BOARD OF DIRECTORS
AGENDA

Friday, November 18, 2005
9 a.m. to 12 noon
SANDAG Board Room
401 B Street, 7th Floor
San Diego

AGENDA HIGHLIGHTS

- TransNet INTEREST RATE HEDGING PROPOSAL
- AMENDMENTS TO TransNet POLICIES

PLEASE TURN OFF CELL PHONES DURING THE MEETING

YOU CAN LISTEN TO THE BOARD OF DIRECTORS MEETING BY VISITING OUR WEB SITE AT WWW.SANDAG.ORG

MISSION STATEMENT
The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus, makes strategic plans, obtains and allocates resources, plans, engineers, and builds public transit, and provides information on a broad range of topics pertinent to the region’s quality of life.

San Diego Association of Governments  •  401 B Street, Suite 800, San Diego, CA 92101-4231
(619) 699-1900  •  Fax (619) 699-1905  •  www.sandag.org
Welcome to SANDAG. Members of the public may speak to the Board of Directors on any item at the time the Board is considering the item. Please complete a Speaker’s Slip, which is located in the rear of the room, and then present the slip to the Clerk of the Board seated at the front table. Also, members of the public are invited to address the Committee on any issue under the agenda item entitled Public Comments/Communications/Member Comments. Speakers are limited to three minutes. The Board of Directors may take action on any item appearing on the agenda.

This agenda and related staff reports can be accessed at www.sandag.org under Meetings on SANDAG’s Web site. Public comments regarding the agenda can be forwarded to SANDAG via the e-mail comment form also available on the Web site. E-mail comments should be received no later than noon, two working days prior to the Board of Directors meeting.

In compliance with the Americans with Disabilities Act (ADA), SANDAG will accommodate persons who require assistance in order to participate in SANDAG meetings. If such assistance is required, please contact SANDAG at (619) 699-1900 at least 72 hours in advance of the meeting. To request this document or related reports in an alternative format, please call (619) 699-1900, (619) 699-1904 (TTY), or fax (619) 699-1905.

SANDAG offices are accessible by public transit.
Phone 1-800-COMMUTE or see www.sdcommute.com for route information.
ITEM # | RECOMMENDATION

+1. APPROVAL OF OCTOBER 28, 2005, MEETING MINUTES | APPROVE

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

Members of the public shall have the opportunity to address the Board on any issue within the jurisdiction of SANDAG. Anyone desiring to speak shall reserve time by completing a “Request to Speak” form and giving it to the Clerk of the Board prior to speaking. Public speakers should notify the Clerk of the Board if they have a handout for distribution to Board members. Speakers are limited to three minutes. Board members also may provide information and announcements under this agenda item.

+3. ACTIONS FROM POLICY ADVISORY COMMITTEES | APPROVE

This item summarizes the actions taken by the Executive and Transportation Committees on November 4, 2005.

CONSENT ITEMS (4 through 9)

+4. AMEND THE FY 2006 OVERALL WORK PROGRAM AND BUDGET TO ENHANCE REGIONAL PUBLIC SAFETY INFORMATION SHARING VIA WIRELESS ACCESS (Pam Scanlon) | APPROVE

If approval is recommended by the Public Safety Committee on November 18, 2005, the Board of Directors is asked to approve a modification to the FY 2006 Overall Work Program and Program Budget to include $1,075,000 awarded to ARJIS/SANDAG to enhance the wireless system for sharing public safety information. The additional funding is from the Department of Homeland Security (DHS), which has awarded ARJIS/SANDAG $875,000 for the third phase of a multi-phased wireless data integration project, known as BorderSafe. This phase will implement BorderSafe law enforcement data-sharing research findings throughout the southwest region and to expand the functionality of the personal digital assistant (PDA) accessible wireless system. In addition to the DHS funding, the National Institute of Justice has awarded ARJIS/SANDAG $200,000 to enable access to public safety information through secure cell phones.

+5. ADDENDA TO THE MASTER MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN SANDAG, NCTD, AND MTS (Renée Wasmund) | APPROVE

Two addenda are proposed to the existing Memorandum of Understanding (MOU) between SANDAG, North County Transit District (NCTD), and Metropolitan Transit System (MTS). Addenda 3 and 4 between SANDAG and NCTD and SANDAG and MTS, respectively, formalize the methodology to be used for allocating funding to SANDAG for the administrative functions that transferred in consolidation. The Transportation Committee recommended that the Board of Directors approve Addenda 3 and 4 to the Master MOU between SANDAG, NCTD, and MTS.
+6. EAST VILLAGE INTERMODAL TRANSIT IMPROVEMENTS PROJECT (Eric Adams) APPROVE

The East Village Intermodal Transit Improvements Project will develop rail and urban design improvements along Park Boulevard from Imperial Avenue to C Street. The Board of Directors is asked to: (1) Approve a transfer of all current and future project funding from MTS to SANDAG; and (2) approve an amendment to the FY 2006 Capital Improvement Program (CIP) and Program Budget (a) to reduce the Orange Line to Blue Line Connection project budget (CIP #10492) from $5,998,000 to $850,000; and (b) to add a new CIP project #10494 entitled East Village Smart Corner Improvements Project, totaling $14,283,000.

