MOODY'S ASSIGNS A1/VMIG 1 RATING TO LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY'S $167.3 MILLION PROPOSITION C SECOND SENIOR REFUNDING BONDS, SERIES 2009-A; RATING OUTLOOK IS STABLE

$1.23 BILLION OF PROPOSITON C BONDS OUTSTANDING

Los Angeles County Metro. Transp. Auth., CA Transportation California

Moody's Rating

Issue		Rating
Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-A1		A1/VMIG 1
Sale Amount	$83,650,000	
Expected Sale Date	03/31/09	
Rating Description	Transit Enterprise	
Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-A2		A1/VMIG 1
Sale Amount	$83,650,000	
Expected Sale Date	03/31/09	
Rating Description	Transit Enterprise	

NEW YORK, March 26, 2009 -- Moody's Investors Service has assigned a VMIG 1 rating to the Los Angeles County Metropolitan Transportation Authority's ("LACMTA") $167.3 million Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 2009-A1 and Series 2009-A2. On March 18, Moody's assigned a A1 long-term rating to these same bonds and affirmed the A1 ratings on LACMTA's $1.23 billion of outstanding Proposition C bonds. The A1 long-term rating reflects the bonds' second-lien claim on the pledged half-cent sales taxes (no senior lien bonds are outstanding, but the lien remains open); the large and diverse sales tax base from which the sales tax is derived; strong debt service coverage, and expectation of additional leveraging of this revenue stream as the authority implements its long-term capital program. The VMIG 1 short-term rating is derived from the credit quality of the provider of the standby bond purchase agreement (SBPA), JPMorgan Chase Bank, N.A. (rated Aa1/P-1) and the likelihood of termination of the liquidity facility without a mandatory tender.

USE OF PROCEEDS: The bonds will refund LACMTA's Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 2003-B, which are auction rate securities.

LEGAL SECURITY: Bond security is provided by a second senior lien on proceeds of a 0.5% dedicated, voter-authorized sales and use tax levied in Los Angeles County (Aa3 issuer rating), less 20% paid to local jurisdictions and a nominal administrative fee to the California State Board of Equalization. Approved by county voters in August 1990, the half-cent Proposition C sales tax is assessed on all tangible personal property sales and on the storage, use or other consumption in the

county. Twenty percent of the sales tax receipts go to local jurisdictions for local transit funding and the remaining 80% is earmarked by formula (1) to construct and operate rail and bus systems (40%);
(2) to expand rail and bus security (5%); (3) to fund commuter rail, park-and-ride lots, freeway bus stops and transit centers (10%) and, (4) to make transit-related improvements to freeways and state highways (25%). The Proposition C tax has no sunset provision. Another notable strength lies in the deposit of receipts with the trustee prior to any distribution to the authority for operations.

INTEREST RATE DERIVATIVES: LACMTA has entered into seven interest rate swap agreements with a combined notional amount of $1.05 billion. The swaps have a recent aggregate mark to market value of more than $106 million against LACMTA, and LACMTA is posting less than $12 million of collateral on two of the swaps. The swaps provide a synthetic fixed rate of interest on most of LACMTA's variable rate demand obligations and auction rate securities. The floating rates received by LACMTA are based on a proportion of the one-month London Interbank Offered Rate (LIBOR).

The notional amount of each swap declines in accordance with the amortization of the associated bond, and any termination payment would be subordinate to debt service, but are on parity with LACMTA's general revenue bonds, which also have a junior claim on Proposition A and C revenues. Termination by counterparties is permissible only when both the insurer's rating is below A3 and LACMTA's rating from one or more agencies is below Baa3. The swaps are managed in accordance with LACMTA's interest rate swap policy, which is annually reviewed. Moody's notes that the risk of mandatory termination appears remote and draws comfort from both LACMTA's careful management of its derivative portfolio, as well as the authority's continued maintenance of liquidity levels sufficient to meet the risks associated with these swaps.

