENT

\$_[_____]*

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY Proposition C Sales Tax Revenue Bonds Senior Bonds, Series 2017-A

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, sets forth information in connection with the offering by the Los Angeles County Metropolitan Transportation Authority (“LACMTA”) of \$_[_____]* aggregate principal amount of its Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2017-A (the “Series 2017-A Bonds”). This Introduction is not a summary of this Official Statement. This Introduction is qualified by the more complete and detailed information contained in this entire Official Statement and the documents summarized or described in this Official Statement. Prospective investors should review this entire Official Statement, including the cover page and appendices, before they make an investment decision to purchase the Series 2017-A Bonds. LACMTA is only offering the Series 2017-A Bonds to potential investors by means of this entire Official Statement. Capitalized terms used but not defined herein have the meanings ascribed to them in “APPENDIX D—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS.”

LACMTA

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code (the “LACMTA Act”). LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Los Angeles County Transportation Commission (the “Commission”). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the “County”), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 6, 1990, the voters of the County approved the Proposition C Sales Tax. The Proposition C Sales Tax is a one-half of 1% sales tax and is not limited in duration. For more information regarding the Proposition C Sales Tax, see “PROPOSITION C SALES TAX AND COLLECTIONS—The Proposition C Sales Tax.”

For further discussion of LACMTA, its other sources of revenues, the services it provides and the projects it is undertaking, see “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY.” For certain economic and demographic data about the County, see “APPENDIX C—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION.”

Purpose of the Series 2017-A Bonds

LACMTA will use the proceeds of the Series 2017-A Bonds to (a) finance or refinance (through the repayment of Proposition C Commercial Notes (as defined herein)) for the development and construction of certain projects of the rail, bus and highway transit system as further described herein, (b) make a deposit to the reserve fund further described herein and (c) pay the costs of issuance of the Series

* Preliminary, subject to change.

2017-A Bonds. For a more detailed description of LACMTA's proposed use of proceeds from the issuance of the Series 2017-A Bonds, see "PLAN OF FINANCE AND APPLICATION OF SERIES 2017-A BOND PROCEEDS."

Description of the Series 2017-A Bonds

The Series 2017-A Bonds are limited obligations of LACMTA to be issued pursuant to and secured under the Amended and Restated Trust Agreement, dated as of January 1, 2010, as supplemented (the "Trust Agreement"), by and between LACMTA and U.S. Bank National Association, as trustee (the "Trustee"). In connection with the issuance of the Series 2017-A Bonds, LACMTA will enter into the Twenty-Seventh Supplemental Trust Agreement, to be dated as of [_____]1, 2017 (the "Twenty-Seventh Supplemental Agreement"), by and between LACMTA and the Trustee, to provide for the issuance of the Series 2017-A Bonds and related matters. The Trust Agreement, as supplemented by the Twenty-Seventh Supplemental Agreement, is referred to in this Official Statement as the "Agreement."

The Series 2017-A Bonds will be issued in registered form, in denominations of \$5,000 or any integral multiple thereof. The Series 2017-A Bonds will be dated their initial date of delivery and will mature on the dates and in the principal amounts and will bear interest at the rates per annum as shown on the inside cover page hereof, computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2017-A Bonds will be delivered in book-entry-only form and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2017-A Bonds. See "APPENDIX H—BOOK-ENTRY-ONLY SYSTEM."

Security and Sources of Payment for the Series 2017-A Bonds

The Series 2017-A Bonds are limited obligations of LACMTA payable solely from and secured by a first lien on and pledge of the "Pledged Revenues," which are moneys collected as a result of the imposition of the Proposition C Sales Tax, less 20% thereof which is allocated to local jurisdictions for public transit, paratransit and related services (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 C Sales Tax (the "Pledged Tax"), plus interest, profits and other income received from the investment of such amounts held by the Trustee (other than amounts in the Rebate Fund). In addition, the Series 2017-A Bonds are secured by all other amounts held by the Trustee under the Agreement except for amounts held in the Rebate Fund and the Redemption Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS" and "PROPOSITION C SALES TAX AND COLLECTIONS."

Proposition C Sales Tax Obligations

Under the Agreement, LACMTA may issue two tiers of obligations secured by a pledge of the Pledged Revenues. LACMTA may issue Senior Bonds and incur debt and other obligations payable on a parity with Senior Bonds ("Senior Parity Debt," described in greater detail in APPENDIX D), which are secured by a senior lien on the Pledged Revenues. The Series 2017-A Bonds are Senior Bonds and are payable on a parity with all other Senior Bonds and any Senior Parity Debt. LACMTA also may issue Subordinate Lien Obligations, which are secured by a subordinate lien on the Pledged Revenues and are junior and subordinate to the Senior Bonds and Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS—Proposition C Sales Tax Obligations."

As of [January 1], 2017, LACMTA had Senior Bonds outstanding in the aggregate principal amount of \$[1,060,195,000]. See “PROPOSITION C SALES TAX OBLIGATIONS.” LACMTA presently does not have any Senior Parity Debt outstanding.

LACMTA may issue additional Senior Bonds and incur additional Senior Parity Debt upon the satisfaction of certain additional bonds tests contained in the Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS—Proposition C Sales Tax Obligations.” LACMTA’s March 2016 financial forecast assumes the issuance of an additional approximately \$[] billion in Senior Bonds [(including the Series 2017-A Bonds)] through Fiscal Year 2021. For further discussion of the March 2016 financial forecast, see “FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan” in APPENDIX A.

LACMTA has covenanted in the Trust Agreement not to issue or incur any obligations with a pledge of or lien on Pledged Revenues prior or superior to that of the Senior Bonds (including the Series 2017-A Bonds) and any Senior Parity Debt.

In addition, LACMTA has issued Subordinate Lien Obligations which are secured by a pledge of Pledged Revenues that is junior and subordinate to the Senior Bonds (including the Series 2017-A Bonds) and Senior Parity Debt as to the lien on and source and security for payment from the Pledged Revenues. LACMTA may issue additional Subordinate Lien Obligations upon the satisfaction of certain conditions. See “PROPOSITION C SALES TAX OBLIGATIONS—Subordinate Lien Obligations.” In addition, LACMTA has incurred other obligations which are secured by certain “remaining” Proposition C Sales Tax cash receipts. See “PROPOSITION C SALES TAX OBLIGATIONS—Other Obligations.”

The Series 2017-A Bonds are Limited Obligations of LACMTA Only

Neither the faith and credit nor the taxing power of the County, the State of California (the “State”) 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 2017-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2017-A Bonds.

The Series 2017-A Bonds are limited obligations of LACMTA and are payable, as to both principal and interest, solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series 2017-A Bonds.

Reserve Fund

The Agreement established the Reserve Fund, which is held by the Trustee and used to make payments of principal of and interest on all Senior Bonds, including the Series 2017-A Bonds, to the extent the amounts in the Senior Bond Interest Account or the Senior Bond Principal Account are not sufficient to pay in full the principal (including accreted value) of and interest on the Senior Bonds when due. For each series of Senior Bonds, the Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement, which is the least of (a) 10% of the proceeds of such series of Senior Bonds, (b) the Maximum Annual Debt Service on such series of Senior Bonds, or (c) 125% of the average Annual Debt Service on such series of Senior Bonds. The Reserve Fund is required to be funded in an amount equal to the sum of such Reserve Fund Requirements.

Following the effective date of the amendments described under “—Proposed Amendments to Trust Agreement” below (the “Amendment Effective Date”), LACMTA intends to elect that the Series 2017-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. See “—Proposed Amendments to Trust Agreement” below and “APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT.”

Proposed Amendments to Trust Agreement

Pursuant to the Twenty-Sixth Supplemental Agreement, dated as of June 1, 2016 (the “Twenty-Sixth Supplemental Agreement,”), by and between LACMTA and the Trustee, certain amendments will be made to the Trust Agreement (the “Proposed Amendments”), which are described in Appendix E hereto. The Proposed Amendments will not become effective until such time as the Bondholders of not less than 60% in aggregate principal amount of the Senior Bonds then Outstanding have consented to such Proposed Amendments and all other consents required under the Agreement, including those of providers of municipal bond insurance policies with respect to the Senior Bonds, and the opinion of bond counsel required by the Agreement have been obtained. Further, LACMTA does not intend to make the amendments effective until any other required consents have been obtained. ***By the purchase and acceptance of the Series 2017-A Bonds, the Bondholders and Beneficial Owners of the Series 2017-A Bonds will be deemed to have consented to the Proposed Amendments.*** As of [January 1], 2017, the Bondholders of 8.2% of the Outstanding Bonds have consented to the Proposed Amendments and none of the other required consents have been obtained. As of the date of this Official Statement, LACMTA has no plans to solicit the consent of the Bondholders of the other currently Outstanding Senior Bonds to the Proposed Amendments. On the date of issuance of the Series 2017-A Bonds, the LACMTA expects that ___% of the Bondholders of the Outstanding Bonds (including the Bondholders of the Series 2017-A Bonds) will have consented to the Proposed Amendments.

The Proposed Amendments include, among other amendments, changes to the requirement under the Trust Agreement that the Series 2016-A Bonds and any additional Senior Bonds issued after the Series 2016-A Bonds, including the Series 2017-A Bonds, participate in and be secured by the Reserve Fund. The Proposed Amendments will allow the Series 2016-A Bonds and any additional Senior Bonds issued after the Series 2016-A Bonds, including the Series 2017-A Bonds, to either (i) participate in and be secured by the Reserve Fund, (ii) participate in and be secured by a separate debt service reserve fund, or (iii) not participate in or be secured by the Reserve Fund or any other debt service reserve fund. See “APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT.” LACMTA intends to elect on or soon after the Amendment Effective Date that the Series 2017-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. At the time the Series 2017-A Bonds are no longer secured by the Reserve Fund, LACMTA expects that the Reserve Requirement will be reduced and a portion of the moneys on deposit in the Reserve Fund will be released. See “RISK FACTORS—After Amendment Effective Date Series 2017-A Bonds May Not be Secured by Reserve Fund.”

Continuing Disclosure

In connection with the issuance of the Series 2017-A Bonds, for purposes of assisting the Winning Bidder 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 will agree to provide, or cause to be provided, 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 enumerated events. See “CONTINUING DISCLOSURE” and “APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Additional Information

Brief descriptions of the Series 2017-A Bonds, the Agreement and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. The information herein is subject to change without notice, and the delivery of this Official Statement will under no circumstances, create any implication that there has been no change in the affairs of LACMTA since the date hereof. This Official Statement is not to be construed as a contract or agreement between LACMTA and the purchasers or Owners of any of the Series 2017-A Bonds. LACMTA maintains a website and social media accounts, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series 2017-A Bonds.

Copies of the Agreement may be obtained from LACMTA at One Gateway Plaza, 21st Floor, Treasury Department, Los Angeles, California 90012, or by emailing TreasuryDept@metro.net, or by calling (213) 922-2554.

PLAN OF FINANCE AND APPLICATION OF SERIES 2017-A BOND PROCEEDS

Use of Proceeds; Plan of Finance

LACMTA will use the proceeds of the Series 2017-A Bonds to (a) finance or refinance (through the repayment of Proposition C Commercial Paper Notes) the development and construction of certain projects of the rail, bus and highway transit system as further described herein, (b) make a deposit to the reserve fund further described herein and (c) pay the costs of issuance of the Series 2017-A Bonds.

LACMTA will apply a portion of the proceeds of the Series 2017-A Bonds to finance the development and construction of the rail, bus and highway transit system. It expects to use a portion of the proceeds of the Series 2017-A Bonds to finance or refinance (through the repayment of Proposition C Commercial Paper Notes) or reimburse itself for prior expenditures for the Regional Surface Transportation Program, Metro Blue Line Pedestrian Gates Project, Local Traffic System and other system projects, and the design, engineering, construction and other related close out costs of the I-405 Sepulveda Pass Improvement Project, as well as to finance other Proposition C eligible capital expenditures. LACMTA may ultimately utilize Series 2017-A Bond proceeds for different or additional eligible projects.

A portion of the proceeds of the Series 2017-A Bonds will be used to repay LACMTA's Proposition C Commercial Paper Notes in the aggregate principal amount of approximately \$_____ within 90 days of the date of delivery of the Series 2017-A Bonds. The proceeds of these Proposition C Commercial Paper Notes were used to finance projects of the type described in the preceding paragraph. See "PROPOSITION C SALES TAX OBLIGATIONS—Subordinate Lien Obligations."

Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2017-A Bonds.

<u>Sources</u>	
Principal Amount	\$
Original Issue Premium/Discount	
Total Sources	\$
<u>Uses</u>	
Deposit to Construction Fund	\$
[Proposition C Commercial Paper Notes Repayment]	
Deposit to Reserve Fund	
Costs of Issuance ¹	
Total Uses	\$

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

RISK FACTORS

The following factors, together with all other information provided in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2017-A Bonds. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect LACMTA, the Proposition C Sales Tax revenues, or the Series 2017-A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Economic Factors May Cause Declines in Proposition C Sales Tax Revenues

The Series 2017-A 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 C Sales Tax and other amounts that are held by the Trustee under the Agreement. The level of Proposition C 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 C Sales Tax revenues received by LACMTA declined. Sales tax revenues increased in Fiscal Years 2011 through 2016. It is possible that Proposition C Sales Tax revenues could decline in the future, reducing amounts available to pay the principal of and interest on the Series 2017-A Bonds.

To project future Proposition C Sales Tax revenues for budgetary purposes, LACMTA incorporates actual long-term experience combined with forecasts 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 C Sales Tax revenues for future periods. Therefore, LACMTA is unable to forecast or predict with certainty future levels of Proposition C Sales Tax revenues. In addition, the County is located in a seismically active region. A major earthquake or other natural disaster could adversely affect the economy of the County and the amount of Proposition C Sales Tax revenues. Future

significant declines in the amount of Proposition C Sales Tax revenues could ultimately impair the ability of LACMTA to pay principal of and interest on the Series 2017-A Bonds. See “PROPOSITION C SALES TAX AND COLLECTIONS—Historical Proposition C Sales Tax Collections.” Also see “APPENDIX C—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION.”

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

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

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

Increases in sales tax rates, whether by the electorate of a municipality within the County, the County or the State or by the State Legislature, may affect consumer spending decisions and as a result adversely impact sales transactions in the County and, thereby, reduce Proposition C Sales Tax revenues. Several increases in sales tax rates have occurred in recent years. In November 2008, County voters approved Measure R, which increased the sales tax rate within the County by ½ of 1% for a period of 30 years to fund LACMTA transportation projects and operations. In 2012, the Board of Directors of LACMTA approved a proposal to extend the Measure R Sales Tax for 30 years beyond its current expiration date (June 30, 2039), but the proposed extension failed to receive the required voter approval. In November 2012, the voters of the State approved an additional ¼ of 1% State general sales tax, which became effective on January 1, 2013 and [expired on December 31, 2016]. The County of Los Angeles Registrar of Voters has reported that at the election held on November 8, 2016, more than two-thirds of the electors of the County voting on the issue approved an additional transportation and use tax (known as the Measure M Sales Tax). The Measure M Sales Tax is a new one-half cent sales tax starting July 1, 2017 that increases to one cent in 2039 when the Measure R Sales Tax expires. The Measure M Sales Tax does not have a scheduled expiration date. Additional increases in sales tax rates, while not currently pending, can be expected to be proposed and imposed, from time to time, that will impact the County. Measure R Sales Tax revenues and Measure M Sales Tax revenues are separate from Proposition C Sales Tax revenues and do not secure the Senior Bonds, including the Series 2017-A Bonds.

Increased Internet Use May Reduce Proposition C Sales Tax Revenues

The increasing use of the Internet to conduct electronic commerce may affect the levels of Proposition C Sales Tax revenues. Internet sales of physical products by businesses located in the State, and Internet sales of physical products delivered to the State of California by businesses located outside of the State are generally subject to the retail transactions and use tax imposed by Proposition C. Legislation passed as part of the California Budget Act of 2011 imposes a use tax collection responsibility for certain out-of-state, and particularly Internet, retailers that meet certain criteria. The new responsibility took effect in September 2012. However, LACMTA believes that some Internet transactions still may avoid

taxation either through error or deliberate non-reporting, and this potentially reduces the amount of Proposition C Sales Tax revenues.

Project Costs; Capital Needs

LACMTA is currently undertaking three major transit projects and has identified a number of future transit projects that require significant capital investment. See “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—TRANSPORTATION SERVICES” and “—FUTURE TRANSPORTATION IMPROVEMENTS.” Each of these projects is large and complex and involves budgets of hundreds of millions to billions of dollars. These projects may not be completed on the budgets or on the schedules described in this Official Statement. Whether or not the projects can be completed on budget or on schedule depends on a large number of factors, many of which are beyond the control of LACMTA, including a delay in receipt of federal and State grants or loans. See “FUTURE TRANSPORTATION IMPROVEMENTS—State Transportation Improvement Program” and “LITIGATION AND OTHER REGULATORY ACTIONS—California Public Employees’ Pension Reform Act of 2013” in Appendix A. Any delay, cost overrun or failure to complete one or more of these projects will not impact the ability of LACMTA to collect Proposition C Sales Tax revenues. However, the costs for these projects may require additional use of Proposition C Sales Tax revenues or issuance of additional Senior Bonds, Senior Parity Debt or Subordinate Lien Obligations secured by Proposition C Sales Tax revenues beyond that currently contemplated by LACMTA.

After Amendment Effective Date Series 2017-A Bonds May Not be Secured by Reserve Fund

At the time of issuance of the Series 2017-A Bonds, the Series 2017-A Bonds will be secured by the Reserve Fund. However, LACMTA currently expects that upon the Amendment Effective Date it will elect that the Series 2017-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. See “INTRODUCTION—Proposed Amendments to Trust Agreement,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS—Reserve Fund for Senior Bonds” and APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT.”