+7. QUARTERLY INVESTMENT REPORT - PERIOD ENDED SEPTEMBER 30, 2005 (Linda Olson)* INFORMATION

State law requires that the Board be provided a quarterly report of investments held by SANDAG. This report includes all money under the direction or care of SANDAG as of September 30, 2005.

+8. QUARTERLY PROGRESS REPORT ON TRANSPORTATION PROJECTS – JULY TO SEPTEMBER 2005 (Jose A. Nuncio)* INFORMATION

This quarterly report summarizes the current status of major highway, transit, arterial, traffic management, and transportation demand management (TDM) projects in SANDAG’s five-year Regional Transportation Improvement Program (RTIP) for the period July 1 through September 30, 2005.

+9. REPORT SUMMARIZING DELEGATED ACTIONS TAKEN BY EXECUTIVE DIRECTOR FOR SEPTEMBER 2005 (Renée Wasmund) INFORMATION

In accordance with SANDAG Board Policy Nos. 3 (Investment Policy) and 17 (Delegation of Authority), this report summarizes certain delegated actions taken by the Executive Director during the prior month.

CHAIR’S REPORT (10)

10. REPORT FROM NOMINATING COMMITTEE ON ELECTION OF BOARD OFFICERS FOR 2006 INFORMATION

Per the SANDAG Bylaws, in October Chairman Cafagna appointed a five-person Nominating Committee for Board officers. The Nominating Committee consists of the following Board members: Mayor Pro Tem Hall (North County Coastal), Vice Mayor Harris-Ebert (North County Inland), Mayor Madrid (East County), Councilmember Monroe (South County), and Mayor Pro Tem Madaffer (City of San Diego). The Committee’s list of nominees for SANDAG Chair, First Vice Chair, and Second Vice Chair will be provided at the November Board meeting. Additional nominations for any officer may be made by Board members at the December meeting.
REPORTS (11 through 12)

+11. TransNet INTEREST RATE HEDGING PROPOSAL (Craig Scott)*  APPROVE

As part of the initial financial strategy for the TransNet Early Action Program approved by the Transportation Committee in May 2005, staff was directed to investigate interest rate hedging opportunities to lock in today’s low interest rates for the first major long-term debt issue planned in 2008. Based on a proposal evaluation process in September and October 2005, a recommended interest rate hedging proposal has been developed for the Board’s consideration with the objective of locking in a cost of borrowing at less than 4 percent. Acting as the San Diego Regional Transportation Commission, the Board of Directors is asked to approve an Interest Rate Swap Policy and adopt Resolution No. RC2005-02 authorizing the issuance of up to $600 million in sales tax revenue bonds, a forward interest rate swap transaction in connection with the bond issue, and the execution of various documents, certifications, and actions that are required in connection with the swaps.

+12. AMENDMENTS TO TransNet POLICIES (Craig Scott)*  APPROVE

Amendments are proposed to TransNet-related policies previously adopted by the SANDAG Board of Directors in its role as the Regional Transportation Commission. The recommended changes include incorporations of references to the TransNet Extension Ordinance, other changes for clarification purposes, and a new Policy No. 17, concerning fiscal and compliance audits. The Transportation Committee recommended that the Board approve the proposed amendments and new policy.

13. UPCOMING MEETINGS

The Board of Directors Policy meeting scheduled for Friday, December 2, 2005 has been cancelled. The next meeting of the Board of Directors is scheduled for Friday, December 16, 2005, at 9 a.m.

14. ADJOURNMENT

+ next to an agenda item indicates an attachment

* next to an agenda item indicates an RTC item
BOARD OF DIRECTORS DISCUSSION AND ACTIONS
OCTOBER 28, 2005

Chairman Mickey Cafagna (Poway) called the meeting of the SANDAG Board of Directors to order at 9:10 a.m. The attendance sheet for the meeting is attached.

1. APPROVAL OF MINUTES

   Action: Upon a motion by Councilmember Jim Madaffer (City of San Diego) and a second by Councilmember Joe Kellejian (Solana Beach), the SANDAG Board of Directors approved the minutes from the September 23, 2005, meeting. Yes – 15 (weighted vote, 90%). No – 0 (weighted vote, 0%). Abstain – Chula Vista, Imperial Beach (10%). Absent – County of San Diego, Oceanside.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBERS COMMENTS

   Chuck Lungerhausen, a member of the public, stated that at a recent SANDAG Transportation Committee meeting, Paul Jablonski, Chief Executive Officer of the Metropolitan Transit System (MTS), talked about the need to obtain more low-floor trolley cars and then retrofit the stations to accommodate them. He asked about the time frame for this to happen. He said that we need these new rail cars now, not 20 years in the future. The new trolley car is similar to the low-floor buses. We should eventually replace all of the older trolley cars like we are doing with the bus fleet. This is very expensive, but we are all getting older and climbing stairs will get harder.

   Councilmember Kellejian commented that it’s not only the vehicles that are needed; the stations also have to be retrofitted. The Green Line stations all accommodate the low-floor trolley vehicles. Now we are working from Old Town south.