STRENGTHS:

* Gross pledge of a dedicated half cent sales tax collected in Los Angeles County, less 20% paid to local jurisdictions and certain administrative fees, remitted directly to the trustee by state for debt service

* Large and diverse county sales tax base

* Strong cash and investments position across all major funds

Passage by voters of additional sales tax through Measure R to provide funding for projects to improve the system, demonstrating public support (note that these revenues are not pledged to Proposition C bonds)

CHALLENGES:

* Somewhat modest legal debt service coverage relative to other transit systems in this rating category

* Additional leveraging of this revenue stream likely, given significant long-term capital plans

* Though no first lien bonds have been issued, the lien remains open and any future issuance would likely narrow Second Senior debt service coverage

* National and regional recession is pressuring sales tax collections and could reduce growth in future years (5% decline expected in fiscal 2009)

SHORT-TERM RATING BASED ON STANDBY BOND PURCHASE AGREEMENT

The short-term rating on the Series 2009-A1 and 2009-A2 bonds is derived from
(i) the credit quality of the provider of the standby bond purchase agreement (SBPA), JPMorgan Chase Bank, N.A. (rated Aa1/P-1) and (ii) the likelihood of termination of the liquidity facility without a mandatory tender. JPMorgan Chase Bank, N.A. (the Bank) will provide one liquidity facility which covers both the Series 2009-A1 and 2009-A2 bonds. Events which would cause the liquidity facility to terminate without a mandatory purchase of the bonds are directly related to the credit quality of Authority. Accordingly, the likelihood of any such events occurring is reflected in the long-term rating assigned to the bonds.

The Bank's obligations under the SBPA can be immediately terminated or suspended as a result of the occurrence of any of the following events: (i) the Authority shall fail to pay principal of or interest on any bonds when due (including bank bonds) or shall fail to make any payments when due on any parity debt obligations; (ii) the bankruptcy or insolvency of the Authority;
(iii) a debt moratorium, debt adjustment, debt restructuring or comparable restriction with respect to the payment of principal or interest on the indebtedness of the Authority shall be declared or imposed pursuant to finding or ruling by the Authority, the United States of America, the State, or any instrumentality thereof, having jurisdiction over the Authority (iv) each rating agency then rating the bonds either: (a) withdraws or suspends, for credit related reasons, the long term underlying rating of the bonds or any bonds ranking on a parity with the bonds; or (b) reduces the rating on the bonds or any parity bonds below investment grade; (v) a final, nonappealable judgment is rendered against the Authority for payment of money payable out of the Pledged Revenues which equals or exceeds $15,000,000 and such judgment shall remain unpaid, undischarged or unbonded for a period of sixty (60) days; (vi) the validity or enforceability of any provision of the Los Angeles County Transportation Commission Revenue Bond Act (the Act) or the Ordinance that impacts the Authority's ability to levy its Proposition C sales tax, to collect its Proposition C sales tax or to pay such tax directly to the trustee and which affects the Authority's ability to make payments of principal and interest on the bonds, is contested by duly authorized action of the Authority, the State or any instrumentality of the State with appropriate jurisdiction or is determined by a court of competent jurisdiction to be invalid or unenforceable; (vii) the validity or enforceability of any provision of the SBPA, the trust agreement or the bond relating to payment of principal and interest on the Bonds or the

pledge of the revenues to secure the payment of principal and interest on the Bonds or any Bond is contested by duly authorized action of the Authority or is declared invalid or unenforceable by duly authorized action by the State or any governmental authority with appropriate jurisdiction; (viii) the Act or the Ordinance is repealed, (ix) the Act or the Ordinance is ruled to be null and void by a Federal court or any court with appropriate jurisdiction or the State or any other governmental authority with appropriate jurisdiction, (x) any provision of the SBPA, any bond or the trust agreement relating to the Authority's obligation to make payments of principal and interest on the bonds or the pledge of the revenues to secure the payment of principal and interest on the bonds is ruled to be null and void by a Federal court or any other court with appropriate jurisdiction or the State or any other governmental authority with appropriate jurisdiction in a final nonappealable order or judgment; or (xi) the Authority by duly authorized action denies that the Authority has any or further liability or obligation with respect to payments of principal and interest on the bonds or the pledge of the revenue to secure the payment of principal and interest on the bonds.

The bonds will initially bear interest in a daily rate mode and pay interest on the first business day of each month. The bonds may be converted in whole or part to the weekly, term, auction or fixed rate modes. Upon any conversion to a rate mode other than between the daily or weekly rate modes, the bonds will be subject to mandatory tender at a purchase price of par plus accrued interest. The VMIG 1 rating will cover bonds bearing interest in the daily and weekly rate modes. Bonds which bear interest in a weekly rate mode will also pay interest on the first business day of each month.