Transit System Operations Dependent on Non-Farebox Revenues

As described in “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY,” LACMTA is a multi-faceted transportation agency that owns and operates a transit system within the greater Los Angeles region that includes bus, light rail and heavy rail. As is generally true with large transit systems, LACMTA does not generate sufficient fare box or other revenues from the operation of its bus and rail systems and other programs to pay for the operation of such systems. Thus, the operational costs of LACMTA’s transit system are subsidized from other sources, primarily from the Proposition A, Proposition C and Measure R Sales Tax revenues. LACMTA anticipates that transit operations will require increasing amounts of substantial subsidies for the foreseeable future. See “APPENDIX A—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—TRANSPORTATION SERVICES—Transit System Enterprise Fund” for a discussion of short-range forecasts that have identified increasing operational deficits in future years, due primarily to the operating costs that will be required as new improvements to the transit system are completed.

Impact of Bankruptcy of LACMTA

As a municipal entity, LACMTA may be authorized to file a petition for relief under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”) under certain circumstances. Should LACMTA file for bankruptcy relief, there could be adverse effects on the holders of the Series 2017-A Bonds.

If the Pledged Tax constitutes “special revenues” under the Bankruptcy Code, then Pledged Tax collected after the date of the bankruptcy filing should be subject to the lien of the Agreement. “Special revenues” are defined to include taxes specifically levied to finance one or more projects or systems, and also to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from particular functions of the debtor, but the Bankruptcy Code excludes receipts from general property, sales, or income taxes levied to finance the general purposes of the governmental entity.

The results of Chapter 9 bankruptcy proceedings are difficult to predict. If a court determined that the Proposition C Sales Tax was levied to finance the general purposes of LACMTA rather than specific projects, then the Pledged Tax would not be special revenues. No assurance can be given that a court would hold that the Pledged Tax constitutes special revenues or that the Series 2017-A Bonds are of a type protected by the “special revenues” provisions of the Bankruptcy Code. If a bankruptcy court were to determine that the Pledged Tax were not “special revenues,” then Pledged Tax collected after the commencement of the bankruptcy case would likely not be subject to the lien of the Agreement. If a bankruptcy court were to so hold, the owners of the Senior Bonds (including the Series 2017-A Bonds) would no longer be entitled to any special priority to the Pledged Tax and could be treated as general unsecured creditors of LACMTA without a lien as to the Pledged Tax.

If the revenues pledged under the Agreement are determined to be special revenues, the Bankruptcy Code provides (in order to maintain the revenue-generating capacity of the municipal entity) that a special revenues lien is subject to the necessary operating expenses of the project or system from which the special revenues are derived, which expenses are to be paid before other obligations (including to bondholders). This rule applies regardless of the provisions of the transaction documents. The law is not clear, however, (i) as to whether, or to what extent, the Pledged Tax would be considered to be “derived” from a project or system, or (ii) precisely which expenses would constitute necessary operating expenses. To the extent that the Pledged Tax is determined to be derived from a project or system, LACMTA may be able to use Pledged Tax to pay necessary operating expenses, before the remaining Pledged Tax is turned over to the Trustee to pay amounts owed to the holders of the Series 2017-A Bonds.

If LACMTA files for relief under Chapter 9, the parties (including the Trustee and the holders of the Series 2017-A Bonds) may be prohibited from taking any action to collect any amount from LACMTA or to enforce any obligation of LACMTA, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Series 2017-A Bonds from funds in the Trustee’s possession. In addition, the procedure pursuant to which the Pledged Tax is paid directly to the Trustee by the California State Board of Equalization may no longer be enforceable, and LACMTA may be able to require that the Pledged Tax be paid directly to it by the Board of Equalization.

If LACMTA has possession of Pledged Tax (whether collected before or after commencement of the bankruptcy case) and if LACMTA does not voluntarily pay such moneys to the Trustee, it is not entirely clear what procedures the Trustee or the holders of the Series 2017-A Bonds would have to

follow to attempt to obtain possession of such Pledged Tax, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

The obligations of LACMTA under the Agreement, including its obligations to pay principal of and interest on the Series 2017-A Bonds, are limited obligations and are payable solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Accordingly, if LACMTA filed for relief under Chapter 9, the owners of the Series 2017-A Bonds may not have any recourse to any assets or revenues of LACMTA other than the Pledged Revenues and other amounts.

In the event of an LACMTA bankruptcy filing, LACMTA may be able to borrow additional money that is secured by a lien on any of its property (including the Pledged Revenues), which lien could have priority over the lien of the Agreement, as long as the bankruptcy court determines that the rights of the owners of the Series 2017-A Bonds will be adequately protected. LACMTA may also be able to cause some of the Pledged Revenues to be released to it, free and clear of lien of the Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Series 2017-A Bonds will be adequately protected.

Through a Chapter 9 proceeding LACMTA may also be able, without the consent and over the objection of the Trustee and the owners of the Series 2017-A Bonds, to alter the priority, principal amount, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Agreement and the Series 2017-A Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

As noted in its financial statements [(see “Note III—DETAILED NOTES ON ALL FUNDS—J. Employees’ Retirement Plans” in the Notes to the Financial Statements and Required Supplementary Schedules “Schedule of Funding Progress—Pension Plans” and “Schedule of Funding Progress—OPEB” in “APPENDIX B – LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016”)], LACMTA has been informed that it has unfunded pension plan actuarial accrued liabilities. In a bankruptcy of LACMTA, the amounts of current and, if any, accrued (unpaid) contributions owed to the California Public Employees’ Retirement System (“CalPERS”), the LACMTA-administered plans, or to any other pension system (collectively the “Pension Systems”), as well as future material increases in required contributions, could create additional uncertainty as to LACMTA’s ability to pay debt service on the Series 2017-A Bonds. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or municipal law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems are instrumentalities of the State and have the right to enforce payment by injunction or other proceedings outside of an LACMTA bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a bankruptcy of LACMTA would rule on these matters. In addition, this area of law is presently very unsettled. This is because, though the issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) have been the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino, the relevant disputes have not been litigated to decision in the Federal circuit appellate courts, and thus there are no rulings from which definitive guidance can be taken on pension matters in Chapter 9.

There may be delays in payments on the Series 2017-A Bonds while the court considers any of these issues, and any of these issues could result in delays or reductions in payments on the Series 2017-A Bonds. There may be other possible effects of a bankruptcy of LACMTA that could result in delays or

reductions in payments on the Series 2017-A Bonds, or result in losses to the holders of the Series 2017-A Bonds. Regardless of any specific adverse determinations in an LACMTA bankruptcy proceeding, the fact of an LACMTA bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Series 2017-A Bonds.

Voter Initiatives and California State Legislative Action May Impair Proposition C Sales Tax

Voters have the right to place measures before the electorate in the County or the State and the California State Legislature may take actions to limit the collection and use of the Proposition C Sales Tax. Such initiatives or actions may impact various aspects of the security, source of payment and other credit aspects of the Series 2017-A Bonds. See “PROPOSITION C SALES TAX AND COLLECTIONS—Initiatives and Changes to Proposition C Sales Tax.”

DESCRIPTION OF THE SERIES 2017-A BONDS

General

The Series 2017-A Bonds are limited obligations of LACMTA to be issued pursuant to and secured under the Agreement. In connection with the issuance of the Series 2017-A Bonds, LACMTA will enter into the Twenty-Seventh Supplemental Agreement to provide for the issuance of the Series 2017-A Bonds and related matters.

The Series 2017-A Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the inside cover of this Official Statement. LACMTA will pay interest on each January 1 and July 1, beginning January 1, 2018. Interest on the Series 2017-A Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2017-A Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Upon initial issuance, the Series 2017-A Bonds will be registered in the name of Cede & Co. as registered owner and nominee of DTC. As long as the Series 2017-A Bonds are registered in such name or in the name of a successor nominee, the ownership of the Series 2017-A Bonds will be evidenced by book-entry as described in “APPENDIX H—BOOK-ENTRY-ONLY SYSTEM.” Purchasers will not receive certificated Series 2017-A Bonds. So long as Cede & Co. is the registered owner of the Series 2017-A Bonds, reference herein to the Bondholders or registered owners will mean Cede & Co. as aforesaid and will not mean the Beneficial Owners (as defined herein) of the Series 2017-A Bonds.

So long as Cede & Co. is the registered owner of the Series 2017-A Bonds, principal and redemption price of and interest on the Series 2017-A Bonds are payable by wire transfer of funds by the Trustee to Cede & Co., as nominee of DTC. DTC is obligated, in turn, to remit such amounts to its participants as described herein for subsequent disbursement to the Beneficial Owners. If the Series 2017-A Bonds cease to be held by DTC or by a successor securities depository, the principal and redemption price of the Series 2017-A Bonds will be payable at maturity or earlier redemption upon presentation and surrender of the Series 2017-A Bonds at the corporate trust office or agency of the Trustee, and interest on the Series 2017-A Bonds will be payable by check mailed by first-class mail on each Interest Payment Date to the Owners of the Series 2017-A Bonds as of the Record Date; provided, that Owners of \$1,000,000 or more in aggregate principal amount of Series 2017-A Bonds may arrange for payment by wire transfer of immediately available funds upon written request given to the Trustee at least 15 days prior to an Interest Payment Date.

Redemption*

Optional Redemption. The Series 2017-A Bonds maturing on or before July 1, 20__ are not subject to redemption prior to their stated maturities at the option of LACMTA. The Series 2017-A Bonds maturing on or after July 1, 20__ are subject to redemption at the option of LACMTA on or after July 1, 20__, in whole or in part in Authorized Denominations at any time, from any moneys that may be provided for such purpose and at a redemption price of 100% of the principal amount of such Series 2017-A Bonds to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2017-A Bonds maturing on July 1, 20__ are subject to mandatory sinking fund redemption in the amount of the principal thereof, without premium, plus accrued interest thereon to the redemption date, to be paid on July 1 of the years and in the amounts set forth below.

<u>Year</u>	<u>Sinking Fund Installment</u>
	\$

† Final Maturity

On or before the forty-fifth day prior to any mandatory sinking fund redemption date, the Trustee will proceed to select for redemption (by lot in such manner as the Trustee may determine), from the Series 2017-A Bonds subject to such redemption, an aggregate principal amount of such Series 2017-A Bonds equal to the amount for such year as set forth in the table above and will call such Series 2017-A Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such redemption in accordance with the terms of the Agreement.

At the option of LACMTA, it may (a) deliver to the Trustee for cancellation any Series 2017-A Bonds or portions thereof (in Authorized Denominations) of the stated maturity subject to such redemption purchased in the open market or otherwise acquired by LACMTA or (b) specify a principal amount of such Series 2017-A Bonds or portions thereof (in Authorized Denominations) subject to mandatory sinking fund redemption which prior to said date have been purchased or redeemed (other than pursuant to mandatory sinking fund redemption) and previously cancelled by the Trustee at the request of LACMTA and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2017-A Bond or portion thereof so delivered or previously redeemed will be credited by the Trustee at 100% of the principal amount thereof against the obligation of LACMTA on such mandatory sinking fund redemption date.

Selection of Series 2017-A Bonds to Be Redeemed; Notice of Redemption. If the Series 2017-A Bonds are redeemed at the option of LACMTA, it will select the maturities of the Series 2017-A Bonds to be redeemed. If less than all of the Series 2017-A Bonds of a maturity are to be redeemed, and the Series 2017-A Bonds are not held by DTC, the Trustee will select by lot, in such manner as the Trustee deems

* Preliminary, subject to change.

appropriate, the particular Series 2017-A Bonds or portions thereof to be redeemed. See also APPENDIX G—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The Trustee is required to give notice of redemption to the registered owners affected by such redemption at least 20 days but not more than 60 days before each redemption date, and to send such notice of redemption by first-class mail (or, with respect to Series 2017-A Bonds held by DTC, by an express delivery service for delivery on the next following Business Day). Each notice of redemption will specify the Series 2017-A Bonds to be redeemed; the redemption date; the CUSIP numbers of the Series 2017-A Bonds to be redeemed, the redemption price and the place or places where amounts due upon such redemption will be payable and if less than all of the Series 2017-A Bonds are to be redeemed, the numbers of the Series 2017-A Bonds and the portions of Series 2017-A Bonds to be redeemed; any condition to the redemption; and that on the redemption date, and upon the satisfaction of any such condition, the Series 2017-A Bonds to be redeemed shall cease to bear interest.

If at the time of mailing of notice of an optional redemption moneys sufficient to redeem all the Series 2017-A Bonds called for redemption have not been deposited with the Trustee, at the election of LACMTA such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be canceled and on such cancellation date notice will be mailed to the holders of such Series 2017-A Bonds to be redeemed in the same manner as the notice of redemption.

Failure to give any required notice of redemption or any defect therein will not affect the validity of the call for redemption of any Series 2017-A Bonds in respect of which no failure or defect occurs. Any notice sent as provided above will be conclusively presumed to have been given whether or not actually received by the addressee.

Effect of Redemption. If notice is given as described above under “—Selection of Series 2017-A Bonds to be Redeemed; Notice of Redemption” and the moneys for payment of the redemption price are on deposit with the Trustee, the Series 2017-A Bonds called for redemption will be due and payable on the redemption date, interest on such Series 2017-A Bonds will cease to accrue after such date, such Series 2017-A Bonds will cease to be entitled to any lien, benefit or security under the Agreement, and the registered owners of the redeemed Series 2017-A Bonds will have no rights under the Agreement after the redemption date other than the right to receive the redemption price for such Series 2017-A Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS

Security for the Series 2017-A Bonds

The Series 2017-A Bonds are limited obligations of LACMTA payable from and secured by a first lien on and pledge of the “Pledged Revenues,” which consist of Pledged Tax plus interest, profits and other income received from the investment of such amounts held by the Trustee (other than amounts in the Rebate Fund). “Pledged Tax” consists of moneys collected as a result of the imposition of the Proposition C Sales Tax, less 20% thereof which constitutes the Local Allocation, less an administrative fee paid to the State Board of Equalization in connection with the collection and disbursement of the Proposition C Sales Tax. In addition, the Series 2017-A Bonds are secured by all other amounts held by the Trustee under the Agreement except for amounts held in the Rebate Fund and the Redemption Fund. Additionally, the Agreement provides that Pledged Tax also includes any Local Allocation that a local jurisdiction authorizes to be pledged to secure the Series 2017-A Bonds, plus such additional sources of revenue, if any, which are hereafter pledged to pay the Series 2017-A Bonds under a subsequent

supplemental trust agreement. No local jurisdiction has pledged any of its Local Allocation to secure any Senior Bonds issued under the Agreement, including the Series 2017-A Bonds. Pledged Revenues do not include any Proposition C Sales Tax revenues that are released by the Trustee to (a) the payment of the Proposition C Commercial Paper Notes or the Proposition C Revolving Obligations (as defined herein); (b) LACMTA for the payment, if necessary, of the General Revenue Bonds (as defined herein); or (c) LACMTA for any other lawful purposes of LACMTA. For a description of the Proposition C Sales Tax and collections related thereto, see “PROPOSITION C SALES TAX AND COLLECTIONS.”

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 2017-A Bonds. LACMTA has no power to levy property taxes to pay the principal of or interest on the Series 2017-A Bonds.

The Series 2017-A Bonds are limited obligations of LACMTA and are payable, as to both principal and interest, solely from the Pledged Revenues and certain other amounts held by the Trustee under the Agreement. Other than Pledged Revenues and such other amounts held by the Trustee under the Agreement, the general fund of LACMTA is not liable, and neither the credit nor the taxing power of LACMTA is pledged, to the payment of the principal of or interest on the Series 2017-A Bonds.

Proposition C Sales Tax Obligations

Under the Agreement, LACMTA may issue two tiers of obligations secured by Pledged Revenues. LACMTA may issue Senior Bonds and incur Senior Parity Debt, which are secured by a senior lien on the Pledged Revenues. The Series 2017-A Bonds are Senior Bonds. LACMTA also may issue Subordinate Lien Obligations, which are secured by a subordinate lien on Pledged Revenues and are junior and subordinate to the Senior Bonds and Senior Parity Debt as to the lien on and source and security for payment from Pledged Revenues.

Pursuant to the Trust Agreement, LACMTA has covenanted and agreed not to issue or incur any obligations that would have a lien on Pledged Revenues senior to the Senior Bonds (including the Series 2017-A Bonds) or any Senior Parity Debt.

Senior Obligations. LACMTA is authorized to issue Senior Bonds and incur Senior Parity Debt, which would be payable from and secured by Pledged Revenues on a parity basis with the Series 2017-A Bonds.

LACMTA may issue additional Senior Bonds or incur Senior Parity Debt if LACMTA delivers to the Trustee a certificate prepared by a Consultant showing that the Pledged Tax collected for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of such Senior Bonds or incurrence of Senior Parity Debt, as applicable, was at least equal to 130% of Maximum Annual Debt Service for all Senior Bonds and Senior Parity Debt which will be Outstanding immediately after the proposed issuance of Senior Bonds or incurrence of Senior Parity Debt. This certificate need not be delivered if the Senior Bonds or Senior Parity Debt are being issued or incurred for the purpose of refunding Outstanding Senior Bonds or Senior Parity Debt and certain conditions are met as described in “APPENDIX D—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—TRUST AGREEMENT—Additional Senior Bonds.”

Under the Trust Agreement, “Maximum Annual Debt Service” generally means the greatest amount of principal and interest becoming due and payable on all Senior Bonds and Senior Parity Debt in

the fiscal year in which the calculation is made or in any subsequent fiscal year. However, if LACMTA issues variable rate bonds and enters into an interest rate swap agreement related to any Senior Bonds or Senior Parity Debt, the Agreement permits LACMTA to use the fixed rate it pays under the interest rate swap agreement for purposes of determining the maximum amount of interest becoming due and payable on such Senior Bonds or Senior Parity Debt. LACMTA does not presently have any such swap agreements relating to any Senior Bonds. For the full definition of Maximum Annual Debt Service, see “APPENDIX D—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS.”