   Councilmember Madaffer thanked Mr. Lungerhausen for his comments. He asked for a timeline from MTS for acquisition of more low-floor trolley cars. He has received input from constituents about the desire for the Green Line to operate directly to Petco Park. He asked staff to provide the Board with a status report as to the timeline and priority for these issues.

CONSENT ITEMS

3. ACTIONS FROM POLICY ADVISORY COMMITTEES (APPROVE)

   Vice Mayor Ron Morrison (National City) questioned an item on the action taken by the Transportation Committee regarding the Showcase Bus Rapid Transit (BRT) project. He
asked staff to explain the difference between BRT and “Rapid Bus” service. Mr. Gallegos said that the main difference is that BRT service typically requires a dedicated transit lane. In the case of the Showcase project, providing a dedicated lane would require taking a street lane or on-street parking. This idea has met with resistance in the Mid-City community. A Rapid Bus system would not operate on a dedicated facility, but it would have a lot of other features of BRT service, such as transit priority treatments and improved stations.

Councilmember Phil Monroe (Coronado) stated that he had asked the MTS Board to review this issue and come back with a recommendation to the SANDAG Transportation Committee. This project was previously selected by the San Diego Metropolitan Transit Development Board (MTDB) from an original group of 13 candidate projects that was narrowed down to 5. Since the project has now been changed from BRT to Rapid Bus, he suggested that one of the original candidates be considered as the “Showcase” instead.

Councilmember Madaffer stated that the discussion at the Transportation Committee meeting was extremely healthy, and the Transportation Committee made it clear that the Rapid Bus definition was an interim step toward the full BRT implementation in the corridor. He felt that the community got the message and may have to rethink its position. He told them that this Rapid Bus project would be a three-year trial and ultimately a dedicated transit lane would be needed to implement the planned Showcase BRT project.

4. SANDAG POSITION RECLASSIFICATIONS (APPROVE)

To support needed reorganization in the Finance Department and to strengthen our Economic Services team, the Executive Committee recommends that the Board of Directors approve an amendment to the Position Listing Table in the FY 2006 Program Budget to reclassify three current SANDAG positions: (1) downgrade one Finance Manager (Class 22) to a Senior Accountant (Class 19); (2) upgrade one Finance Manager (Class 22) to Class 25; and (3) upgrade one Associate Research Analyst (Class 16) to a Senior Research Analyst (Class 22).

5. ANNUAL MEETING CALENDAR (APPROVE)

The Board of Directors is asked to approve the meeting calendars for the Board and the Policy Advisory Committees for the upcoming calendar year.

6. AMENDMENTS TO THE CITY OF LEMON GROVE AND COUNTY OF SAN DIEGO NON-DISPOSAL FACILITY ELEMENT (APPROVE)

The SANDAG Board of Directors, acting as the County of San Diego Integrated Waste Management Task Force, is asked to approve amendments to the City of Lemon Grove and the County of San Diego Non-Disposal Facility Elements (NDFE). These NDFE amendments would enable the construction of a new mixed-stream construction demolition and inert (CDI) recycling facility. SANDAG’s action is required before the amendments can be presented to the California Integrated Waste Management Board for final approval.
7. FEDERAL TRANSIT ADMINISTRATION AUTHORIZING RESOLUTION (APPROVE)

The Board of Directors is asked to approve Resolution No. 2006-07, authorizing the Executive Director or his designee to file Federal Transit Administration (FTA) grant applications and execute agreements. This resolution would be submitted to the FTA only once unless and until there are structural changes in the organization.

8. QUARTERLY REPORT ON SANDAG COMMITTEES AND WORKING GROUPS (INFORMATION)

As required by SANDAG Board Policy No. 4, this item provides a quarterly report on the status of all standing and ad hoc committees and working groups.

Councilmember Madaffer expressed his appreciation for Item 8 being on the agenda. He said that SANDAG has been criticized for having an exorbitant number of committees and working groups. This item is a good opportunity for us to see what all of our groups are doing. He asked the Executive Director if all of these groups are active and worthy of continuing. Mr. Gallegos responded affirmatively, and stated that the Executive Committee is charged with reviewing all of SANDAG’s committees and working groups on an annual basis. Each new group that is created also must have a charter that states the group’s specific purpose and start and end dates.

Action: Upon a motion by Councilmember Monroe and second by Councilmember Patricia McCoy (Imperial Beach), the SANDAG Board voted to approve Consent Item Nos. 3 through 8, including Resolution No. 2006-07. Yes – 18. No – 0. Abstain – 0. Absent – Oceanside.

9. SUMMARY OF SANDAG’S 2005 BINATIONAL WORKSHOPS (INFORMATION)

SANDAG recently held two workshops that brought together stakeholders from both sides of the United States-Mexico border to begin a partnership to effectively plan for and improve the Otay Mesa – Mesa de Otay binational corridor. The two workshops were held on October 3 at the South County Regional Education Center in National City, and on October 11 at the Universidad Autónoma de Baja California in Tijuana.