Purchase price payments for bonds will be paid from a draw under the SBPA, to the extent that remarketing proceeds are insufficient.

Substitution of the SBPA is permitted under the trust agreement and the bonds shall be subject to mandatory tender on such substitution date. The SBPA will terminate following the Bank's receipt of notice from the trustee that an alternate liquidity facility has been provided and become effective. On such substitution date the trustee shall draw on the existing liquidity facility, as necessary, and shall not cancel such liquidity facility until all payments have been received from such liquidity provider.

Bondholders may optionally tender their bonds while in the daily rate mode on any business day with written notice to the tender agent by 11:00 a.m. on the purchase date and while in the weekly rate mode on any business day with 7 days prior written notice to the tender agent. Bonds which are purchased by the SBPA provider due to a failed remarketing may not be released until the liquidity facility has been reinstated in the amount of the purchase price drawn for such bonds.

The bonds will be subject to mandatory tender on: (i) the first business day following each term rate period; (ii) any rate mode change date except for a change between the weekly and daily rate modes; (iii) any substitution date;
(iv) the 5th business day prior to the stated expiration date of the SBPA; or

(v) a date which shall be not more than 25 nor less than 20 days following the trustee's receipt of notice of an event of termination under the SBPA and in no event shall such mandatory tender be later than the business day prior to termination of the SBPA.

The SBPA covers full principal plus 35 days' interest at 12%, the maximum rate on the bonds. The SBPA will be available to pay purchase price to the extent remarketing proceeds are insufficient. The SBPA provides sufficient coverage for the bonds while they bear interest in the weekly and daily rate modes.

Draws made on the SBPA received at or prior to 12:00 p.m. (New York time) will be honored by 2:30 p.m. (New York time) on the same business day. Draws made under the SBPA will be reinstated upon reimbursement of such drawings.

The Standby Bond Purchase Agreement will terminate upon the earliest to occur
of: (i) the stated expiration date of the SBPA, currently March 29, 2010; (ii) date of receipt by the Bank of a certificate signed by the trustee stating that the SBPA has terminated because either (a) an alternate liquidity facility has been provided; (b) no bonds remain outstanding; or (c) all of the bonds have been converted to an interest rate mode other than daily rate or weekly rate; (iii) the 30th day following trustee's receipt of notice of termination from the bank; or (iv) upon an immediate termination event.

MARKET POSITION: LACMTA PROVIDES ESSENTIAL TRANSIT SERVICES TO NATION'S SECOND-LARGEST METROPOLITAN AREA

LACMTA provides bus and rail service to the nearly 10 million residents of Los Angeles County, as well as bus service to portions of Orange and San Bernardino counties. Ridership ebbed to 474.2 million in fiscal 2008 after reaching 495.8 million in fiscal 2007, in part due to a sizeable fare increase. The fiscal 2008 farebox recovery ratio of 28.5% is somewhat below that of agencies of comparable size but also reflects the predominance of bus transportation, which generally has a lower farebox recovery ratio than rail.
Though a recent fare increase of approximately 15% has reduced ridership growth, the base fare remains affordable at $1.25.

FINANCIAL POSITION: SALES TAX PROVIDES STRONG DEBT SERVICE COVERAGE

LACMTA's sales tax collections benefit from a large and diverse service area of Los Angeles County, and they have historically grown at a robust pace with average growth over the past 10 years at about 4.8%. This has provided strong coverage for both the Proposition A and Proposition C bonds. Based on 2008 revenues, Proposition C revenues covered maximum annual debt service (MADS) by
5.2 times and Proposition A revenues covered MADS by 3.5 times. In 2008, however, sales tax revenues were down by 0.4%, owing to the recession, and LACMTA now estimates that 2009 sales tax revenues will be down 5%, which will pressure debt service coverage. Additionally, due to state budget difficulties, LACMTA will lose state transit aid funding, which was budgeted at $196 million for fiscal 2009 and is now expected to be just $46 million in fiscal 2009 and to be eliminated in fiscal 2010.