For a description of the Senior Bonds currently outstanding, see “PROPOSITION C SALES TAX OBLIGATIONS—Senior Bonds and Senior Parity Debt.” LACMTA does not presently have any Senior Parity Debt outstanding.

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

Flow of Funds

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

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

SECOND, to the credit of the Senior Bond Principal Account, an amount equal to the Aggregate Accrued Senior Principal for the current calendar month (which, in general, is equal to 1/12 of the principal maturing in the next year (see “APPENDIX D—SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS—DEFINITIONS”)) less any Senior Excess Deposit made with respect to the last preceding calendar month plus any Accrued Senior Premium and Senior Deficiency existing on the first day of the calendar month plus any amount of principal which has become due and has not been paid and for which there are insufficient funds in the Senior Bond Principal Account or another special account to be used to make such payment;

THIRD, to the credit of the Reserve Fund, such portion of the balance, if any, remaining after making the deposits to the interest and principal accounts as described above, as is necessary to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement for all Senior Bonds Outstanding (including such amounts required to reimburse draws on any Reserve Fund Insurance Policy), or if the entire balance is less than the amount

necessary, then the entire balance will be deposited into the Reserve Fund, and such amounts will be used to reimburse draws on any Reserve Fund Insurance Policy prior to replenishing the cash or Permitted Investments formerly on deposit therein; and

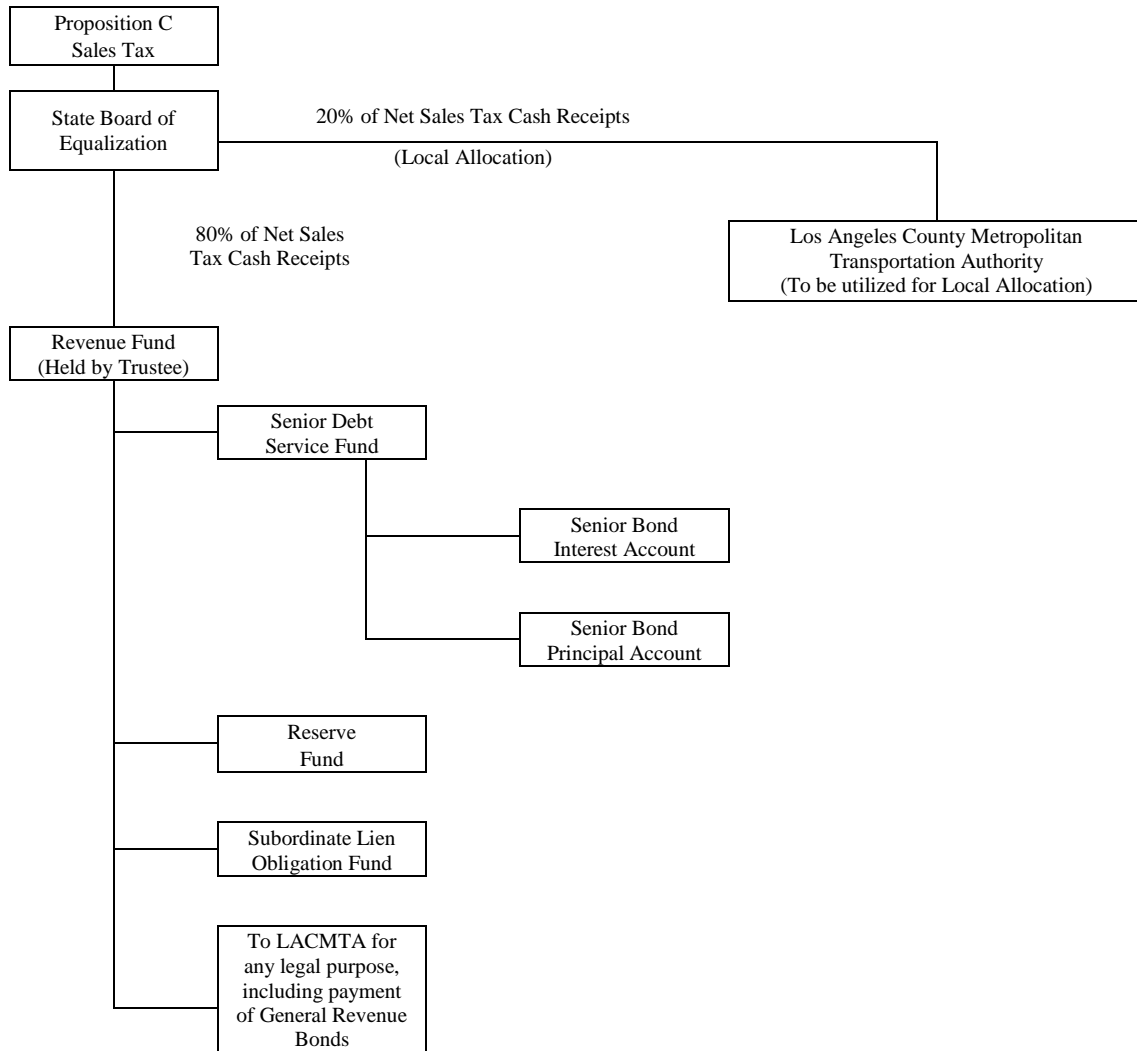
FOURTH, if LACMTA has incurred a Subordinate Lien Obligation, to the Subordinate Lien Obligation Fund to the credit of accounts to be created within the Subordinate Lien Obligation Fund by the Trustee pursuant to the Agreement for the deposit of funds to pay Subordinate Lien Obligations. The credit of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

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

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

TABLE 1
Proposition C Sales Tax
Flow of Funds



Reserve Fund for Senior Bonds

Currently, the Agreement requires the Trustee to establish and hold the Reserve Fund to make payments of principal and interest with respect to all Senior Bonds, including the Series 2017-A Bonds. Amounts on deposit in the Reserve Fund are to be used to pay principal of and interest on Senior Bonds, including the Series 2017-A Bonds, to the extent amounts in the Senior Bond Interest Account or the Senior Bond Principal Account are not sufficient to pay in full the interest on or principal (including accreted value) of the Senior Bonds when due. For each Series of Senior Bonds, an amount is required to be deposited into the Reserve Fund equal to the Reserve Fund Requirement, which is the least of (a) 10% of the proceeds of such Series of Senior Bonds, (b) the Maximum Annual Debt Service on such Series of

Senior Bonds, or (c) 125% of the average Annual Debt Service on such Series of Senior Bonds. The Reserve Fund is required to be funded in an amount equal to the sum of such Reserve Fund Requirements. The Reserve Fund Requirement for the Series 2017-A Bonds as of their date of issuance is \$[_____].

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

As of the date of issuance of the Series 2017-A Bonds, the Reserve Fund is expected to contain approximately \$[_____] million of cash and investments, which will satisfy the Reserve Fund Requirement for all Senior Bonds after giving consideration to the issuance of the Series 2017-A Bonds and the refunding of the Refunded Bonds.

LACMTA has proposed the Proposed Amendments, which would allow the Series 2017-A Bonds and additional Senior Bonds issued after the date of issuance of the Series 2016-A Bonds not to be secured by the Reserve Fund or any other debt service reserve fund. LACMTA intends to elect on or soon after the Amendment Effective Date that the Series 2017-A Bonds will no longer participate in or be secured by the Reserve Fund or any other debt service reserve fund. At the time the Series 2017-A Bonds are no longer secured by the Reserve Fund, LACMTA expects that the Reserve Requirement will be reduced and a portion of the moneys on deposit in the Reserve Fund will be released. By the purchase and acceptance of the Series 2017-A Bonds, the Bondholders and Beneficial Owners thereof will be deemed to have consented to the Proposed Amendments. See "INTRODUCTION – Proposed Amendments to Trust Agreement" and "APPENDIX E—PROPOSED AMENDMENTS TO TRUST AGREEMENT."

PROPOSITION C SALES TAX AND COLLECTIONS

The Proposition C Sales Tax

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

passage of Proposition C is referred to in this Official Statement as the “Proposition C Sales Tax.” As approved by the voters, the Proposition C Sales Tax is not limited in duration. The validity of the Proposition C Sales Tax was upheld in 1992 by the California Court of Appeal in *Vernon v. State Board of Equalization*. See “LITIGATION.” See also “APPENDIX A—THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—LITIGATION AND OTHER REGULATORY ACTIONS.”

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

TABLE 2
Allocation of Proposition C Sales Tax

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

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

² Up to 1.5% of the non-Local Allocation portion of the Proposition C Sales Tax received by LACMTA may be used by LACMTA to pay administrative costs. Administrative costs are payable only from Proposition C Sales Tax revenues that have been released to LACMTA and are no longer Pledged Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS—Flow of Funds” above.

Source: LACMTA

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

The amount retained by the State Board of Equalization from collections of Proposition C Sales Tax after July 1993 is based on the total local entity cost reflected in the annual budget of the State, and includes direct, shared and central agency costs incurred by the State Board of Equalization. The amount retained by the State Board of Equalization is adjusted to account for the difference between the State Board of Equalization’s recovered costs and its actual costs during the prior two fiscal years. For Fiscal Years 2012 through 2016, the State Board of Equalization’s fee for administering the Proposition C Sales Tax was as follows:

Fiscal Year Ended (June 30)	Fee (\$’s in millions)	Percentage of Proposition C Sales Tax Receipts
2012	\$6.2	1.0%
2013	6.4	0.9
2014	8.3	1.2
2015	8.6	1.2
2016	9.2	1.2

The State Board of Equalization has advised LACMTA that its fee for Fiscal Year 2017 is estimated to be \$9.1 million. LACMTA assumes that State Board of Equalization fees may continue to increase over time. The State Board of Equalization can change the fee at its discretion in the future.

Under the Agreement, LACMTA covenants that (a) it will not take any action which will impair or adversely affect in any manner the pledge of the Pledged Revenues or the rights of the owners of the Senior Bonds, including the Series 2017-A Bonds; and (b) it will be unconditionally and irrevocably obligated, so long as any of the Senior Bonds, including the Series 2017-A Bonds, are Outstanding and unpaid, to take all lawful action necessary or required to continue to entitle LACMTA to receive the Pledged Revenues at the same rates as provided by law (as of October 1, 1992), to pay from the Pledged Revenues the principal of and interest on the Senior Bonds in the manner and pursuant to the priority set forth in the Agreement, and to make the other payments provided for in the Agreement.

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

The ½ of 1% Proposition C Sales Tax imposed by LACMTA in the County is in addition to the general sales tax levied statewide by the State (currently 7.50%), the ½ of 1% sales tax imposed by LACMTA pursuant to Ordinance No. 16 of the Commission known as “Proposition A” (such sales tax is referred to herein as the “Proposition A Sales Tax”), the 30-year ½ of 1% sales tax approved by County voters in November 2008 to fund LACMTA transportation projects and operations known as the “Measure R Sales Tax,” and the taxes that apply only within certain cities in the County. Some tax rates may change, or additional sales taxes may be imposed. The items subject to the Proposition C Sales Tax

are subject to change. See “RISK FACTORS—California State Legislature or Electorate May Change Items Subject to Proposition C Sales Tax” and “—Increases in Sales Tax Rate May Cause Declines in Proposition C Sales Tax Revenues.” See also “APPENDIX A—THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—OUTSTANDING DEBT.”

Initiatives and Changes to Proposition C Sales Tax

Proposition 218. In 1996, the voters of the State of California approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the California State Constitution. Among other things, Article XIIC removes limitations, if any, that exist on the initiative power in matters of local taxes, assessments, fees and charges. Even though LACMTA’s enabling legislation did not limit the initiative power of the electorate prior to Proposition 218, Proposition 218 has affirmed the right of the voters to propose initiatives that could impact the Proposition C Sales Tax.

The Act of 1998. One such initiative was approved by the voters of the County in 1998 in the form of the “Metropolitan Transportation Authority Reform and Accountability Act of 1998” (the “Act of 1998”). The Act of 1998 prohibits the use of Proposition C Sales Tax and Proposition A Sales Tax (but not the use of Measure R Sales Tax) to pay any costs of planning, design, construction or operation of any “New Subway,” including debt service on bonds, notes or other evidences of indebtedness issued for such purposes after March 30, 1998. “New Subway” is defined in the Act of 1998 to mean any rail line which is in a tunnel below the grade level of the earth’s surface (including any extension or operating segment thereof), except for Segment 1, Segment 2 and Segment 3 (North Hollywood) of the Red Line. The Act of 1998 does not limit the use of Proposition C Sales Tax or Proposition A Sales Tax revenues to provide public mass transit improvements to railroad right-of-ways. The Act of 1998 does not limit in any way the collection of the Proposition C Sales Tax or the Proposition A Sales Tax; it only limits the uses of such taxes. LACMTA believes that the proceeds of all obligations previously issued by LACMTA which are secured by the Proposition C Sales Tax and/or the Proposition A Sales Tax have been used for permitted purposes under the Act of 1998. **Therefore, the Act of 1998 has no effect on LACMTA’s ability to continue to use the Proposition C Sales Tax or the Proposition A Sales Tax to secure payment of its outstanding obligations secured by the Proposition C Sales Tax or the Proposition A Sales Tax. Additionally, LACMTA will covenant not to use the proceeds of the Series 2017-A Bonds in a manner inconsistent with the provisions of the Act of 1998, and the Act of 1998 will not limit the ability of LACMTA to secure payment of the Series 2017-A Bonds with a pledge of the Proposition C Sales Tax.**

As required by the Act of 1998, LACMTA contracted with an independent auditor to complete an audit with respect to the receipt and expenditure of Proposition A Sales Tax and Proposition C Sales Tax between the effective dates of Proposition A and Proposition C and June 30, 1998. The independent auditor completed the audit in November 1999. The Act of 1998 further requires LACMTA to contract for an independent audit each subsequent fiscal year to determine LACMTA’s compliance with the provisions of Proposition A, Proposition C and the Act of 1998 relating to the receipt and expenditure of Proposition A Sales Tax revenues and Proposition C Sales Tax revenues. For Fiscal Years 1999 through 2015, the independent auditors determined that LACMTA was in compliance with Proposition A, Proposition C and the Act of 1998 for each such respective fiscal year (the “Annual Act of 1998 Audit”).

In connection with each Annual Act of 1998 Audit, the independent auditor annually audits how LACMTA spends Proposition C Sales Tax revenues during the related fiscal year to ensure that it spends those revenues for the categories of use set forth in Proposition C. See “—The Proposition C Sales Tax” above. Each fiscal year, a substantial portion of the Proposition C Sales Tax revenues are spent on the payment of principal of and interest on the Senior Bonds. See “COMBINED DEBT SERVICE

SCHEDULE.” For purposes of determining LACMTA’s compliance with the categories of use set forth in Proposition C, LACMTA allocates the annual payments of principal and interest with respect to each series of Senior Bonds to the categories of use for which such series of Senior Bonds financed or refinanced.

The Act of 1998 also established the “Independent Citizens’ Advisory and Oversight Committee” (the “Committee”) whose responsibilities include reviewing LACMTA’s annual audit of its receipt and expenditure of Proposition C Sales Tax and Proposition A Sales Tax, the holding of public hearings regarding the annual audit and issuing reports based upon those audits and public hearings. The Committee is made up of five members, of which one member is appointed by the chair of the Los Angeles County Board of Supervisors, one member is appointed by the chair of the Board, one member is appointed by the Mayor of the City of Los Angeles, one member is appointed by the Mayor of the City of Long Beach, and one member is appointed by the Mayor of the City of Pasadena.

Historical Proposition C Sales Tax Collections

The following table presents, among other things, collections of net Proposition C Sales Tax revenues and corresponding Pledged Revenues and Senior Bonds debt service coverage ratios for the Fiscal Years ending June 30, 2007 through June 30, 2016.

TABLE 3
Historic Net Proposition C Sales Tax Receipts,
Local Allocations, Pledged Revenues and Debt Service Coverage
(Dollars in Millions)¹

Fiscal Year Ended June 30	Net Sales Tax Revenue	Annual Percentage Change	Allocations to Local Governments²	Pledged Revenues³	Senior Bonds Debt Service Coverage⁴
2007	\$686.3	2.58%	\$137.2	\$549.0	5.85
2008	683.5	(0.40)	136.7	546.8	5.30
2009	620.9	(9.17)	124.2	496.7	4.22
2010	565.8	(8.87)	113.2	452.6	4.29
2011	601.9	6.39	120.4	481.5	4.28
2012	648.8	7.78	129.8	519.0	4.62
2013	687.3	5.94	137.5	549.9	4.81
2014 ⁵	717.2	4.34	143.4	573.7	4.46
2015	745.6	3.96	149.1	596.5	4.40
2016 ⁶	763.6	2.41	152.7	610.9	[. . .]

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

² Rounded to the closest \$100,000.

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

⁴ Based on Senior Bonds debt service for the 12 months ending the immediately following July 1.

⁵ LACMTA's Fiscal Year 2014 audited financial statements include an increase in Proposition C Sales Tax revenues of \$61.4 million due to an accounting accrual adjustment resulting in a one-time increase to the reported amount. Amounts shown for Fiscal Year 2014 are reported and calculated excluding the \$61.4 million accounting accrual adjustment.

⁶ Unaudited.

Source: LACMTA

The following table sets forth the amount of Proposition C Sales Tax receipts received for the most recent nine quarters and the changes in such amounts from the corresponding period in the prior year.