Councilmember McCoy, Chair of the Borders Committee, said that she was pleased to announce that the binational workshops were a great success. They attracted nearly 200 participants and marked an important milestone in creating an effective binational planning partnership. SANDAG met with government officials and representatives from business organizations and academics from both sides of the border. Using interactive technology, participants were asked to prioritize issues focusing on transportation, the environment, housing, and economic development. She noted that the responses from both workshops were almost identical. Participants from the United States and Mexico gave high priority both to making improvements to the existing Otay Mesa Port of Entry and pursuing a new Port of Entry at East Otay Mesa. There also was support from both sides for seeking toll revenues to fund new ports of entry and access roads; however, no one supported higher gasoline taxes.
Under the topic of economic development, addressing infrastructure needs for existing and future industrial land uses and promoting the creation or expansion of common employment clusters were identified as top priorities. Housing affordability ranked second in priority at the National City workshop and third in priority at the one in Tijuana. The conservation of urban river corridors was an environmental priority. Habitat conservation, air quality, and water quality issues also were discussed, with water quality coming out on top. Feedback from the workshops will be synthesized into the development of the Otay Mesa – Mesa de Otay Binational Corridor Strategic Plan. This Plan will be the first joint study with our neighbors across the border. As we progress on this and other planning efforts, we will bring updates to the SANDAG Board of Directors.

Consul General Cabrera recognized Councilmember McCoy’s leadership on both the Borders Committee and Committee on Binational Regional Opportunities (COBRO), and SANDAG staff for their assistance in organizing these workshops. He thought both of these events were quite successful with a large number of participants from numerous governmental agencies, academic institutions, and stakeholders from both sides of the border. The high level of attendees also provided productive and fruitful discussions on the four important topics: economic development, transportation, housing, and the environment. It is important to have SANDAG and IMPLAN heading follow-up efforts to develop a joint collaboration in border planning. The elements of the workshop will be the beginning of the Otay Mesa – Mesa de Otay Binational Corridor Strategic Plan. Living in this area, we are well aware of the great interdependence of our region. He stated that “The Economic Impacts of the Wait Times in the Tijuana – San Diego Region” is a clear acknowledgment based on objective realities of the growing interaction between our societies from the economic, cultural, social, and human points of view. These workshops and the enthusiastic response to them encourage us to continue our efforts to benefit our communities on both sides of the border. Friendship, respect, and tolerance should be vital components of this active and evolving region.

Councilmember McCoy commented that the workshop format was very useful and more productive than the more formal conference setup because everyone was able to participate in the discussions.

Chair Cafagna asked about the next steps. Councilmember McCoy replied that we need to decide what to do with the information obtained. We also have to look at the Otay Mesa/Tecate crossing, which is becoming more important. The most important thing to do is to keep the dialogue with Mexico open. Mutual respect and working together is highly important.

Marilyn Dailey (San Diego County Water Authority) said that the County Water Authority is cooperating with the cross-border activities. Tijuana will be shutting down some pipes for maintenance, and we will be delivering water to them with our emergency connection. There is a lot of good cooperation going on.

Councilmember Monroe noted that the South County Economic Development Corporation (EDC) sponsored a recent joint meeting with Mexican officials. It was well received and a great event.

Deputy Mayor Crystal Crawford (Del Mar) stated that the emphasis is on longer-term planning on both sides of the border. We heard about the rate of growth across the border
and the impact of that growth on our side of the border. We have limited opportunities to save habitat corridors, and we need to have mechanisms in place to work on these issues now so that we can get ahead of the needs instead of always coming from behind.

Mayor Madrid (La Mesa) was very impressed with the Borders Committee, and suggested that another topic be added related to disaster preparedness planning. He thought it was important to have some degree of evacuation plans to help each other in the event of a disaster, such as the recent hurricanes in the Gulf Coast.

Supervisor Slater-Price (County of San Diego) said that firefighting is one of the things related to Mayor Madrid’s comments, due to recent fires on both sides of the border. One major recent binational achievement is the restoration of the area where the whales congregate in Baja California, called Laguna de San Ignacio. Private sources have joined to develop an agreement to preserve 120 acres.

Mayor Steve Padilla (Chula Vista) said that there have been some preliminary discussions about the region’s role in emergency preparedness and the relationship between preparedness plans in the San Diego region and Mexico. He suggested that it would be more appropriate that this work go to the Public Safety Committee. He offered to take this as Board direction.

Action: This item was presented for information only.

10. APPOINTMENT OF NOMINATING COMMITTEE FOR BOARD OFFICERS (INFORMATION)

Per the SANDAG Bylaws, the Chair annually appoints a five-member nominating committee for Board officers, made up of Board members from each of the four subregions and a member from either the City of San Diego or the County of San Diego. Chair Cafagna indicated that he had appointed the following Board members to this year’s nominating committee: Mayor Pro Tem Madaffer (City of San Diego), Councilmember Monroe (South County), Vice Mayor Harris-Ebert (North County Inland), Mayor Pro Tem Hall (North County Coastal), and Mayor Madrid (East County). These members have indicated their willingness to serve on the committee. The Nominating Committee will meet in November and will bring back a recommended slate of officers in November with action at the December Board of Directors meeting. Additional nominations for any officer may be made by Board members at the December Board meeting.

Action: This item was presented for information only.