LACMTA has accumulated significant operating reserves, with fiscal 2008 unrestricted cash and investments exceeding $1.7 billion, which are a credit strength. This liquidity figure includes funds held in various governmental general and special revenue funds, including Proposition A and Proposition C Funds with a combined fiscal 2008 unrestricted cash and investment balance of $770 million. These balances are available, if needed, in the event of an unprotected tender, swap termination payment, or payment on a defaulted lease-in-lease-out or sale-in-sale-out (LILO/SILOs) agreement. LACMTA has seven LILO/SILO deals where guarantors have fallen below ratings triggers, with a maximum exposure to LACMTA of $165 million. At present, none of the equity investors in the deals are demanding termination payments, and have instead generally given extensions to LACMTA or negotiated to unwind the deals. Moody's views demands for termination as minimal in the near term, and LACMTA's very strong liquidity position mitigates the risk.

Unrestricted cash and investments recorded in LACMTA's enterprise fund is more narrow at approximately $107.8 million, or 6.8% of fiscal 2008 operations and maintenance expenses. LACMTA utilized $164 million of its reserves in fiscal 2008 to establish a retiree healthcare trust. LACMTA's compressed natural gas purchases are hedged through FY2010, which provides budget stability. LACMTA has major labor contracts which expire at the end of fiscal 2009; previous labor negotiations have been difficult, and there have been two major strikes during this decade.

CAPITAL PROGRAM: SEVERAL CAPITAL IMPROVEMENT PROJECTS UNDERWAY; NUMEROUS LONG-TERM PROJECTS IDENTIFIED

LACMTA's debt ratio is moderate at 49.3% and will likely increase over the longer term as the authority implements its capital program. The authority plans no new money debt during fiscal 2009, but does expect several additional refunding sales this year to refund auction rate and other variable rate debt.

The bulk of the authority's near-term capital investment is focused on the Gold Line Eastside Extension (mid-2009 projected opening) and the Exposition Light Rail Project (2010 phase one projected opening). The Gold Line Eastside Extension is a six-mile, dual track light rail system with eight new stations.

Approximately $491 million of the $898 million project cost is from federal grants, with about $231 million of the grant funding advanced from bond proceeds and the remainder from additional federal, state and local sources, including proceeds of Proposition A and Proposition C sales tax revenue bonds.

The Exposition Light Rail Project will add 8.6 miles of light rail track from downtown Los Angeles to Culver City, at an expected total project cost of $862 million, with 85% of the cost to be met by state and federal funding. The proposed Phase Two would extend the project from Culver City to Santa Monica.

Voters approved LACMTA's additional half-cent sales tax in November 2008 through Measure R. The Measure R sales tax is effective on July 1 and will sunset in 30 years; funds will be used to support specific capital projects, and leveraging is anticipated.

OUTLOOK:

The stable outlook reflects satisfactory debt service coverage by pledged revenues, adequate security provisions and plans for additional borrowing under the Proposition C authorization. The outlook also reflects the assumption that LACMTA will continue to weather the current recession, and that management will continue to prudently manage its capital program.

What could change the rating - UP:

The rating could be increased if debt service coverage improves materially and/or the first lien available under the trust agreement is closed.

What could change the rating - DOWN:

Reduced debt service coverage due to heavy leveraging of the first and/or senior lien or a sustained period of flat or reduced sales tax collections could place pressure on the rating.

KEY STATISTICS:

Type of system: Multi-modal mass transit

Service area population, Los Angeles County (U.S. Census estimate): 9.88 million

Proposition C tax revenue compound annual growth rate, 1999-2008: 4.8%

Total ridership FY 2008: 474.2 million

Ridership compound annual growth rate, 2004-2008: 2.0%

Farebox recovery ratio FY 2008: 28.5%

Debt ratio, FY 2008: 49.3%

Proposition C debt service coverage, FY 2008: 5.3x

Proposition C maximum annual debt service coverage, FY 2008: 5.21x

RATED DEBT:

Proposition A First Tier Senior Sales Tax Bonds, $1.63 billion - Aa3

Proposition C Second Senior Sales Tax Bonds, $1.23 billion - A1

General Revenue Bonds, $206.7 million - A2

Capital Grants Receipts Revenue Bonds, $132 million - A2

The principal methodology used in this rating was "Mass Transit", which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The last rating action for the Los Angeles County Metropolitan Transportation Authority was on March 18, 2009, when Moody's affirmed the A1 rating for the authority's Proposition C Sales Tax Second Senior Bonds.

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