TABLE 4
Selected Actual Proposition C Sales Tax Revenue Information¹
(values are cash basis)

Quarter Ended	Quarterly Receipts (\$ millions)	Change From Same Period Prior Year	Rolling 12 Months Receipts (\$ millions)	Change From Same Period Prior Year
September 30, 2016	\$191.9	0.3%	\$763.6	2.0%
June 30, 2016	185.9	3.9	763.0	2.9
March 31, 2016	192.5	2.1	756.1	2.7
December 31, 2015	193.2	1.9	752.2	3.0
September 30, 2015	191.4	3.7	748.6	4.4
June 30, 2015	179.0	3.1	741.9	4.2
March 31, 2015	188.6	3.2	736.4	3.9
December 31, 2014	189.6	7.6	730.6	5.1
September 30, 2014	184.6	3.0	717.3	3.9

¹ Unaudited.

Source: LACMTA

The Proposition C Sales Tax receipts on a cash basis for a quarterly period are determined by sales tax revenues generated by sales activity generally occurring in the last two months of the previous quarter and the first month of the current quarter. For example, for the three-month period ended September 30, 2016, reported according to cash basis accounting, Proposition C Sales Tax receipts were approximately \$191.9 million, which receipts generally represented sales activity occurring in June, July, and August 2016. Total Proposition C Sales Tax receipts on a cash basis for Fiscal Year 2016 were approximately \$763.0 million, compared to \$741.9 million in Fiscal Year 2015. LACMTA’s Fiscal Year 2017 budget assumes total Proposition C Sales Tax revenues of \$795.7 million (net of State Board of Equalization administrative fee).

Proposition C Sales Tax receipts fluctuate based on general economic conditions within the County. To project future Proposition C Sales Tax receipts for budgetary purposes, LACMTA relies on reports from local economists and other publicly available sources of data. LACMTA does not itself develop forecasts of current or future economic conditions. Furthermore, the State Board of Equalization does not provide LACMTA with any forecasts of Proposition C Sales Tax receipts for future periods. Therefore, LACMTA is unable to predict with certainty future levels of Proposition C Sales Tax receipts. See “RISK FACTORS—Economic Factors May Cause Declines in Proposition C Sales Tax Revenues” above.

PROPOSITION C SALES TAX OBLIGATIONS

General

LACMTA has two priority levels of obligations secured by the Proposition C Sales Tax: its Senior Bonds (which includes the Series 2017-A Bonds) and Senior Parity Debt and its Subordinate Lien Obligations. In addition, LACMTA has incurred other obligations, which are secured by certain “remaining” Proposition C Sales Tax cash receipts. See “—Other Obligations” below.

Senior Bonds and Senior Parity Debt

Senior Bonds. LACMTA had the following Senior Bonds outstanding as of [January 1], 2017:

TABLE 5
Los Angeles County Metropolitan Transportation Authority
Proposition C Sales Tax Revenue Bonds, Senior Bonds
(Outstanding as of [January 1], 2017)

<u>Senior Bonds</u>	<u>Principal Amount</u>
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2016-A	\$86,570,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2014-A	61,180,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-A	103,800,000
Sales Tax Revenue Bonds, Senior Bonds, Series 2013-B	295,420,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-C	55,555,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-A	14,635,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-B	74,885,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2010-A	37,150,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-B	134,655,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-D	41,625,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-E	85,070,000
Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2008-A	69,650,000
Total	<u>\$1,060,195,000</u>

LACMTA may issue additional Senior Bonds upon the satisfaction of certain additional bonds tests. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS—Proposition C Sales Tax Obligations—Senior Obligations.” LACMTA’s March 2016 Financial Forecast assumes the issuance of an additional approximately \$___ billion in Senior Bonds through Fiscal Year 2021. For further discussion of the March 2016 financial forecast, see “FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan” in APPENDIX A.

Senior Parity Debt. “Senior Parity Debt” would consist of indebtedness, installment sale obligations, lease obligations or other obligations for borrowed money, or payment obligations under interest swaps or other arrangements having an equal lien and charge upon Pledged Revenues and payable on parity with the Senior Bonds. LACMTA currently has no Senior Parity Debt outstanding. LACMTA may incur Senior Parity Debt upon the satisfaction of certain additional bonds tests. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS—Proposition C Sales Tax Obligations—Senior Obligations.”

Subordinate Lien Obligations

Proposition C Commercial Paper Notes. On June 9, 1993, LACMTA received authorization to issue and have outstanding, at any one time, up to \$150,000,000 (principal of and interest thereon) of commercial paper notes (the “Proposition C Commercial Paper Notes”) payable from and secured by Proposition C Sales Tax revenues. The Proposition C Commercial Paper Notes are payable from Proposition C Sales Tax revenue on a basis subordinate to the lien on Proposition C Sales Tax revenues granted to the Senior Bonds, including the Series 2017-A Bonds, and any Senior Parity Debt. As of [November 1, 2016], the Proposition C Commercial Paper Notes were outstanding with a maturity value of \$[14,624,000]. The Proposition C Commercial Paper Notes are supported by a letter of credit (the

“Proposition C CP Letter of Credit”) issued by Bank of America, N.A. LACMTA’s reimbursement obligations with respect to the Proposition C CP Letter of Credit are payable from Proposition C Sales Tax Revenues on a parity with the Proposition C Commercial Paper Notes.

In addition, LACMTA is authorized to issue and have outstanding, from time to time, up to \$75,000,000 in aggregate principal amount of its Subordinate Proposition C Sales Tax Revenue Revolving Obligations (the “Proposition C Revolving Obligations”), which are payable from Proposition C Sales Tax Revenues on a parity with the Proposition C Commercial Paper Notes and which are considered part of the \$150,000,000 authorization for Proposition C Commercial Paper. As of [November 1, 2016], LACMTA has \$[45,000,000] Proposition C Revolving Obligations outstanding. All Proposition C Revolving Obligations issued by LACMTA are purchased by the Wells Fargo Bank, National Association, in accordance with the terms of a revolving credit agreement (the “Proposition C Revolving Credit Agreement”). The Proposition C Revolving Obligations bear interest at variable rates determined pursuant to the terms of the Proposition C Revolving Credit Agreement.

The following table sets forth certain terms of Proposition C Commercial Paper Notes, including the Proposition C CP Letter of Credit and the Proposition C Revolving Obligations.

Proposition C CP Letter of Credit		Proposition C Revolving Obligations	
Letter of Credit Provider	Bank of America, N.A.	Revolving Obligations Bank	Wells Fargo Bank, National Association
Principal Amount	\$68,885,000 ¹	Principal Amount	\$75,000,000
Expiration Date	April 5, 2019	Expiration/Maturity Date	March 28, 2019 ¹

¹ Plus \$6,114,724 of interest. Draws on the letter of credit must be paid within 270 days, though the drawings may be converted to a term loan payable in 10 quarterly installments if conditions are satisfied.

Source: LACMTA

¹ Can be converted to a term loan payable in twelve equal quarterly installments following the Expiration/Maturity Date if conditions are satisfied.

Other Obligations

General Revenue Bonds. As of [January 1], 2017, there was \$64,770,000 aggregate principal amount of LACMTA’s General Revenue Refunding Bonds (Union Station Gateway Project), Series 2015 (the “Series 2015 General Revenue Bonds”) outstanding, and \$48,635,000 aggregate principal amount of LACMTA’s General Revenue Refunding Bonds (Union Station Gateway Project), Series 2010-A (the “Series 2010-A General Revenue Bonds,” and together with the Series 2015 General Revenue Bonds, the “General Revenue Bonds”) outstanding. The General Revenue Bonds are secured by a pledge of farebox revenues, fee and advertising revenues (collectively, “General Revenues”) and Proposition A Sales Tax and Proposition C Sales Tax revenues that remain after the application of those revenues to the payment of principal and interest on certain Proposition A Sales Tax-secured obligations, in the case of the Proposition A Sales Tax, and the Senior Bonds (including the Series 2017-A Bonds), any Senior Parity Debt and the Subordinate Lien Obligations (including the Proposition C Commercial Paper Notes and the Proposition C Revolving Obligations), in the case of the Proposition C Sales Tax (the “Proposition A Remaining Sales Tax” and the “Proposition C Remaining Sales Tax,” respectively). LACMTA’s obligation to pay principal of and interest on the General Revenue Bonds is secured by a lien on Proposition C Sales Tax that is junior and subordinate to the Senior Bonds (including the Series 2017-A Bonds), any Senior Parity Debt and the Subordinate Lien Obligations (including the Proposition C Commercial Paper Notes and the Proposition C Revolving Obligations) as to the lien on and source and security for payment from Pledged Revenues.

Policy Limits on Additional Bonds

Besides the limitations of the additional bonds test noted above under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS – Proposition C Sales Tax Obligations – Senior Bonds,” the Board-adopted debt policy sets additional limits on the amount of debt secured by the Proposition C Sales Tax it can issue. This debt policy is reviewed periodically, and sets limits on debt service as a percentage of the use of sales tax revenues for certain allocations of expenditures as set forth in Ordinance No. 49, which levied the tax. These limits are intended to ensure that LACMTA will be able to continue providing essential operational services while planning for replacement, rehabilitation and expansion of capital investments. Under its current debt policy, debt service on LACMTA obligations is limited to 43.75% of its share of Proposition C Sales Tax revenues, which would require a minimum of 2.28 times coverage of debt service. LACMTA annually monitors its compliance with its debt policy limits. LACMTA’s Board is not obligated to maintain its current debt policy and may modify it to allow the issuance of a greater amount of debt secured by the Proposition C Sales Tax in the future.

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COMBINED SENIOR BONDS DEBT SERVICE SCHEDULE

The following table shows the combined debt service requirements on LACMTA’s Senior Bonds.

TABLE 6
Los Angeles County Metropolitan Transportation Authority
Combined Proposition C Debt Service Schedule
Senior Bonds¹

Bond Years Ending July 1	Previously Issued Senior Bonds Debt Service	Series 2017-A Bonds Debt Service			Combined Total Debt Service Senior Bonds
		Principal	Interest	Total Debt Service	
2018	\$	\$	\$	\$	\$
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
Total	\$	\$	\$	\$	\$

¹ Totals may not add due to rounding.
Source: LACMTA and Public Resources Advisory Group

LITIGATION

There is no litigation pending or, to the knowledge of LACMTA, threatened, against LACMTA in any way questioning or affecting the validity of the Series 2017-A Bonds, the imposition and collection of the Proposition C Sales Tax or the pledge of the Pledged Revenues. On March 3, 1992, the California Court of Appeal, in *Vernon v. State Board of Equalization*, upheld the validity of the Proposition C Sales Tax. Various claims of other types have been asserted against LACMTA. See “APPENDIX A—

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY—LITIGATION AND OTHER REGULATORY ACTIONS.”

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2017-A Bonds are subject to the approving opinion of Nixon Peabody LLP, Bond Counsel to LACMTA. The form of the opinion to be delivered by Bond Counsel is attached hereto as Appendix F. As Bond Counsel, Nixon Peabody LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. The Los Angeles County Counsel, as General Counsel to LACMTA, and Nixon Peabody LLP, as disclosure counsel, will pass on certain legal matters for LACMTA.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2017-A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2017-A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2017-A Bonds. Pursuant to the Agreement and the Tax and Nonarbitrage Certificate executed by LACMTA in connection with the issuance of the Series 2017-A Bonds (the “Tax Certificate”), LACMTA has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2017-A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, LACMTA has made certain representations and certifications in the Agreement and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by LACMTA described above, interest on the Series 2017-A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2017-A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series 2017-A Bonds is exempt from personal income taxes of the State of California under present State law. Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2017-A Bonds nor as to the taxability of the Series 2017-A Bonds or the income therefrom under the laws of any state other than California.

Original Issue Discount

Bond Counsel is further of the opinion that the excess of the principal amount of any maturity of the Series 2017-A Bonds over the price at which a substantial amount of such maturity of the Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively, the “Discount

Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2017-A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds

Original Issue Premium

Series 2017-A Bonds sold at prices in excess of their principal amounts are “Premium Bonds.” An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2017-A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2017-A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2017-A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2017-A Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2017-A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix F. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2017-A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2017-A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2017-A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2017-A Bonds from gross income for federal or state income tax purposes, or otherwise. We note that each year since 2011, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2017-A Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2017-A Bonds may occur. Prospective purchasers of the Series 2017-A Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2017-A Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2017-A Bonds may affect the tax status of interest on the Series 2017-A Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2017-A Bonds, or the interest thereon, if any action is taken with respect to the Series 2017-A Bonds or the proceeds thereof upon the advice or approval of other counsel.

MUNICIPAL ADVISOR

LACMTA has retained Public Advisory Resources Group, as Municipal Advisor (the “Municipal Advisor”) for the sale of the Series 2017-A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

FINANCIAL STATEMENTS

The financial statements of LACMTA for the Fiscal Year ended June 30, 2016 and the Management’s Discussion and Analysis and certain supplementary information, and the Independent Auditors’ Report of Crowe Horwath LLP, independent accountants, dated [_____, 2016] (collectively, the “2016 Financial Statements”) are included as “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016.” LACMTA’s financial statements as of June 30, 2016 and for the year then ended, included in this Official Statement, have been audited by Crowe Horwath LLP, independent accountants, as stated in their Report appearing in Appendix B. LACMTA has not requested, nor has Crowe Horwath LLP given, Crowe Horwath LLP’s consent to the inclusion in Appendix B of its Report on such financial statements. In addition, Crowe Horwath LLP has not performed any post-audit review of the financial condition of LACMTA and has not reviewed this Official Statement.

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION

Certain economic and demographic information about the County is included in “APPENDIX C—LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION.” The economic and demographic information provided has been collected from sources that LACMTA considers to be reliable. Because it is difficult to obtain timely economic and demographic information, the economic condition of the County may not be fully apparent in all of the publicly available local and

regional economic statistics provided herein. In particular, the economic statistics provided herein may not fully capture the impact of current economic conditions.

CONTINUING DISCLOSURE

At the time of issuance of the Series 2017-A Bonds, LACMTA will execute a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), which will provide for disclosure obligations on the part of LACMTA. Under the Continuing Disclosure Certificate, LACMTA will covenant for the benefit of Owners and Beneficial Owners of the Series 2017-A Bonds to provide certain financial information and operating data relating to LACMTA by not later than 195 days after the end of the prior fiscal year (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The Annual Reports and the notices of Listed Events will be filed with the MSRB through its EMMA System. See “APPENDIX G— FORM OF CONTINUING DISCLOSURE CERTIFICATE.” LACMTA has become aware that some information that was made available in a timely manner on the EMMA System pursuant to LACMTA’s continuing disclosure obligations was not linked to the CUSIP numbers for all affected series of bonds. LACMTA has corrected this issue. In addition, LACMTA has become aware that in a few instances, notices of changes in ratings on some of its bonds were not filed in a timely manner. LACMTA has made corrective filings regarding these ratings changes.

SALE OF BONDS

The Series 2017-A Bonds were sold at competitive sale on [_____, 2017] and awarded to _____ (the “Winning Bidder”) at a purchase price of \$_____ (consisting of the par amount of the Series 2017-A Bonds, [plus/less] a net original issue [premium/discount] of \$_____, and less an underwriter’s discount of \$_____). The Winning Bidder will purchase all of the Series 2017-A Bonds, subject to certain terms and conditions set forth in the Notice Inviting Bids, dated [_____,] 2017, the approval of certain legal matters by counsel, and certain other conditions.

RATINGS

Moody’s and S&P have assigned the Series 2017-A Bonds ratings of “[]” (stable outlook) and “[]” (stable outlook), respectively. In addition to Moody’s and S&P, Fitch has assigned ratings to other Senior Bonds. Such credit ratings reflect only the views of such organizations and any desired explanation of the meaning and significance of such credit ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses, which are current as of the date of this Official Statement: Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor’s, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the ratings will remain in effect for any given period of time or that any such rating will not be revised, either downward or upward, or withdrawn entirely, or a positive, negative or stable outlook announced, by the applicable rating agency, if, in its judgment, circumstances so warrant. LACMTA undertakes no responsibility to bring to the attention of the Owners of the Series 2017-A Bonds any announcement regarding the outlook of any rating agency with respect to the Series 2017-A Bonds. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series 2017-A Bonds. Maintenance of ratings will require periodic review of current financial data and other updating information by assigning agencies.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Treasurer of the Los Angeles County Metropolitan Transportation Authority, One Gateway Plaza, Los Angeles, California 90012, Attention: Treasury Department, Email: TreasuryDept@metro.net, Telephone: (213) 922-2554, or from LACMTA's Municipal Advisor, Public Resources Advisory Group, 11500 West Olympic Boulevard, Suite 502, Los Angeles, California 90064, Telephone: (310) 477-8487. LACMTA maintains a website at <http://www.metro.net>. Information on such website is not part of this Official Statement and such information has not been incorporated by reference in this Official Statement and should not be relied upon in deciding whether to invest in the Series 2017-A Bonds.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Treasurer

APPENDIX A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

GENERAL

Establishment; Jurisdiction

The Los Angeles County Metropolitan Transportation Authority (“LACMTA”) is the largest public transit operator west of Chicago. As the principal transit provider in the southern California region, LACMTA serves about 75% of all transit trips within its 1,433 square mile service area, carrying an estimated 1.0 million passengers per day on buses and nearly 345,000 passengers on rail. LACMTA operates four light rail lines, serving 80 stations along 80 miles of track and two heavy rail lines that serve 16 stations along 17.4 miles of track. In addition to the transit services provided by LACMTA, it also provides funding to 40 other municipal operators that offer fixed route service and more than 100 other local return and non-profit agencies that provide community-based transportation. LACMTA also provides highway construction funding and traffic flow management.

LACMTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code (the “LACMTA Act”). LACMTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Los Angeles County Transportation Commission (the “Commission”). As the consolidated successor entity, LACMTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness, bonded or otherwise, immunities and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County of Los Angeles (the “County”), to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes. On November 6, 1990, the voters of the County approved the Proposition C Sales Tax pursuant to Ordinance No. 49. The Proposition C Sales Tax is in addition to a ½ of 1 percent sales tax imposed by LACMTA beginning in 1980 known as “Proposition A Sales Tax” and a 30-year ½ of 1 percent sales tax imposed by LACMTA beginning in 2009 known as the “Measure R Sales Tax.”