REPORTS

11. IMPACT SAN DIEGO: THE FINDINGS OF THE 2005 WORKFORCE SUMMIT (INFORMATION)

Larry Fitch, President and Chief Executive Officer of the San Diego Workforce Partnership, Inc., presented a summary of the ideas and observations emanating from the 2005 Workforce Summit. The Summit’s keynote session featured a debate between former Speaker of the U.S. House of Representatives Newt Gingrich and former U.S. Secretary of
Labor Robert Reich. There also were a series of breakout sessions to discuss global, national, and local issues including workforce development, education, human resources, environment, and solutions.

Mr. Fitch said that companies are locating where the talent is. There are two solutions: increase the talent immigration, and upgrade our own workforce. He noted that China is producing four times the number of engineers as the United States. There are incentives for our students for sports but not many incentives to study math and science. We also need to allow professional scientists to be teachers in our schools. We need to rethink our unemployment system and change it into a re-employment system to train and retrain workers. Globalization will have an impact on the United States as we are falling behind in our technological sophistication. We need to encourage the business community to keep their employees current in technological improvements.

The key to San Diego workforce development is to improve the education system. The community college program is a great system if we can keep it funded. Their task is to have great programs and create schedules that meet the needs of working people and the needs of the San Diego labor market.

Mr. Fitch said that workforce development solutions to these issues are increased funding, business support, lifelong learning, economic and workforce development, and employer engagement in education. The education key to a successful society includes vocational education programs, technological literacy, math and science classes, and healthcare education. Education solutions include employer input into education programs, education and work connection, career ladders and lattices, and money. Businesses are having a problem finding skilled workers in San Diego, and they are extremely worried about the future workforce.

Key strategies are to link K-12 education, technology training, academic and vocational education, internships, and being prepared for the worker shortage. We need political and employee leadership to create a constant internship program for young people and to make the connection between the classroom and work. He said that they have a Workforce Investment Board, and he would love to get qualified business folks on this board.

Mayor Madrid mentioned that a number of Board members attended the recent Annual League of California Cities conference, and one challenge was to get more involved in education. He has been talking with educators and has heard one potential solution to improve the quality of the education: to consolidate the elementary school districts with the high school districts.

First Vice Chair Mary Sessom (Lemon Grove) indicated that she chairs the professional studies department at Cuyamaca College. She agreed that internships are so critical to the success of local community college graduates. Their success in finding internships for students in their majors depends on the networks her instructors have been able to develop. There is no centralized place where they can go, such as an internship clearinghouse. Mr. Fitch suggested that the Workforce Partnership could serve as this clearinghouse. He said there needs to be a campaign of support for this program from local elected officials to the businesses in their communities. You need to create an ongoing system and promote it. First Vice Chair Sessom stated that it would be helpful to her to have an internship clearinghouse in order for her to plan her curriculum.
Mayor Cafagna stated that we need to educate the public about the jobs issue and the fact that we are going to have a workforce shortage. There is a workforce in Mexico that could be trained to fill jobs legally here.

Deputy Mayor Christy Guerin (Encinitas) said that her children are constantly coming to her about obtaining internships. She noted that it is so competitive at local colleges for internships. Most students are willing to work for free just to get the experience. She added that local jurisdictions need to be the example and challenge the businesses to follow suit.

Second Vice Chair Jack Dale (Santee) asked about the statement regarding graduation rates in high schools and their correlation with the workplace. Mr. Fitch responded that some national studies show that when high school students (in their sophomore years) connect what they are learning in school with the practical application on a job, they are more likely to stay in school and continue their post-graduate education. The earlier this connection is made, the more success is obtained.

Supervisor Victor Carrillo (Imperial County) commented that when he was on the Calexico City Council, there was a partnership with the San Diego State University (SDSU) Imperial Valley campus. Calexico partnered with the SDSU public administration program to provide internships for SDSU students. He suggested that the leadership here take this back to their various city councils and Board of Supervisors and establish those internships. The wealth of experience that students gain is invaluable.

Councilmember Kellejian stated that our education system has a tendency to require more internships for completing a course curriculum. It is a valuable tool that helps students decide on the type of work they want to do in the future.

**Action:** This report was presented for information only.

12. **SANDAG DISADVANTAGED BUSINESS ENTERPRISE (DBE) PROGRAM (APPROVE)**

Elaine Richardson, Contracts and Procurement Manager, stated that the purpose of the DBE program is to reach out, educate, and increase the number of DBE firms willing and able to do business with SANDAG. The objectives of this program are to collaborate with other agencies, maintain effective communication tools, co-sponsor outreach events, and become a consistent presence in minority/disadvantaged business communities. She provided a definition of a DBE as a socially and economically disadvantaged business owner who manages and controls daily operations and meets Small Business Administration size standards and gross revenue levels, with personal net worth limitations.

Ms. Richards indicated that SANDAG is part of a public agency consortium. Our collaboration includes a ready, willing, and able database; sharing information and collateral materials; and partnering on the planning, attendance, and sponsorships of several major outreach events. She stated that some of the outreach program tools include handouts, takeaways, the Vendor Questionnaire, a Web site focus on DBE interests, a DBE Information Resource Guide, and a new link, [www.sandag.org/contracts](http://www.sandag.org/contracts).