Board of Directors

[To be updated as needed before printing]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 appointed by the Mayor 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 (comprised of individuals appointed by the Mayors of each city in the County), and a non-voting member appointed by the Governor.

The Board of LACMTA exclusively exercises and discharges the following powers and responsibilities: (a) establishment of overall goals and objectives, (b) adoption of the aggregate budget for all of its organizational units, (c) designation of additional municipal bus operators under criteria enumerated in the LACMTA Act, (d) approval of all final rail corridor selections, (e) final approval of labor contracts covering employees of LACMTA and its organizational units, (f) establishment of LACMTA’s organizational structure, (g) conducting hearings and setting fares for the operating organizational units, (h) approval of transportation zones, (i) approval of any debt instrument with a

maturity date exceeding the end of the Fiscal Year in which it is issued, (j) approval of benefit assessment districts and assessment rates and (k) approval of contracts for construction and transit equipment acquisition which exceed \$5,000,000 and making findings in connection with certain procurement decisions.

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

John Fasana, Chair. Mr. Fasana has served on the Duarte City Council since 1987, and served as Mayor of the City of Duarte in 1990, 1997, 2004, and 2009. Mr. Fasana was selected by the Los Angeles County City Selection Committee and has represented the San Gabriel Valley Sector on the Board since its inception in 1993. Mr. Fasana serves as Chair of the San Gabriel Valley Council of Governments Transportation Committee and is a member of the board of the Metro Gold Line Foothill Extension Construction Authority. Mr. Fasana has worked 30 years with Southern California Edison and is a graduate of Whittier College with a Bachelor of Arts in Business Administration.

Eric Garcetti, First Vice-Chair. Mr. Garcetti was elected Mayor of Los Angeles in 2013. From 2001 until taking office as Mayor, Mr. Garcetti served on the Los Angeles City Council representing the Thirteenth District and was elected to serve as President of the Los Angeles City Council four times from 2006 to 2012. Mr. Garcetti earned his B.A. and M.A. from Columbia University. He has also studied as a Rhodes Scholar at Oxford and the London School of Economics and taught at Occidental College and University of Southern California.

Sheila Kuehl, Second Vice-Chair. Ms. Kuehl was elected to the Board representing the Third Supervisorial District in 2014. Ms. Kuehl served eight years in the State Senate and six years in the State Assembly, and, in 2008, left the legislature under California's term limits statute. She served as Founding Director of the Public Policy Institute at Santa Monica College. In 2012, she was appointed Regents' Professor of Public Policy at UCLA. Prior to her election to the Legislature, Ms. Kuehl was a law professor at Loyola, UCLA and USC Law Schools and co-founded and served as managing attorney of the California Women's Law Center. She graduated from Harvard Law School in 1978. She served on the Harvard University Board of Overseers from 1998 to 2005.

Michael D. Antonovich. Mr. Antonovich has been the Los Angeles County Supervisor representing the Fifth Supervisorial District since his election in 1980. 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 Unified School District and Pepperdine University. He received a Bachelor of Arts and master's degree from California State University, Los Angeles.

Mike Bonin. Mr. Bonin was elected to Los Angeles City Council in July 2013 to represent the Eleventh District. He was appointed to the Board by Mayor Garcetti in July 2013 and acts as Chair of the City Council's Transportation Committee and as Vice Chair of the Metro Exposition Line Construction Authority. Previously, Mr. Bonin served as chief deputy to former Councilmember Bill Rosendahl. In that role, he was an alternate member on the Board of the Metro Exposition Line Construction Authority and a Co-Chair of the North Runway Safety Advisory Committee. He has also served as district director for U.S. Congresswoman Jane Harman and deputy chief of staff for Councilmember Ruth Galanter and is co-founder and program director of Camp Courage, a training program for LGBT community organizers. Mr. Bonin received his B.A. in U.S. History from Harvard University.

James T. Butts, Jr. Mr. Butts was elected as Mayor of the City of Inglewood on January 11, 2011 and reelected on November 4, 2014. Mr. Butts has more than 42 years of public safety and municipal government experience. He has held the rank of general manager or assistant general manager

of large and complex municipal organizations for the past 28 years. He served 19 years in the Inglewood Police Department rising to the rank of Deputy Chief, 15 years as the Chief of Police for the City of Santa Monica, and 5 years as an Assistant General Manager for the Los Angeles World Airport system in charge of Public Safety and Counter-Terrorism. Mr. Butts received a Bachelor of Science degree in Business Administration from California State University, Los Angeles and a master's degree in Business Administration from California Polytechnic University in Pomona.

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 Southeast Long Beach Sector. Councilmember DuBois was elected to the City Council of Lakewood in 2005. Prior to her City Council service, she was a Lakewood Planning and Environment Commissioner for 28 years. She has been a board member and volunteer of Lakewood Meals On Wheels, a board member of the Greater Long Beach Girl Scout Council, a governing board member of Lakewood Regional Medical Center, a member of Soroptimists International of Lakewood/Long Beach, and a volunteer at Pathways Volunteer Hospice.

Jacquelyn Dupont-Walker. Ms. Dupont-Walker is the founding President of Ward Economic Development Corporation, a faith-based community development organization and is chair of the USC Master Plan Advisory Committee where she represents the residents of the West Adams district. She was appointed to the Board by Mayor Garcetti in July 2013 and is involved in numerous other civic organizations. She serves as the AME Church International Social Action Officer and as the Social Action Chair of Delta Sigma Theta–Century City.

Don Knabe. Mr. Knabe is the Los Angeles County Supervisor representing the Fourth Supervisorial District, having been elected in 1996 and re-elected in 2000, 2004, 2008 and 2012. Alongside a successful career as a small business owner, Mr. Knabe was elected to the Cerritos City Council in 1980 and served for eight years, including two terms as Mayor. Mr. Knabe was appointed to the President's Homeland Security Advisory Council and was Chair of the State and Local Officials Senior Advisory Committee. He received a bachelor's degree in Business Administration from Graceland College in Lamoni, Iowa.

Paul Krekorian. Mr. Krekorian was elected to the Los Angeles City Council to represent the Second District in 2009 and was re-elected in 2013 and 2015. He was appointed to the Board by Mayor Garcetti in July 2013. Prior to his election to the Los Angeles City Council, he represented California's 43rd Assembly District in the California State Assembly for three years. Prior to being elected to public office, Mr. Krekorian served as President of the Burbank Board of Education and practiced law. He attended the University of Southern California and received his Juris Doctor from the University of California, Berkeley, School of Law.

Ara Najarian. Mr. Najarian was elected to the Glendale City Council in April of 2005 and re-elected in 2009 and 2013; he served as Mayor from 2007 to 2008 and 2010 to 2011. He was selected to the Board in 2006 by the Los Angeles County City Selection Committee to represent the North County/San Fernando Valley Sector. He served as LACMTA Chairman from 2009-2010. He is past Chair of the Glendale Housing Authority and previously served as Chair of the Glendale Redevelopment Agency. He was elected to serve on the Glendale Community College Board of Trustees from 2003 to 2005. Mr. Najarian was Chair of the Glendale Transportation and Parking Commission. Mr. Najarian also serves on Metrolink's Board of Directors. Mr. Najarian has been an attorney in private practice in Glendale for 25 years. He attended Occidental College where he received a Bachelor of Arts in Economics and later earned his Juris Doctor from University of Southern California School of Law.

Mark Ridley-Thomas. Mr. Ridley-Thomas was elected to the Board representing the Second Supervisorial District in November 2008 and was reelected in [June 2012]. Previously, he served as a California State Senator, 26th District, 2006 to 2008, and chaired the Senate Committee on Business, Professions and Economic Development. Mr. Ridley-Thomas was first elected to public office in 1991, serving on the Los Angeles City Council for nearly a dozen years during which time he sat on the Board. 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.

Hilda L. Solis. Ms. Solis was elected to the Board representing the First Supervisorial District in 2014. Prior to her election to the Board, Ms. Solis was confirmed as Secretary of Labor on February 24, 2009, becoming the first Latina to serve in the United States Cabinet. Prior to confirmation as Secretary of Labor, Secretary Solis represented the 32nd Congressional District in California, a position she held from 2001 to 2009. Solis graduated from California State Polytechnic University, Pomona, and earned a Master of Public Administration from the University of Southern California. A former federal employee, she worked in the Carter White House Office of Hispanic Affairs and was later appointed as a management analyst with the Office of Management and Budget in the Civil Rights Division.

Carrie Bowen, Ex Officio Member. Ms. Bowen became the Acting Director of the California Department of Transportation District 7 in August 2013. She was appointed to the Board by Governor Brown in August 2013 and provides oversight to all divisions including administration, construction, design, environmental, external affairs, maintenance, operations, planning, project management and right-of-way. Previously, Ms. Bowen served as District 10 Director, following her appointment in January 2011. She has worked for Caltrans for approximately 30 years, rising to the position of Deputy District Director for the Central Region, Environmental Division. In addition to her work with Caltrans, Ms. Bowen also served on Assemblyman Jim Costa's staff from 1985 to 1991.

Management

General. The management of LACMTA is carried out 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, Chief Ethics Officer and Board Secretary. The Chief Executive Officer serves at the pleasure of the Board, as do the General Counsel, Inspector General, Chief Ethics Officer and Board Secretary. Certain of LACMTA's executives and a brief biography of each executive are provided below.

Chief Executive Officer. Phillip A. Washington became Chief Executive Officer in May 2015. Prior to his appointment as Chief Executive Officer, Mr. Washington served as General Manager of the Denver Regional Transportation District ("RTD"). Mr. Washington served in that position since December 2009, with previous service as Interim General Manager since June 2009 and Assistant General Manager, Administration since 2000. Mr. Washington is credited with completing the Eagle P3 project, a \$2.2 billion public-private partnership that built RTD's East Rail Line, a commuter rail from Denver International Airport to downtown Denver. Mr. Washington was a highly decorated 24-year military professional, having attained the highest military noncommissioned officer rank, that of Command Sergeant Major, E-9, before retiring from service in June 2000. He began his military career in Air Defense Artillery units and served in virtually every noncommissioned officer leadership role. He has also been a distinguished project manager, strategic planner, contract representative, human resource director, trainer and budget technician. Mr. Washington received a Bachelor of Arts degree in Business Administration from Columbia College and a master's degree in Management from Webster University.

Chief Financial Officer. Nalini Ahuja was appointed as Executive Director, Finance and Budget in February 2014 and due to a change in title within LACMTA, she assumed the title of Chief Financial Officer as of July 2016. Prior to her appointment as Executive Director, Finance and Budget, Ms. Ahuja served as LACMTA's Executive Director, Office of Management, Budget & Local Programming from 2010 to 2012, at which point her duties were expanded to include oversight of LACMTA's Transit Access Pass ("TAP") operations. As Chief Financial Officer, she is responsible for oversight of LACMTA's Office of Management, Budget, Local Programming & TAP operations and the agency's Financial Services including accounting and treasury functions. She has also served LACMTA as Director, Countywide Planning; Transportation Manager V, Local Programming; Acting Budget Director, Office of Management & Budget; and Project Manager, South Bay Area Team. Ms. Ahuja began her career with LACMTA's predecessor, the Los Angeles County Transportation Commission, in 1986, as a technical and administrative analyst which led to her position as Project Manager with the South Bay Area Team in 1990. Ms. Ahuja earned a bachelor's degree in Economics from Miranda House, University of Delhi as well as a master's degree in Economics from Delhi School of Economics and a master's degree in Urban Planning from UCLA.

Treasurer. Donna R. Mills was appointed Treasurer in July 2013, following her appointment to Interim Treasurer in January 2013. Ms. Mills previously served LACMTA as Assistant Treasurer beginning in April 2001, and as Senior Investment Manager beginning in December 1995. As Treasurer, she is responsible for directing LACMTA's investment management and debt management programs, and for overseeing pension and benefits administration. Prior to joining LACMTA, Ms. Mills served as a Financial Planning Administrator and as Cash Manager for Pacific Enterprises. She also worked as a Banking Analyst and as a Research Assistant for the Federal Reserve Bank of Philadelphia. Ms. Mills received a Bachelor of Arts in Economics and Sociology from the University of Pennsylvania and an MBA from the University of California, Berkeley.

Public Transportation Services Corporation

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

TRANSPORTATION SERVICES

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, light rail and heavy rail within the greater Los Angeles region. This breadth of services distinguishes LACMTA from other transportation agencies across the country. Most other transportation agencies specialize in three or fewer of the referenced transportation services.

Bus System

LACMTA operates the second largest bus system in the United States. 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 2,200 buses. LACMTA's bus system covers over 170 routes and serves approximately 16,000 bus stops, including two premium bus rapid transit dedicated busways. Systemwide, LACMTA buses provide approximately 7.1 million revenue service hours annually with an average of approximately 901,000 weekday boardings on a system-wide basis for the fiscal quarter ended September 30, 2016 and total boardings of 75.7 million for the fiscal quarter ended September 30, 2016, including Orange Line busway ridership. In addition, LACMTA contracts with outside service providers, with approximately 44,000 average weekday boardings for the fiscal quarter ended September 30, 2016. Virtually all of LACMTA's bus fleet is composed of compressed-natural gas ("CNG") powered buses. As of [November 1, 2016], the average age of LACMTA's bus fleet was approximately 7.59 years. At the October 27, 2016 Board meeting, the Board approved a motion calling for staff to draw up plans to fully electrify LACMTA's Orange Line by 2020. LACMTA received a \$4.3 million grant from the US Department of Transportation to partially fund the acquisition of five new 60-foot electric buses and eight new charging stations to be utilized on the Orange Line.

Metro Rapid Bus. In June 2000, LACMTA launched the Metro Rapid Demonstration Program ("Metro Rapid"). Initially, Metro Rapid 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 Metro Rapid, the Board adopted the Metro Rapid Five-Year Implementation Plan that identified additional Metro Rapid corridors to be implemented through Fiscal Year 2007-08. All of the 25 Metro Rapid corridors are now operating, covering approximately 400 miles in the City of Los Angeles, the County and 34 other cities. In addition to LACMTA, Santa Monica's Big Blue Bus, Culver CityBus and Torrance Transit operate Metro Rapid. 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, and traffic signal priority.

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 to 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, at a total cost of \$273.1 million. The Metro Orange Line Extension Project (the "MOL Extension"), a four-mile extension of the Metro Orange Line extending from the Canoga park-and-ride lot to the Chatsworth Amtrak/Metrolink Station, opened in June 2012. The MOL Extension includes: the busway, new station platforms at the Canoga park-and-ride lot, and new stations at Sherman Way, Roscoe Boulevard, Nordhoff Street, and the Chatsworth Metrolink Station, and added an additional 800 parking spaces. The original budget was \$215.6 million, which was subsequently reduced to an estimated total cost for the MOL Extension of \$154.0 million.

Highway System

The High Occupancy Vehicle ("HOV") lane program is a cooperative effort between Caltrans and LACMTA, and is funded through a combination of federal, State and local resources. As part of a congestion reduction demonstration program, LACMTA has converted I-10 and I-110 High Occupancy Vehicle ("HOV") Lanes to High Occupancy Toll Lanes and provide the choice for drivers of single occupant vehicles to pay to travel in a high occupancy lane, based on congestion pricing. The general

purpose lanes on these highways are not tolled. This program also includes improvements to the transit service along the freeways, transit facility improvements and increased funding for vanpools. LACMTA also provides highway construction funding and traffic flow management.

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 four light rail lines: the Metro Blue Line, the Metro Green Line, the Metro Gold Line (including the Gold Line Eastside Extension) and the Exposition Project; and two heavy rail lines: 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 ridership of approximately 5.2 million for the fiscal quarter ended September 30, 2016.

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. The vehicle maintenance facility supports vehicles from both the Metro Blue Line and the Metro Green Line. 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.

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 Metro Green Line has 14 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 ridership of approximately 2.2 million for the fiscal quarter ended September 30, 2016. The Metro Green Line Project budget was \$712.3 million.

Metro Gold Line and Gold Line Eastside Extension. 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 of the Metro Gold Line between the Sierra Madre Villa station in Pasadena and downtown Los Angeles is approximately 35 minutes. The Metro Gold Line began operations in July 2003. The Metro Gold Line project was built by the Pasadena Metro Blue Line Construction Authority and had a budget of \$725 million, with \$451 million contributed through the Pasadena Metro Blue Line Construction Authority and \$274 million contributed by LACMTA.

The Gold Line Eastside Extension Project (“Eastside Extension”), which opened in November 2009, is a six-mile, dual track light rail system with eight new stations and one station modification. The system originates at Union Station in downtown Los Angeles, where it connects 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 was \$898.8

million. Estimated ridership for the Metro Gold Line, including the Eastside Extension, was approximately 3.2 million for the fiscal quarter ended September 30, 2016.

Gold Line Foothill Extension. LACMTA has been working with the Metro Gold Line Foothill Extension Construction Authority to extend the existing Metro Gold Line from its former terminus in Pasadena to Claremont. The extension consists of two phases. Phase One extended the line from Sierra Madre Villa in Pasadena east over 11 miles with stops in the cities of Arcadia, Duarte, Irwindale, Monrovia and two in Azusa. Phase One is completed and began revenue operations in March 2016. Funding is currently being sought for the second phase, which would continue east from Azusa to Claremont. [The San Bernardino Associated Governments has requested that plans be added to include an additional station in Montclair as part of Phase Two].

Exposition Light Rail Transit Project. The Exposition Light Rail Transit Project (the “Exposition Project”) is a light rail project under development by LACMTA that is being designed and constructed by the Exposition Metro Line Construction Authority (“Exposition Authority”), a single purpose entity created under State law. The light rail line is approximately 15 miles and runs from downtown Los Angeles to Santa Monica along the Exposition Boulevard corridor. Construction on the Exposition Project began in September 2006.

Phase One of the project, which fully opened in June 2012, extends approximately 8.6 miles from downtown Los Angeles to Venice/Robertson in Culver City. Estimated ridership for Phase One of the Exposition Project was approximately 2.7 million for the fiscal quarter ended September 30, 2016. The final budget for Phase One was \$978.9 million (up from the original budget of \$640 million). Pursuant to the full funding plan for Phase One, approximately 79% of the projected total costs were paid from State and federal sources, and the remaining costs were paid from Proposition A Sales Tax revenues, Proposition C Sales Tax revenues and other local sources.

Phase Two of the Exposition Project, which began revenue operations in May 2016, extends 6.6 miles westward from the Venice/Robertson station, primarily along the old Pacific Electric Exposition right-of-way, to 4th Street and Colorado in downtown Santa Monica. Phase Two adds seven new stations to the Exposition Line. In February 2011, the Board approved a budget of \$1.5 billion for Phase Two of the Exposition Project, of which approximately 60% of the costs are expected to be paid from Measure R Sales Tax revenues, 9.5% from Proposition A Sales Tax and Proposition C Sales Tax revenues, and the remainder from federal and State and local sources.

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, DC. 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 “Metropolitan Transportation Authority Reform and Accountability Act of 1998” (the “Act of 1998”) and federal and State funding shortfalls, the development of the Metro Red Line and the Metro Purple Line were significantly reduced, including the indefinite suspension of certain of the extensions. The Act of 1998 prohibits LACMTA from utilizing any of the Proposition A Sales Tax or the Proposition C Sales Tax revenues for the costs of planning, design, construction or operation of any new subway, including debt service on any obligations issued for such purposes after March 30, 1998. However, LACMTA is not precluded from continuing the construction of the Metro Red Line and the 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 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. 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 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. See “FUTURE TRANSPORTATION IMPROVEMENTS—Transit Projects” below for a description of the extension of the Metro Purple Line from its current terminus at Wilshire Boulevard and Western Avenue to the westside of Los Angeles.

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. The total cost of Segment 2 was \$1.81 billion and in excess of the approximately \$1.74 original Board approved budget. The project was ultimately completed within the revised Board approved budget and schedule.

Segment 3 of the Metro Red Line 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. The eastside extension was reengineered as a light rail line. See “Metro Gold Line and Gold Line Eastside Extension” above. The north extension runs west and north from the Segment 2 Hollywood and Vine station to a North Hollywood station with two intermediate stops. This final segment of the subway opened in June 2000. The total cost of the North Hollywood segment was \$1.29 billion.

As currently planned, primary passenger access to the Metro Red Line will be provided from the Orange Line, other rail projects and from LACMTA’s extensive bus network. The ridership estimate for the entire Metro Red Line and Metro Purple Line was approximately 9.4 million for the fiscal quarter ended September 30, 2016.

Proposition A Sales Tax, Proposition C Sales Tax and Measure R Sales Tax revenues have funded and will fund portions of some of the projects described above and those described below under the caption “FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan.” Whether or not such projects were or can be completed on budget or on schedule as initially contemplated and approved by the Board depends on a large number of factors, many of which are beyond the control of LACMTA. LACMTA expects to complete each unfinished phase and component of such projects consistent with its Board approved original or amended budget, to secure all necessary Board approvals and to seek other local, federal and State sources where included in budget expectations and where appropriate. LACMTA expects with respect to these projects remaining to be completed that, subject to revisions in scope, the projects will be delivered substantially on time and on budget. However, there can be no assurances that such unfinished projects will be completed within the budgets or on the schedules, including as described in this Official Statement, and particularly within original Board approved budget amounts and timelines. The costs for these projects may require additional use of Proposition A Sales Tax, Proposition C Sales Tax and Measure R Sales Tax revenues or issuance of additional bonds secured by Proposition A Sales Tax, Proposition C Sales Tax and Measure R Sales Tax revenues (subject to the restrictions of the Act of 1998 on the use of Proposition A Sales Tax and Proposition C Sales Tax revenues) beyond that currently contemplated by LACMTA. See “RISK FACTORS—Project Costs; Capital Needs” in the front part of this Official Statement.

Commuter Rail. The Southern California Regional Rail Authority (“SCRRA”) oversees commuter rail services in the region that includes Los Angeles, Riverside, Ventura, Orange, San Bernardino and San Diego Counties. SCRRA operates the Metrolink system, which consists of seven lines totaling 512 miles and 55 stations and is primarily geared toward providing commuter rail service from outlying communities to downtown Los Angeles. Average weekday boardings were approximately 40,000 for the fourth quarter of Fiscal Year 2016. LACMTA is the Los Angeles County participant in SCRRA and contributes funds to 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.

Transit System Enterprise Fund

LACMTA accounts for the revenues and expenses of its transit system as an enterprise fund, separate from accounting of its governmental funds, such as the Proposition A, Proposition C and Measure R Sales Tax revenues. [See “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016.”] As indicated in Appendix B and as is generally true with large transit systems, the operating expenses for LACMTA’s transit system greatly exceed operating revenues. As a result, LACMTA relies heavily on a variety of local, State and federal sources to pay for operating expenses and capital improvements. A primary source of this funding is Proposition A, Proposition C and Measure R Sales Tax revenues. Short range forecasts have identified potential situations where operating deficits in this enterprise fund may substantially increase in coming years due to project costs exceeding budget and/or expenses increasing at a greater rate than revenues, primarily due to operating costs that will be required as new improvements to the transit system are completed and become operational. Management of LACMTA intends during the timeframe of the short range forecast to look for additional revenue sources, re-prioritize existing and new programs, right-size transportation service and realize organizational efficiencies to close anticipated shortfalls. At its January 2016 meeting the Board approved the Risk Allocation Matrix (“RAM”) concept, where departments within LACMTA identify initiatives that increase revenues or decrease expenditures, and assign a risk level, dollar impact, and timeframe for implementing each initiative. Dollar amounts realized from the RAM will be deposited to an internal savings account, and these funds can be used to mitigate a projected operating deficit. LACMTA anticipates making the initial deposits to the internal savings account in Fiscal Year 2017. See “TRANSPORTATION SERVICES” and “FUTURE TRANSPORTATION IMPROVEMENTS” in this Appendix A for a description of the major transit projects LACMTA is currently undertaking and the future transit improvements expected to LACMTA’s transit system, all of which require substantial investment and increase operating costs.

FUTURE TRANSPORTATION IMPROVEMENTS

LACMTA, as the State-designated planning and programming agency for the County, identifies future transportation needs and transportation funding and construction priorities in the County. LACMTA prepares a Long Range Transportation Plan that identifies the costs of major transportation projects and the anticipated funding sources. See “RISK FACTORS – Project Costs; Capital Needs” in the front part of this Official Statement.

Long Range Transportation Plan

General. In October 2009, the Board approved a 2009 Long Range Transportation Plan (“2009 LRTP”), which updated the prior Long Range Transportation Plan. The 2009 LRTP identifies projected costs of planning, constructing and running the transportation system based on a financial forecast of future revenue assumptions through 2040. During the planning process, data was reviewed that predict

where and what the current challenges are on the existing transportation system, where mobility issues could arise in 2040, and how the transportation system could be improved with new investments.

The 2009 LRTP reflects LACMTA's assessment of growth patterns, regional congestion, strategies to improve local air quality, transit-oriented development, the latest technical assumptions and climate change issues, and incorporates Measure R projects. The 2009 LRTP identified a \$297.6 billion countywide investment in the County's transportation system through 2040, funded with more than 45 sources of federal, State and local funds. The 2009 LRTP is now the guiding policy behind funding decisions on subsequent transportation projects and programs in the County. Major capital projects and programs that are identified in the 2009 LRTP have priority for future programming of funds. While these projects and programs require further Board approval at various stages of their development, they are priorities for further planning, design, construction and the pursuit of additional funding.

The March 2016 financial forecast of the 2009 LRTP updates the assumptions about debt issuance and assumes approximately \$3.3 billion (excluding commercial paper notes) in new debt financing from Fiscal Year 2017 through Fiscal Year 2021, not including the TIFIA loans described under "—Transit Projects" below. The March 2016 update of the 2009 LRTP assumes the funding of approximately \$712 million, \$1.1 billion, and \$1.5 billion through the issuance of additional Proposition A First Tier Senior Lien Bonds, Proposition C Senior Bonds, and Measure R Senior Bonds, respectively, through Fiscal Year 2021. Based on historical practice, LACMTA expects that actual bond issuance during this period will be less. The March 2016 financial update also forecasted bond issuance from Fiscal Year 2017 through Fiscal Year 2057 of approximately \$15.3 billion, of which approximately \$7.3 billion is projected to be Proposition C Senior Bonds.]

The Board approved 2009 LRTP, and subsequent updated financial forecasts, includes projections of debt financing by LACMTA, composed of a combination of Proposition A, Proposition C and Measure R-secured debt. The actual amount and timing of any debt issuance depends on a number of factors including the actual scope, timing and cost of transportation projects, the ability to obtain funding from other sources and the amount of Proposition A, Proposition C and Measure R Sales Tax revenues available to fund the projects in the LRTP. With the passage of Measure M on November 8, 2016, the 2009 LRTP is expected to be updated to incorporate the use of Measure M Sales Tax revenues.

Transit Projects

The June 2013 updated financial forecast of the 2009 LRTP included the Crenshaw/LAX Transit Project, the Regional Connector and the Westside Purple Line Extension Section 1 as major transit projects planned to be under construction in the first decade of the LRTP. These are in addition to the Gold Line Foothill Extension and Phase Two of the Exposition Project discussed above under "TRANSPORTATION SERVICES—Rail System Gold Line Foothill Extension" and "—Exposition Light Rail Transit Project."

Crenshaw/LAX Transit Project. The Crenshaw/LAX Transit Project is a north/south corridor that serves the cities of Los Angeles, Inglewood, Hawthorne and El Segundo as well as portions of unincorporated Los Angeles County. The alignment extends 8.5 miles, from the intersection of Crenshaw and Exposition Boulevards to a connection with the Metro Green Line at the Aviation/LAX Station. The total project budget is currently \$2.058 billion. The costs of the project are expected to be paid from Measure R Sales Tax revenues, Proposition A Sales Tax revenues, Proposition C Sales Tax revenues, other local sources, and federal and State sources. The project has received a \$545.9 million TIFIA loan, which is to be repaid from available Measure R Sales Tax. LACMTA has drawn all of the \$545.9 million of the TIFIA loan proceeds."

Regional Connector. The Regional Connector is a 1.9-mile light rail line with three underground stations in downtown Los Angeles. The Project will provide a direct connection from the 7th/Metro Center Station to the existing Metro Gold Line tracks to the north and east of 1st and Alameda. This connection will provide through service between the Metro Blue Line, Metro Gold Line and Metro Exposition Line corridors, enhancing regional connectivity. The total project budget is currently \$1.56 billion, however, subject to Board approval, LACMTA expects the budget to increase by approximately \$100-\$250 million. LACMTA has been awarded a \$669.9 million Full Funding Grant Agreement in Federal New Starts funds for the Regional Connector project. Additionally, the project has received a \$160 million TIFIA loan, which is to be repaid from Measure R Sales Tax revenues. As of [November 1, 2016], LACMTA had drawn down \$61.9 million of the TIFIA loan proceeds. The remaining project costs are expected to be paid from other Federal, State and local sources.

The Regional Connector project is currently the subject of active cases under the National Environmental Policy Act (“NEPA”) where the federal district court found one instance of non-compliance with NEPA that resulted in a limited cancellation of the related record of decision (the “ROD”) issued by the Federal Transit Administration (the “FTA”) and a temporary injunction against the cut and cover construction planned for lower Flower Street. The FTA issued a Final Supplemental EIS/Amended ROD on December 16, 2015 and the federal district court subsequently confirmed that its injunction for the cut-and-cover construction on lower Flower Street is no longer in effect.

In October 2016, a petition for writ of mandate and complaint for injunctive and declaratory relief was filed against the City of Los Angeles (the “City”), naming LACMTA and its design/build contractor as real parties in interest with respect to the Regional Connector project. The plaintiff alleges the City is not fulfilling its obligations under CEQA as a responsible agency with discretionary approval power over the Regional Connector project. As of the date of this Official Statement, LACMTA cannot predict the outcome of this action.

Westside Purple Line Extension. The Westside Purple Line Extension (also known as the “Purple Line Extension Project”) is an extension of the Metro Purple Line from its current terminus at Wilshire and Western to the westside of Los Angeles. The Board has certified the Final Environmental Impact Report and has adopted the project definition for the nine-mile Purple Line Extension Project. The Purple Line Extension Project currently is planned to be constructed in three sections. Section 1 will extend the existing Metro Purple Line by 3.92 miles beginning at the Wilshire/Western Station. From this station, the twin tunnel alignment will travel westerly within the existing Wilshire Boulevard right-of-way. Stations will be located at the intersections of Wilshire/La Brea, Wilshire/Fairfax and Wilshire/La Cienega. All three of the station boxes will be located within the Wilshire Boulevard right-of-way with station portals extending to off-street entrances. The total budget for Section 1 of the Purple Line Extension Project is \$2.78 billion, excluding finance charges and any potential cost increases. LACMTA has been awarded a \$1.25 billion Full Funding Grant Agreement in Federal New Starts funds and has entered into an agreement for an \$856 million TIFIA loan, to be repaid from Measure R Sales Tax revenues with respect to Section 1 of the Purple Line Extension Project. As of [November 1, 2016], LACMTA had not drawn down any of the TIFIA loan proceeds. Approximately 40% of project costs are expected to be paid from the Federal New Starts funds, 27% from the TIFIA loan, 28% from additional Measure R Sales Tax revenues, and the remainder from other State and local sources.

Section 2 of the Purple Line Extension Project is planned to extend 2.59 miles from the Section 1 terminus at Wilshire/La Cienega to a terminus station at Constellation Boulevard at Avenue of the Stars in Century City. The estimated total project cost is \$2.41 billion, excluding finance charges. LACMTA has applied for a \$1.187 billion Full Funding Grant Agreement in Federal New Starts funds and has submitted an application to the U.S. DOT for a TIFIA loan for \$307 million to be repaid from Measure R Sales Tax revenues. Both the Full Funding Grant Agreement and the TIFIA loan are [expected to be executed in

December 2016]. Approximately 50% of the project costs are expected to be paid from Federal New Starts funds, 13% from the TIFIA loan, 21% from additional Measure R Sales Tax revenues, and the remainder from other Federal, State and local sources.

The Purple Line Extension Project, Section 2, is currently the subject of lawsuits brought by the City of Beverly Hills and the Beverly Hills Unified School District against the FTA on the adequacy of the Environmental Impact Statement for the project (the “Purple Line Extension EIS”). On February 2, 2016, the federal district court issued a tentative ruling identifying four areas in which the Purple Line Extension EIS failed to comply with statutory requirements. On August 12, 2016, the district court adopted the tentative ruling as its final decision, but declined to vacate the ROD for Section 2. The district court remanded the matter to the FTA with instructions to prepare a supplemental Purple Line Extension EIS consistent with the holdings in the tentative ruling. In compliance with the district court’s final decision, LACMTA and the FTA are preparing a supplemental Purple Line Extension EIS. LACMTA does not anticipate that any changes to the Purple Line Extension Project will be required, however, it is possible that subsequent actions in response to the supplemental Purple Line Extension EIS may occur.

State Transportation Improvement Program

The California State Transportation Improvement Program (“STIP”) is a five-year State regional and interregional capital improvement program funded from the State Highway Account and other State sources. Every two years, the California Transportation Commission (“CTC”) estimates available funding and adopts the STIP. The 2016 STIP covers the period from Fiscal Year 2017 through Fiscal Year 2021. LACMTA is statutorily entitled to program the County regional share of the STIP. In August 2015, the CTC adopted a zero Fund Estimate for the 2016 STIP, which provided no additional funding for new projects and required deferral of existing projects within the 2016 STIP period. In December 2015, the Board adopted a \$222 million 2016 Regional Transportation Improvement Program (“2016 RTIP”) of STIP projects consistent with an expected Fund Estimate and submitted it to the CTC. In January 2016, the CTC adopted a Fiscal Year 2016 allocation plan to manage allocation requests throughout the fiscal year. In January 2016, the CTC also adopted a revised 2016 STIP Fund Estimate, in response to continued declines in gasoline prices and the resulting decrease in gasoline-related taxes which constitute a significant funding source for the State Highway Account. This revised 2016 STIP Fund Estimate reduced STIP funding statewide by approximately \$754 million over the five-year 2016 STIP period. In May 2016, the CTC adopted the 2016 STIP including LACMTA’s request except for \$55.6 million for the SR-138 highway project, resulting in the indefinite deferral of one of its segments. Any short-fall of future STIP funding could result in the use of additional Proposition A, Proposition C and Measure R Sales Tax revenues or issuance of additional bonds or commercial paper secured by Proposition A, Proposition C and Measure R Sales Tax revenues to pay for LACMTA’s projects.

LABOR RELATIONS

General

As of November 1, 2016, LACMTA had approximately 9,797 employees, of which approximately 86% are covered by labor agreements. Full and part-time LACMTA bus and train operators are represented by the Sheet Metal, Air, Rail, Transportation, Transportation Division (formerly “UTU”) (“SMART-TD”); 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

the labor agreements of LACMTA with each of its employee bargaining units as of [November 1, 2016] and the current expiration dates of the labor agreements.