Ms. Richards listed other outreach events that SANDAG has participated in. The DBE program goal methodology is to: evaluate the SANDAG FY 2006 Overall Work Program and
Budget for federally funded projects, determine the relative availability of DBE firms in specific areas of expertise related to contracts for those projects, and tailor the goals to reflect the availability of ready, willing, and able firms in the San Diego regional market (rather than in the statewide market, which was formerly used).

Ms. Richards displayed the proposed SANDAG DBE program goals for FY 2006 and the DBE participation results from FY 2005, described a number of contract and procurement achievements, and reviewed the recommended actions.

Mayor Madrid commented that the word “disadvantaged” has a negative connotation. He respectively asked that we try to find another word for the program.

Ms. Dailey said that the County Water Authority renamed their DBE program “SCOOP” (Small Contractors’ Opportunity Outreach Program). Leslie Campbell, Director of Administration, noted that DBE is a federal designation.

Captain Daniel King (U.S. Department of Defense) commended Ms. Richards on an excellent presentation. He said that his command does a lot of contracts and has a proactive acquisitions program. He would like to link her up with his staff to share databases and perhaps explore the possibility of holding joint events. He asked to meet with her following the meeting. Ms. Richards said she would welcome the opportunity to meet with the Captain and his staff.

**Action:** Upon a motion by Councilmember Kellejian and a second by Supervisor Slater-Price, the SANDAG Board of Directors approved the release of the FY 2006 DBE goals for distribution for public comment. In the event no comments are received during the public review period, the goals will be deemed approved by the Board. Yes – 17 (weighted vote, 100%). No – 0 (weighted vote, 0%). Abstain – 0 (0%). Absent – Carlsbad, Oceanside, and City of San Diego B.

13. **UPCOMING MEETINGS**

The next Board of Directors Business meeting is scheduled for Friday, November 18, 2005, at 9 a.m.

14. **ADJOURNMENT**

The meeting was adjourned at 10:23 a.m.

DGunn/M/DGU
## ATTENDANCE
### SANDAG BOARD OF DIRECTORS’ MEETING
#### OCTOBER 28, 2005

<table>
<thead>
<tr>
<th>JURISDICTION/ORGANIZATION</th>
<th>NAME</th>
<th>ATTENDING</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Carlsbad</td>
<td>Matt Hall (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Chula Vista</td>
<td>Steve Padilla (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Coronado</td>
<td>Phil Monroe (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Del Mar</td>
<td>Crystal Crawford (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of El Cajon</td>
<td>Mark Lewis (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Encinitas</td>
<td>Christy Guerin (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Escondido</td>
<td>Lori Holt Pfeiler (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Imperial Beach</td>
<td>Patricia McCoy (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of La Mesa</td>
<td>Art Madrid (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Lemon Grove</td>
<td>Mary Sessom, Vice Chair (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of National City</td>
<td>Ron Morrison (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Oceanside</td>
<td>Esther Sanchez (Alternate)</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>City of Poway</td>
<td>Mickey Cafagna, Chair (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of San Diego - A</td>
<td>Jim Madaffer (Member A)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of San Diego - B</td>
<td>Scott Peters (Member B)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of San Marcos</td>
<td>Pia Harris-Ebert (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Santee</td>
<td>Jack Dale (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Solana Beach</td>
<td>Joe Kellejian (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>City of Vista</td>
<td>Morris Vance (Member)</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>County of San Diego</td>
<td>Pam Slater-Price (Member)</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

### ADVISORY MEMBERS LISTED BELOW (ATTENDANCE NOT COUNTED FOR QUORUM PURPOSES)

<table>
<thead>
<tr>
<th>Organization</th>
<th>Name</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caltrans</td>
<td>Pedro Orso-Delgado (Alternate)</td>
<td>Yes</td>
</tr>
<tr>
<td>MTS</td>
<td>Leon Williams (Member)</td>
<td>No</td>
</tr>
<tr>
<td>NCTD</td>
<td>Jerome Stocks (Member)</td>
<td>Yes</td>
</tr>
<tr>
<td>Imperial County</td>
<td>Victor Carrillo (Member)</td>
<td>Yes</td>
</tr>
<tr>
<td>U.S. Dept. of Defense</td>
<td>CAPT Daniel King (Member)</td>
<td>Yes</td>
</tr>
<tr>
<td>SD Unified Port District</td>
<td>William Hall (Member)</td>
<td>Yes</td>
</tr>
<tr>
<td>SD County Water Authority</td>
<td>Marilyn Dailey (Member)</td>
<td>Yes</td>
</tr>
<tr>
<td>Baja California/Mexico</td>
<td>Luis Cabrera Cuaron (Member)</td>
<td>Yes</td>
</tr>
</tbody>
</table>
ACTIONS FROM POLICY ADVISORY COMMITTEES

The following actions were taken by the Policy Advisory Committees (PACs) since the last Board meeting. **Actions printed in bold typeface must be ratified by the Board of Directors to be effective.**

**BORDERS COMMITTEE MEETING (OCTOBER 28, 2005)**

This meeting was cancelled.