Employee Bargaining Unit	Number of Employees	Contract Expiration Date
United Transportation Union (Sheet Metal, Air, Rail and Transportation Division)	4,391	06/30/17
Amalgamated Transit Union	2,370	06/30/17
Transportation Communications Union	855	06/30/17
Am. Fed. of State, County and Municipal Employees	745	06/30/17
Teamsters Union	89	06/30/17

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

Defined Benefit Pension Plan

LACMTA has a single-employer public employee retirement system that includes five defined benefit plans (the “Plans”) that cover substantially all employees (except PTSC employees) and provides retirement, disability, and death benefits. The benefit provisions and all other requirements are established by State statute, ordinance, collective bargaining agreements or Board actions. Four of the Plans are restricted to specific union members, while the fifth provides benefits to non-represented employees and to members of the Teamsters Union. In addition, LACMTA provides pension benefits to most PTSC employees through a defined benefit plan administered by the California Public Employees’ Retirement System (“PERS”), a multiple-employer pension system. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. [For a description of these defined benefit plans and LACMTA’s obligations to make contributions to these plans, see “Note III—DETAILED NOTES ON ALL FUNDS—J. Employees’ Retirement Plans” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016.”]

Other Post-Employment Benefits

LACMTA provides post-employment health care and life insurance benefits for retired employees and their families. Pursuant to Governmental Accounting Standards Board Pronouncement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB),” LACMTA is required to account for its expenses and a portion of the present value of future expenses related to these benefits. For a description of these benefits, LACMTA’s obligations to account for certain projected future costs of these benefits and other matters regarding these benefits, see [“Note III—DETAILED NOTES ON ALL FUNDS—K. Other Postemployment Benefits (OPEB)” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015.”]

OUTSTANDING DEBT

General

In addition to obligations issued by LACMTA that are secured by Proposition C Sales Tax, LACMTA has issued debt secured by the Proposition A Sales Tax, the Measure R Sales Tax, and other revenues of LACMTA, and may issue additional obligations so secured upon satisfaction of certain additional bonds tests in the applicable trust agreements governing such debt. See “FUTURE TRANSPORTATION IMPROVEMENTS—Long Range Transportation Plan” above. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017-A BONDS” in the front part of this Official Statement for a discussion of obligations secured by the Proposition C Sales Tax.

Debt and Interest Rate Swap Policies

In April 2015, the Board approved an updated Debt Policy for LACMTA (the “Debt Policy”). The Debt Policy sets forth guidelines for the issuance and management of LACMTA’s debt. Among other things, the Debt Policy sets forth allowable uses of debt and debt policy maximums. It requires LACMTA to develop a capital improvement plan which includes the capital projects LACMTA plans to undertake in future years. The Debt Policy also sets forth guidance on the type of debt that may be incurred by LACMTA (e.g., long-term versus short-term), the source of payment for such debt, and other factors to be considered when incurring debt.

In April 2015, the Board approved an updated Interest Rate Swap Policy for LACMTA (the “Swap Policy”). The Swap Policy includes guidelines to be used by LACMTA when entering into interest rate swaps and management practices that address the special risks associated with interest rate swaps. The Swap Policy requires that LACMTA evaluate the risks, on an ongoing basis, of existing interest rate swaps. [As of the date of this Official Statement, LACMTA has no interest rate swaps.]

Proposition A Sales Tax Obligations

General. Obligations of LACMTA payable from the Proposition A Sales Tax consist of sales tax revenue bonds, commercial paper notes and other agreements. As of the date of this Official Statement, LACMTA has three priority levels of obligations for Proposition A Sales Tax revenues: its First Tier Senior Lien Bonds, its Second Tier Obligations and its Third Tier Obligations (which include the Proposition A Commercial Paper Notes). LACMTA has incurred other obligations which are secured by certain “remaining” Proposition A Sales Tax cash receipts.

First Tier Senior Lien Bonds. LACMTA had the following Proposition A First Tier Senior Lien Bonds outstanding as of [January 1], 2017.

**Los Angeles County Metropolitan Transportation Authority
Proposition A First Tier Senior Sales Tax Revenue Bonds
(Outstanding as of [January 1], 2017)**

<u>Proposition A First Tier Senior Sales Tax Revenue Bonds¹</u>	<u>Outstanding Principal Amount</u>
Senior Sales Tax Revenue Refunding Bonds, Series 2016-A	\$170,760,000
Senior Sales Tax Revenue Refunding Bonds, Series 2015-A	25,495,000
Senior Sales Tax Revenue Refunding Bonds, Series 2014-A	130,060,000
Senior Sales Tax Revenue Refunding Bonds, Series 2013-A	238,615,000
Senior Sales Tax Revenue Refunding Bonds, Series 2012-A	51,380,000
Senior Sales Tax Revenue Refunding Bonds, Series 2011-A	34,035,000
Senior Sales Tax Revenue Refunding Bonds, Series 2011-B	91,110,000
Senior Sales Tax Revenue Refunding Bonds, Series 2009-A	149,035,000
Senior Sales Tax Revenue Refunding Bonds, Series 2008-B	19,680,000
Total	<u>\$910,170,000</u>

¹ The Proposition A First Tier Senior Lien Bonds are payable from, and secured by a prior first lien on, Proposition A Sales Tax revenue.
Source: LACMTA.

Second Tier Obligations.

On October 6, 1993, the Community Redevelopment Financing Authority of the Community Redevelopment Agency of the City of Los Angeles, California issued its Grand Central Square Multifamily Housing Bonds, 1993 Series A (the “Housing Bonds”) and its Grand Central Square Qualified Redevelopment Bonds, 1993 Series A (the “Redevelopment Bonds”). The Redevelopment Bonds were refunded on April 30, 2002 with the proceeds of The Community Redevelopment Agency of the City of Los Angeles, California Grand Central Square Qualified Redevelopment Bonds, 2002 Refunding Series A (the “Refunding Redevelopment Bonds”). The Housing Bonds were refunded on June 21, 2007 with the proceeds of The Community Redevelopment Agency of the City of Los Angeles, California Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series A (the “2007 Series A Refunding Housing Bonds”) and Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series B (the “2007 Series B Refunding Housing Bonds” and, together with the 2007 Series A Refunding Housing Bonds, the “Refunding Housing Bonds”). LACMTA is obligated (but only from LACMTA’s 40% discretionary share of Proposition A Sales Tax revenues) to make debt service payments with respect to the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds. To the extent the trustee for the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds has sufficient revenues and other funds, the trustee would reimburse LACMTA to the extent of its payment from such funds. [January 1], 2017, \$[5,065,000] aggregate principal amount of the 2007 Series B Refunding Housing Bonds and \$[11,800,000] aggregate principal amount of the Refunding Redevelopment Bonds were outstanding.

On June 28, 2011, State law was enacted which dissolved all redevelopment agencies in existence in the State of California as of February 1, 2012, and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. The obligations of the CRA/LA, a Designated Local Authority and Successor Agency to The Community Redevelopment Agency of the City of Los Angeles, California, with respect to the Refunding Redevelopment Bonds are unchanged but subject to certain statutory procedures with respect to its operations and providing tax increment revenues

in support of enforceable obligations. The CRA/LA is not obligated to pay any amount in respect of the obligation of LACMTA on the Refunding Redevelopment Bonds and the 2007 Series B Refunding Housing Bonds if not paid when and as due.

LACMTA’s payment obligations with respect to the Refunding Housing Bonds and the Refunding Redevelopment Bonds constitute “Proposition A Second Tier Obligations,” and are payable from Proposition A Sales Tax revenues on a subordinate basis to the Proposition A First Tier Senior Lien Bonds described above.

[LACMTA expects to redeem the Refunding Redevelopment Bonds and defease the 2007 Series B Refunding Housing Bonds by Spring 2017.]

Third Tier Obligations. LACMTA is authorized to issue and have outstanding, at any one time, up to \$350,000,000 aggregate principal amount of its Proposition A commercial paper notes (the “Proposition A Commercial Paper Notes”). As of [November 1, 2016], \$141,500,000 aggregate principal amount of Proposition A Commercial Paper Notes were outstanding. The Proposition A Commercial Paper Notes are payable from Proposition A Sales Tax revenues on a subordinate basis to the Proposition A First Tier Senior Lien Bonds and the Proposition A Second Tier Obligations. The Proposition A Commercial Paper Notes can only be issued and outstanding if they are supported by a letter of credit.

The Proposition A Commercial Paper Notes are supported by two letters of credit (the “Proposition A CP Letters of Credit”) issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch, and MUFG Union Bank, N.A. LACMTA’s reimbursement obligations with respect to the Proposition A CP Letters of Credit are payable from Proposition A Sales Tax revenues on parity with the Proposition A Commercial Paper Notes and on a subordinate basis to the Proposition A First Tier Senior Lien Bonds and the Proposition A Second Tier Obligations. The following table sets forth certain terms of the Proposition A CP Letters of Credit.

Proposition A CP Letters of Credit

<u>Letter of Credit Provider</u>	<u>Amount of Letter of Credit</u>	<u>Issuance Date</u>	<u>Expiration Date</u>
Sumitomo Mitsui Banking Corporation, acting through its New York Branch	\$124,999,176 ¹	March 8, 2016	March 7, 2019
MUFG Union Bank, N.A.	74,999,724 ²	March 8, 2016	March 7, 2019

¹ Supports \$114,808,000 of principal and \$10,191,176 of interest.

² Supports \$68,885,000 of principal and \$6,114,724 of interest.

Source: LACMTA

LACMTA has the ability to (but does not currently plan to) procure additional letter of credit support for the Proposition A Commercial Paper Notes, which would in turn allow it to issue and have outstanding Proposition A Commercial Paper Notes in a combined amount of principal of and interest thereon equal to a total of \$350,000,000.

The Proposition A Commercial Paper Notes and the reimbursement obligations with respect to the Proposition A CP Letters of Credit constitute “Proposition A Third Tier Obligations,” and are payable from Proposition A Sales Tax revenues on a subordinate basis to the Proposition A First Tier Senior Lien Bonds and the Proposition A Second Tier Obligations described above.

Measure R

General. LACMTA has three priority levels of obligations secured by the Measure R Sales Tax: the senior lien (which currently secures its Measure R Senior Sales Tax Revenue Bonds), the subordinate lien (which currently secures its Measure R Subordinate Obligations), and the junior subordinate lien (which currently secures three TIFIA loans).

Measure R Senior Sales Tax Revenue Bonds. On November 16, 2010, LACMTA issued \$732,410,000 aggregate principal amount of its Measure R Senior Sales Tax Revenue Bonds, Series 2010-A and Series 2010-B (the “Series 2010 Measure R Senior Bonds”) to finance certain transportation projects. These bonds are payable from the Measure R Sales Tax. On November [___], 2016, LACMTA issued [\$_____] aggregate principal amount of its Measure R Senior Sales Tax Revenue Bonds, Series 2016-A (the “Series 2016 Measure R Senior Sales Tax Revenue Bonds”) to finance certain transportation projects and to refund certain outstanding Measure R Subordinate Revolving Obligations (defined below). As of [January 1], 2017, there was [\$_____] aggregate principal amount of Measure R Senior Sales Tax Revenue Bonds outstanding. LACMTA may incur additional debt secured by and payable from the Measure R Sales Tax.

Measure R Subordinate Obligations. LACMTA is authorized to issue and have outstanding, from time to time, up to \$150,000,000 in aggregate principal amount of its Subordinate Measure R Sales Tax Revenue Revolving Obligations (the “Measure R Subordinate Revolving Obligations”), which are payable from Measure R Sales Tax revenues on a subordinate basis to the Series 2010 Measure R Senior Bonds, on a parity basis with the Measure R Subordinate Series C Bonds (defined below), and on a senior basis to the TIFIA Loans. As of [January 1], 2017, LACMTA had \$[150,000,000] aggregate principal amount of Measure R Subordinate Revolving Obligations outstanding. The Measure R Subordinate Revolving Obligations issued by LACMTA are purchased by (i) State Street Public Lending Corporation, in a principal amount not to exceed \$100 million, in accordance with the terms of a revolving credit agreement (the “State Street Revolving Credit Agreement”), and (ii) Bank of the West, in a principal amount not to exceed \$50 million, in accordance with the terms of a revolving credit agreement (the “Bank of the West Revolving Credit Agreement,” and together with the State Street Revolving Credit Agreement, the “Measure R Subordinate Revolving Credit Agreements”). The Measure R Subordinate Revolving Obligations bear interest at variable rates determined pursuant to the terms of the Measure R Subordinate Revolving Credit Agreements. Except as otherwise provided in the Measure R Subordinate Revolving Credit Agreements, the principal of all Measure R Subordinate Revolving Obligations outstanding are due and payable on November 20, 2020. However, subject to the terms of the Measure R Subordinate Revolving Credit Agreements, on November 20, 2020, LACMTA can convert any outstanding Measure R Subordinate Revolving Obligations to a term loan that will be payable in twelve equal quarterly installments following November 20, 2020.

The following table sets forth certain terms of the Measure R Subordinate Revolving Obligations.

Measure R Subordinate Revolving Obligations

Revolving Obligations Bank	State Street Public Lending Corporation	Bank of the West
Principal Amount	\$100,000,000 ¹	\$50,000,000 ²
Expiration Date	November 20, 2020 ³	November 20, 2020 ³

¹ As of [January 1], 2017, \$[100,000,000] aggregate principal amount of State Street Measure R Revolving Obligations were outstanding.

² As of [January 1], 2017, \$50,000,000 aggregate principal amount of Bank of the West Measure R Revolving Obligations were outstanding.

³ Can be converted to term loan payable in twelve equal quarterly installments
Source: LACMTA

In addition to the Measure R Subordinate Revolving Obligations, LACMTA entered into a bond purchase agreement dated November 23, 2015 with RBC Capital Markets LLC (the “Series C Measure R Underwriter”) to sell, from time to time, up to \$150 million aggregate principal amount of its Subordinate Measure R Sales Tax Revenue Drawdown Bonds, Subseries C-1 (Tax-Exempt) and Subseries C-2 (Taxable) (the “Measure R Subordinate Series C Bonds,” and together with the Measure R Subordinate Revolving Obligations, the “Measure R Subordinate Obligations”) to the Series C Measure R Underwriter. The Series C Measure R Underwriter in turn sells the Measure R Subordinate Series C Bonds to RBC Municipal Products, LLC. The Measure R Subordinate Series C Bonds are payable from Measure R Sales Tax revenues on a subordinate basis to the Series 2010 Measure R Senior Bonds, on a parity basis with the Measure R Subordinate Revolving Obligations, and on a senior basis to the TIFIA Loans. As of [January 1], 2017, LACMTA had \$[150,000,000] aggregate principal amount of Measure R Subordinate Series C Bonds outstanding. The Measure R Subordinate Series C Bonds bear interest at variable rates. Except as otherwise provided in the Third Supplemental Subordinate Trust Agreement, dated as of November 1, 2015, by and between LACMTA and U.S. Bank National Association, as trustee, and the Bondholder’s Agreement, dated as of November 1, 2015, by and between LACMTA and RBC Municipal Products, LLC, the principal of all Measure R Subordinate Series C Bonds outstanding are due and payable on November 20, 2020.

Measure R Junior Subordinate Obligations (TIFIA Loans). LACMTA has entered into agreements for three TIFIA loans in the aggregate principal amount of \$1.561 billion, which will be repaid from Measure R Sales Tax revenues. As of [January 1], 2017, LACMTA had drawn \$[607.8] million in proceeds under two of the TIFIA loans. All three TIFIA loans are payable from Measure R Sales Tax revenues on a subordinate basis to the Series 2010 Measure R Senior Bonds and the Measure R Subordinate Obligations. See “FUTURE TRANSPORTATION IMPROVEMENTS—Transit Projects” above for additional information on the TIFIA loans.

Lease/Leaseback and Lease-to-Service Obligations

From January 1997 through July 2003, LACMTA entered into ten “defeased 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 which were invested in fixed income investments in an amount that, including interest income, would be sufficient to fund all scheduled sublease payments through exercise of an early buyout option. LACMTA has realized \$64.7 million in net benefit after funding of fixed income investments and payment of transaction expenses. LACMTA purchased a surety and entered into several payment undertaking agreements in connection with the transactions, as further described below.

American International Group Inc. or its affiliates (“AIG”) provided a fixed income investment product known as a “payment undertaking agreement” (“PUA”) that was used in eight of the lease/leaseback transactions in order to invest the proceeds to fund all the scheduled rent payments and early buy-out option payments. In addition, LACMTA obtained credit enhancement from AIG and Assured Guaranty Municipal Corp. (as successor to Financial Security Assurance Inc.) (“AGM”) for several of the transactions. As a result of declines in AIG’s and AGM’s credit ratings, LACMTA was contractually obligated to replace the PUAs or provide credit enhancement for eight of the ten transactions. The remaining two were unaffected.

LACMTA has terminated three of the eight affected leases and has entered into collateral posting agreements for three others. Issues remain with two of the affected leases and LACMTA is discussing potential solutions with the applicable lessors. Failure to reach a solution with respect to the two remaining affected transactions could result in early termination of the transactions and could require LACMTA to pay up to \$39.604 million, plus legal costs.

[See “Note III—DETAILED NOTES ON ALL FUNDS—M. Long-term Debt—Lease/leaseback and Lease-to-service Obligations” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016.”]

INVESTMENT POLICY

General

[Certain features of LACMTA’s Investment Policy are summarized in “Note III—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments” in the Notes to the Financial Statements in “APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016.”]

Investment Balances

As of September 30, 2016 (based on unaudited financial information), LACMTA had approximately \$329.8 million in market value deposited in non-discretionary bond proceeds and debt service trust accounts, primarily invested in U.S. Treasury securities, Federal Agencies, money market funds, forward purchase agreements and the County of Los Angeles Pooled Surplus Investments maintained by the County of Los Angeles Treasurer and Tax Collector. LACMTA had an additional approximately \$1.865 billion in non-discretionary trust accounts, primarily for pension and OPEB.

Additionally, as of September 30, 2016, LACMTA had approximately \$1.279 billion (book value) deposited in discretionary/operating accounts. Such discretionary/operating accounts were invested in the investments summarized in the following table:

Discretionary/Operating Accounts Investments	Percentage of Total Book Value as of September 30, 2016
Local Agency Investment Fund	9.0%
Bank Deposits	<u>1.6</u>
Managed Investments	
U.S. Treasuries	18.4
Federal Agencies	28.2
Corporate Notes	17.2
Commercial Paper	5.7
Municipal securities	2.9
Money Market Funds	10.7
Asset Backed Securities	<u>4.1</u>
Sub Total Managed Investments	89.4
Total Cash and Investments*	100.0%

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

As of September 30, 2016, the liquid reserve of the discretionary accounts, which totaled approximately \$369.7 million in both book value and market value, was managed internally by LACMTA and had an average maturity of 21 days. LACMTA's Investment Policy prohibits investing in reverse repurchase agreements.

[Additional information regarding LACMTA's investments are included in "Note III—DETAILED NOTES ON ALL FUNDS—A. Cash and Investments" in the Notes to the Financial Statements in "APPENDIX B—LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016."]

LITIGATION AND OTHER REGULATORY ACTIONS

Sales Tax Litigation

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

Construction Litigation

Tutor-Saliba-Perini (“TSP”), a joint venture construction company, filed suit against LACMTA claiming extra charges under certain Metro Red Line Segment 2 contracts. LACMTA cross-complained for violation of the California False Claims Act and for breaches of contract. The trial on the complaint and cross-complaint concluded in August 2001, with a judgment for LACMTA, which judgment was reversed in January 2005. The case was remanded to the trial court, where LACMTA received a jury verdict in its favor on two of its false claim allegations and entered into a stipulated judgment in favor of TSP on certain of its undisputed claims. Final judgment in the case was entered and appeals were filed. In June 2014, the appellate court issued an opinion which upheld the jury verdict in favor of LACMTA. The opinion remanded the sureties’ request for \$21,000,000 in attorneys’ fees from LACMTA to the trial court. The trial court agreed with LACMTA’s argument that the request for attorney’s fees was overstated and awarded the sureties \$2,143,403. The sureties have appealed. LACMTA does not believe the outcome of the litigation will have a material adverse impact on its ability to pay debt service on any of its obligations.

Kiewit Infrastructure West Co., f/k/a Kiewit Pacific Company, a Delaware corporation, in connection with a design/build contract for the I-405 Sepulveda Pass Widening Project, claimed damages in the \$650 million range. As a result of the recent settlement of a portion of the Kiewit claim, the outstanding claim amount is now approximately \$500 million. The parties have entered into a binding arbitration agreement to resolve the disputes. LACMTA does not believe the outcome of the litigation will have a material adverse impact on its ability to pay debt service on any of its obligations.

California Public Employees’ Pension Reform Act of 2013

In 2012, the State Legislature adopted and the Governor signed into law the Public Employees’ Pension Reform Act of 2013, Cal. Gov’t Code §7522, et seq. (“PEPRA”), which establishes limits on California public employee defined benefit pension plans. Several unions representing certain public transit employees in the State (including employees of LACMTA) have asserted to the U.S. Department of Labor (“USDOL”) that PEPRA is inconsistent with collective bargaining rights that are protected under Section 13(c) of the Federal Transit Act. Section 13(c) requires that employee protections must be certified by the Department of Labor before Federal transit funds can be released to a mass transit provider. PEPRA’s application to LACMTA’s Plans (see “LABOR RELATIONS—Defined Benefit Pension Plan”) is addressed in California Government Code §7522.02(3)(A), which states that PEPRA does not apply to employees whose interests are protected under Section 5333(b) of Title 49 of the United States Code, until a federal district court rules that USDOL erred in determining that the application of PEPRA precludes certification under Section 5333(b) of Title 49 of the United States Code, or until January 1, 2016, whichever is sooner.

On December 30, 2014, the United States District Court ruled that USDOL’s determination that PEPRA discontinued collective bargaining rights was arbitrary and capricious, and that USDOL acted in excess of its statutory authority in denying a federal grant application based on PEPRA. With this ruling, the PEPRA exemption for public transit employers under Cal. Gov’t Code Section 7522.02(3)(A) expired. USDOL subsequently issued its decision on remand from the Court restating its original opinion that PEPRA and Section 13(c) are in conflict. On August 22, 2016, the District Court issued an order denying the USDOL motion for summary judgment in part, granting the transit agencies’ motions for summary judgment in part and granting plaintiffs’ leave to amend their supplemental complaint. LACMTA anticipates this litigation between the State, Sacramento RTD and USDOL will ultimately determine whether PEPRA conflicts with Section 13(c).

Although USDOL had refused to certify \$99.2 million of LACMTA federal grants, it is now certifying the grants subject to new conditions requiring grantees to restore pre-PEPRA pension benefits or refund the amount of the grants received since January 1, 2015 in the event the PEPRA issue is not resolved. LACMTA agreed to the conditions and is receiving its federal grants.

Local Taxes on Aviation Fuel

Under federal law, local taxes on aviation fuel (except taxes in effect on December 30, 1987) must be used for airport-related purposes, as a condition for receiving federal funding for airports. On November 7, 2014, the Federal Aviation Administration (the “FAA”) adopted an amendment to its “Policy and Procedures Concerning the Use of Airport Revenue,” which clarifies that local sales taxes derived from aviation fuel are subject to the airport use restriction, and further requires local governments to develop an “action plan” if they are not in compliance with federal law that includes a tracking system for the collection and use of the sales tax revenues. The FAA definition of local sales tax includes the Proposition C Sales Tax and the Measure R Sales Tax, but not the Proposition A Sales Tax, which was approved in November 1980.

LACMTA does not currently segregate Proposition C and Measure R Sales Tax revenues collected on aviation fuel sales or allocate these revenues for airport-related purposes. LACMTA estimates that it receives approximately \$18 million per year from Proposition C and Measure R Sales Taxes on aviation fuel. However, LACMTA expends Proposition C and Measure R Sales Tax revenues on a wide-range of highway and transit purposes, some of which support the airports in the County and these expenditures may exceed the amount of Proposition C and Measure R Sales Taxes on aviation fuel that are received by LACMTA. LACMTA filed an action plan with the FAA in December 2015, which includes LACMTA’s plan to refine its estimates of Proposition C and Measure R Sales Taxes collected on aviation fuel sales and expenditures on public use airports. At this time, LACMTA cannot predict if the FAA will accept its action plan or if there will be any impact on the types of allowable expenditures made with Proposition C and Measure R Sales Tax revenues collected from aviation fuel sales.

Sales Taxes on Railcars and Railcar Parts

Effective August 16, 2016, the State Board of Equalization rescinded LACMTA’s exempt status with respect to sales taxes imposed on the purchase of railcars and railcar parts. Previously, the State Board of Equalization held that LACMTA was exempt from the imposition of sales taxes on the purchase of railcars and railcar parts based on LACMTA’s status as a rail carrier subject to the jurisdiction of the federal Surface Transportation Board (the “STB”). The STB has authority over LACMTA because railroad companies and Amtrak operated within LACMTA-owned right-of-way. LACMTA plans to challenge the State Board of Equalization’s rescission of LACMTA’s exempt status. If LACMTA is unsuccessful in its challenge, LACMTA’s costs of purchasing and maintaining its railcars will significantly increase. LACMTA estimates that it could owe approximately \$157 million of sales taxes over the next 5-6 years for its expected purchase of railcars and the purchase of parts for its railcars.

Other Litigation

In addition to the matters described herein, various other claims have been asserted against LACMTA. In the opinion of LACMTA, none of the pending claims will materially and adversely affect LACMTA’s ability to pay the principal of and interest on any of its obligations.

APPENDIX B

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FINANCIAL
STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

APPENDIX C

LOS ANGELES COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

The Proposition C Sales Tax derives from a retail transaction and use tax applicable to all taxable sales throughout Los Angeles County. As such, sales tax revenues reflect a number of economic factors that influence taxable transactions, including population, employment and income. Some of those factors are described below.

The economic and demographic information provided below has been collected from sources that LACMTA considers to be reliable. Because it is difficult to obtain timely economic and demographic information, the economic condition of Los Angeles County may not be fully apparent in all of the publicly available local and regional economic statistics provided herein. In particular, the economic statistics provided herein may not fully capture the impact of current economic conditions.

Los Angeles County

As of January 1, 2016, the County had an estimated population of over 10 million. Los Angeles County is the largest County in the country by population, and includes over a quarter of the State of California's population. The County covers 4,084 square miles, and includes 88 incorporated cities as well as unincorporated communities with over one million residents.

Population

The table below summarizes the populations of the County and State of California (the "State"), estimated as of January 1 of each year. The population estimates for 2010 and later incorporate 2010 Census counts as the benchmark.

**Table C-1
COUNTY AND STATE POPULATION STATISTICS**

	<u>County of Los Angeles</u>	<u>Annual Growth Rate¹</u>	<u>State of California</u>	<u>Annual Growth Rate¹</u>
2000	9,519,330	-	33,873,086	-
2005	9,816,153	0.62%	35,869,173	1.15%
2010	9,818,605	0.00	37,253,956	0.76
2011	9,847,887	0.06	37,536,835	0.15
2012	9,956,722	0.22	37,881,357	0.18
2013	10,023,753	0.13	38,239,207	0.19
2014	10,093,053	0.14	38,567,459	0.17
2015	10,155,069	0.12	38,907,642	0.18
2016	10,241,335	0.17	39,255,883	0.18

¹ For five-year time series, figures represent average annual growth rate for each of the five years.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2016, with 2010 Census Benchmark. Sacramento, California, May 2016.

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the County, based on the annual “benchmark,” an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records.

The California Employment Development Department has reported preliminary unemployment figures for March 2016 of 5.6% statewide and 5.0% for Los Angeles County (not seasonally adjusted).

Table C-2
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE¹

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Civilian Labor Force					
<u>County of Los Angeles</u>					
Employed	4,326,100	4,378,800	4,495,700	4,610,800	4,674,800
Unemployed	603,400	535,800	486,600	415,100	336,900
Total	<u>4,929,500</u>	<u>4,914,600</u>	<u>4,982,300</u>	<u>5,025,900</u>	<u>5,011,700</u>
Unemployment Rates					
County	12.2%	10.9%	9.8%	8.3%	6.7%
State	11.7	10.5	8.5	7.5	6.2
United States	8.9	8.1	7.4	6.2	5.3

¹ March 2015 Benchmark report; not seasonally adjusted.

Source: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S. Items may not add to totals due to rounding.

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The table below summarizes the California Employment Development Department’s estimated average annual employment for the County, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment in kind, or piece rates. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

**Table C-3
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE¹**

	County		State of California	
	2015	% of Total	2015	% of Total
Total Farm	5,000	0.1%	423,300	2.6%
Mining and Logging	3,900	0.1	29,100	0.2
Construction	126,100	2.9	727,400	4.4
Manufacturing	360,800	8.4	1,291,900	7.8
Trade, Transportation and Utilities	817,800	19.1	2,938,300	17.8
Information	202,700	4.7	483,000	2.9
Financial Activities	214,200	5.0	797,400	4.8
Professional and Business Services	600,300	14.0	2,493,800	15.1
Educational and Health Services	742,200	17.3	2,456,200	14.9
Leisure and Hospitality	488,100	11.4	1,830,000	11.1
Other Services	151,700	3.5	545,700	3.3
Government	<u>566,400</u>	<u>13.2</u>	<u>2,458,800</u>	<u>14.9</u>
Total ²	4,279,200	100.0%	16,474,800	100.0%

¹ The California Economic Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.

² Total may not equal sum of parts due to independent rounding.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table C-2.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2015 Benchmark report released April 15, 2016.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of “net earnings,” rental income, dividend income, interest income, and transfer receipts. “Net earnings” is defined as wages and salaries, supplements to wages and salaries, and proprietors’ income, less contributions for government social insurance, before deduction of personal income and other taxes.

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The following table sets forth the estimate of personal income for the County, State and United States from 2011 to 2015.

**Table C-4
COUNTY, STATE AND U.S.
PERSONAL INCOME**

Year and Area	Personal Income¹ (thousands of dollars)	Per Capita Personal Income¹ (dollars)
2011		
County ²	\$ 441,724,254	\$44,627
State ³	1,691,002,503	44,852
United States ³	13,233,436,000	42,453
2012		
County ²	\$ 475,931,985	\$47,713
State ³	1,812,314,643	47,614
United States ³	13,904,485,000	44,266
2013		
County ²	\$ 478,371,346	\$47,580
State ³	1,849,505,496	48,125
United States ³	14,064,468,000	44,438
2014		
County ²	\$ 499,767,889	\$49,400
State ³	1,939,527,656	49,985
United States ³	14,683,147,000	46,049
2015		
County	n/a	n/a
State ³	\$ 2,061,337,141	\$52,651
United States ³	15,324,108,725	47,669

¹ Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population.

² Last updated: November 19, 2015—new estimates for 2014; revised estimates for 2011 - 2013 for the County. Estimates for 2011-2014 reflect county population estimates available as of March 2015. Source: U.S. Bureau of Economic Analysis, “Table CA1 - Personal Income Summary,” (accessed January 5, 2016).

³ Last updated: March 24, 2016—new estimates for 2015 for the State and United States. Estimates for 2011-2014 reflect Census Bureau midyear state population estimates available as of December 2014. Estimates for 2015 are derived from the quarterly state population estimates produced by BEA based on unpublished Census Bureau data. Source: U.S. Bureau of Economic Analysis, “Table SA1 - Personal Income Summary,” (accessed April 21, 2016).

Retail Sales

The following table sets forth taxable sales for the County for calendar years 2010 through 2014, with 2014 being the last full year for which data are currently available.

**Table C-5
COUNTY OF LOS ANGELES
TAXABLE SALES**

(in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Motor Vehicle and Parts Dealers	\$ 11,285,457	\$ 12,686,384	\$ 14,479,392	\$ 15,543,657	\$ 16,564,553
Furniture and Home Furnishings Stores	2,158,334	2,321,830	2,441,922	2,568,630	2,734,737
Electronics and Appliance Stores	3,454,412	3,416,744	3,570,668	3,576,308	4,040,534
Bldg, Materials & Garden Equipment & Supplies	6,129,586	6,306,814	6,510,966	6,558,312	6,971,149
Food and Beverage Stores	5,405,254	5,591,250	5,824,815	6,051,754	6,279,795
Health and Personal Care Stores	2,773,004	2,998,946	3,163,312	3,306,274	3,414,941
Gasoline Stations	11,012,642	13,394,467	14,037,507	13,817,056	13,265,979
Clothing and Clothing Accessories Stores	7,607,711	8,356,612	9,166,549	9,926,558	10,560,952
Sporting Goods, Hobby, Book, and Music Stores	2,448,246	2,478,020	2,454,806	2,487,061	2,460,392
General Merchandise Stores	10,369,383	10,866,531	11,157,997	11,463,750	11,557,051
Miscellaneous Store Retailers	4,449,560	4,649,598	4,798,211	4,953,245	5,204,656
Nonstore Retailers	790,565	897,596	1,200,322	1,906,573	2,170,084
Food Services and Drinking Places	14,291,264	15,286,655	16,512,136	17,481,996	18,964,996
Total Retail and Food Services	82,175,416	89,251,447	95,318,603	99,641,174	104,189,819
All other outlets ¹	34,766,918	37,189,291	39,976,979	40,438,534	43,257,109
TOTAL ALL OUTLETS²	\$116,942,334	\$126,440,737	\$135,295,582	\$140,079,708	\$147,446,927

¹ Primarily manufacturing and wholesale businesses.

² Items may not add to totals due to rounding.

Source: California State Board of Equalization, Research and Statistics Division.

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APPENDIX D

SUMMARY OF LEGAL DOCUMENTS; DEFINITIONS

The following is a brief summary of certain provisions of the principal documents relating to the Series 2017-A Bonds and is supplemental to the summary of provisions of such documents elsewhere in this Official Statement. This summary is not intended to be definitive and is qualified in its entirety by reference to the full text of the summarized documents. Copies of such documents are available from LACMTA.

[to come]

APPENDIX E

PROPOSED AMENDMENTS TO TRUST AGREEMENT

[To Come.]

APPENDIX F
FORM OF BOND COUNSEL APPROVING OPINION

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX H

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the subcaption “—General” below has been provided by DTC. LACMTA makes no representations as to the accuracy or completeness of such information. Further, LACMTA undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC’s websites as described under “—General,” including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites. The beneficial owners of the Series 2017-A Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER LACMTA NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2017-A BONDS UNDER THE AGREEMENT; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2017-A BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES 2017-A BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2017-A BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2017-A Bonds. The Series 2017-A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017-A Bond certificate will be issued for each maturity of the Series 2017-A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2017-A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017-A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017-A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017-A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2017-A Bonds, except in the event that use of the book-entry system for the Series 2017-A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017-A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2017-A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017-A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017-A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2017-A Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2017-A Bonds with a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017-A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to LACMTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2017-A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2017-A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from LACMTA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, LACMTA, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of LACMTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017-A Bonds at any time by giving reasonable notice to LACMTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2017-A Bond certificates are required to be printed and delivered.

LACMTA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2017-A Bond certificates will be printed and delivered to DTC.

The information in this Appendix H concerning DTC and DTC's book-entry system has been obtained from sources that LACMTA believes to be reliable, but LACMTA takes no responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2017-A BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

In the event that the book-entry-only system is discontinued, payments of principal of and interest on the Series 2017-A Bonds will be payable as described in the front part of this Official Statement under the caption "DESCRIPTION OF THE SERIES 2017-A BONDS—General."