**EXECUTIVE COMMITTEE MEETING (NOVEMBER 4, 2005)**

The Executive Committee took the following actions or recommended the following approvals:

- Every ten years, SANDAG conducts an extensive household travel behavior survey and this effort is currently part of the FY 2006 Overall Work Program (OWP) and Program Budget. The survey information is used in the development and validation of our regional transportation models and for monitoring transportation trends. Caltrans has awarded SANDAG a $360,000 State Planning & Research (SP&R) grant to expand the number of surveys collected this year. The Executive Committee amended the FY 2006 OWP and Program Budget to accept the SP&R grant funds.

- SANDAG’s General Counsel presented draft amendments to current Board Bylaws and Policies proposed by staff over the past year or that are appropriate for updating purposes. The Executive Committee postponed action on these amendments to the December meeting.

- The Executive Committee postponed action on the 2006 Legislative Program to the December meeting.

- The Executive Committee approved the November 18, 2005, draft Board of Directors agenda as revised.

**TRANSPORTATION COMMITTEE MEETING (NOVEMBER 4, 2005)**

The Transportation Committee took the following actions or recommended the following approvals:

- The draft TransNet Plan of Finance for the Early Action Program (EAP) was presented. The Plan of Finance provides the financial strategy for meeting the existing commitments for the current TransNet program and accelerating the identified EAP projects from the TransNet Extension. The Committee directed staff to further develop the final TransNet Plan of
Finance based on Scenario 3 for consideration by the Board of Directors in December. Scenario 3 uses bonding to complete the EAP projects on the proposed schedules, sets aside 10 percent of TransNet Major Corridor funds for other non-EAP TransNet projects, and leaves 15 percent of future state and federal funds available for other non-TransNet projects.

- The Transportation Committee endorsed the purpose, context, and approach for developing the FY 2006-FY 2010 Regional Short Range Transit Plan.

**REGIONAL PLANNING COMMITTEE MEETING (NOVEMBER 4, 2005)**

This meeting was cancelled.

**PUBLIC SAFETY COMMITTEE (NOVEMBER 18, 2005)**

Since the Public Safety Committee is being held on the same afternoon as the SANDAG Board meeting in November, any actions taken at this meeting will be included in the December PAC Actions agenda item.

**BORDERS COMMITTEE MEETING (NOVEMBER 18, 2005)**

Since the Borders Committee is being held on the same afternoon as the SANDAG Board meeting in November, any actions taken at this meeting will be included on the December PAC Actions agenda item.

GARY L. GALLEGOS
Executive Director
AMEND THE FY 2006 OVERALL WORK PROGRAM AND BUDGET TO ENHANCE REGIONAL PUBLIC SAFETY INFORMATION SHARING VIA WIRELESS TECHNOLOGY

Introduction

The Department of Homeland Security (DHS) initially awarded $761,000 in grant funds to ARJIS/SANDAG to conduct a multi-phased wireless data integration project known as BorderSafe. Based on the success of the first two phases, DHS has awarded ARJIS/SANDAG $875,000 for a third phase intended to implement law enforcement data-sharing research findings of the previous phases throughout the southwest region and to expand the functionality of the wireless system, currently accessible through personal digital assistants (PDAs). In addition to the DHS funding, the National Institute of Justice (NIJ) has awarded ARJIS/SANDAG $200,000 to enable access to public safety information through secure cell phones. The Chiefs'/Sheriff’s Management Committee has reviewed and supports this project and recognizes its importance to enhancing information sharing among local, federal, and state public safety agencies. The Public Safety Committee will take action on this item at its meeting later today.

Recommendation

Pending approval by the Public Safety Committee on November 18, 2005, the SANDAG Board of Directors is asked to approve a modification to the FY 2006 Overall Work Program (OWP) and Program Budget to include $1,075,000 awarded to ARJIS/SANDAG to enhance the wireless system for sharing public safety information. If approved, new work element 22004 entitled ARJIS: BorderSafe would be amended into the FY 2006 OWP and Program Budget.

Discussion

ARJIS has been designated a national leader in the use of wireless public safety applications, having deployed the first multi-jurisdiction and multi-discipline wireless applications in the nation through the BorderSafe grant. The vision for Regional Wireless Public Safety Information Sharing is the development of a regional wireless network and services to securely share public safety information in the field. Access to multi-jurisdictional, time-sensitive, critical data benefits public safety personnel by increasing performance, improving response time, and enhancing the overall effectiveness of policing and emergency response. ARJIS is partnering with academia and the private sector to develop state of the art applications to operate in a wireless environment that utilizes existing commercial services. These applications are being designed and tested by teams of public safety personnel in the field.
Phase III of BorderSafe is intended to implement a major component of the regional vision by implementing law enforcement data-sharing research findings identified in the previous BorderSafe phases throughout the southwest region and by expanding the functionality of the wireless system. Such functionality will vastly extend officers’ capability to effectively communicate more information from remote field incidents to other officers and to enhance existing command and control operations for public safety agencies. Performance-based metrics will also be developed to provide independent verification and validation of the BorderSafe applications.

Specific Phase III deliverables described below support the goals of BorderSafe as well as the operational needs of public safety agencies.

• The creation of a regional procurement and support strategy for the acquisition of public safety equipment and services was a top priority identified in the Regional Public Safety Needs Assessment. The personal digital assistant (PDA) wireless element of BorderSafe lends itself to becoming the first regional procurement opportunity.

• Providing broader access to critical law enforcement data for field personnel by deploying 250 additional wireless PDAs will help meet the increasing demand for these devices.

• Officers have requested additional data sources such as crime incidents, driver’s license photos, and parole information, as well as the ability to capture field interviews, suspicious activity information, and photographs in the field and make this information accessible in real-time through the ARJIS network.

• Global Positioning System (GPS) capabilities are now available on most PDAs and cell phones. Officers will be able to create notifications and alerts anywhere along the California/Arizona border. Notifications based on location will be evaluated for accuracy, especially critical along the border where street addresses are non-existent and officers have relied on popular landmarks or best guesses.

• Previous phases of BorderSafe have demonstrated the value of sharing ARJIS’ officer notification information and the Custom and Border Protection Agency’s trans-border license plate data. This information exchange has aided criminal investigations on both sides of the border. A major goal is to automate these functions on a “near real-time” basis with notifications delivered via e-mail, voice mail, or page.

• The success of projects like BorderSafe is highly dependent upon the legal ramifications of sharing law enforcement data. A valuable product developed through BorderSafe was the Privacy Impact Assessment (PIA) that provides a legal road map for sharing law enforcement data across regions and states. The PIA will be updated to include the additional data sources and functionality implemented in this phase of BorderSafe.

• Critical to the success of BorderSafe is an interstate governance model and associated Inter-governmental Agreements (IGAs) and policies. It is proposed that a Governance Board be formed and its roles and responsibilities identified.

DHS, NIJ, and ARJIS continue to enjoy a partnership that is leading the development of information sharing models for national deployment. In the San Diego region, ARJIS continues to examine new ways and technologies to effectively integrate member agency, state, and federal data and to distribute such data regionally to benefit public safety in the San Diego region. BorderSafe has
already provided great advantages for officers and agents operating in this region, and Phase III promises to build on these advantages.

GARY L. GALLEGOS
Executive Director

Attachment: 1. Program Work Element 22004 - ARJIS: BorderSafe

Key Staff Contact: Pam Scanlon, 619-699-6971, psc@sandag.org

Funds are budgeted in Work Element #22004.
OBJECTIVE

The objective of this work element is to enable information sharing between federal and local justice agencies in San Diego and Imperial Counties and Arizona in order to prevent terrorism and serious crimes. Emphasis in 2006 is to: (1) increase the number of hand-held devices that provide critical law enforcement data to field personnel; (2) create a regional procurement and support strategy for the acquisition of public safety equipment and services; (3) add additional ARJIS and other public safety data sources accessible from the field; (4) automate officer notification functions on a “near real-time” basis with notifications delivered via e-mail, voice mail, or page; (4) complete a privacy impact assessment, and (5) begin the development of a regional, interstate governance model.

PREVIOUS AND ONGOING WORK

This project represents Phase 3 of the BorderSafe grant from the Department of Homeland Security. Its focus is to provide real-time information to public safety personnel responsible for safety along the border. Also included is a demonstration of new technologies utilizing hand-held devices such as personal digital assistants (PDAs) and cell phones. A primary emphasis is on information sharing between California and Arizona.
TASKS

01  Deploy an additional 250 hand-held devices in the field. (FY 2006 - 25%)

02  Develop a strategy and plan for regional procurement and support. (FY 2006 - 20%)

03  Add two additional data sources such as COPLINK, Cal-Gangs, Parole information, or CAD 911 access. (FY 2006 - 25%)

04  Automate officer notification capability. (FY 2006 - 15%)

05  Complete privacy impact assessment. (FY 2006 - 10%)

06  Begin development of interstate governance model. (FY 2006 - 5%)

Committee: Public Safety Committee; Project Manager - Pam Scanlon

PRODUCTS

- Privacy Assessment. (February 2006)
- PDA Deployment. (March 2006)
- Automated Officer Notification. (April 2006)
- Regional Procurement Plan. (May 2006)
- Draft Interstate Governance Model. (May 2006)
- Additional Data Sources. (June 2006)

FUTURE ACTIVITIES

The continuation of the BorderSafe Grant and the further refinement and development of the ARJIS wireless vision positions ARJIS to continue as a national testbed for both the U.S. Departments of Homeland Security and Justice, while providing the most accurate, timely, and useful information to the public safety officers in this region.
ADDENDA TO THE MASTER MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN SANDAG, NCTD, AND MTS

Introduction

A Master Memorandum of Understanding (MOU) between SANDAG, North County Transit District (NCTD), and Metropolitan Transit System (MTS) was entered into in April 2004, with the intent to append the MOU as needed. The attached Addenda numbers 3 and 4 formalize the methodology to be used for allocating funding between SANDAG and NCTD and SANDAG and MTS, respectively, for the administrative functions that transferred in consolidation.

Recommendation

At its October 21, 2005, meeting, the Transportation Committee recommended that the Board of Directors approve Addendum 3 and Addendum 4 to the Master MOU between SANDAG, NCTD, and MTS. The Board is asked to approve Addendum 3 and Addendum 4 to the Master MOU in accordance with the recommendation of the Transportation Committee.

Discussion

In February 2003 and June 2003, the SANDAG Board of Directors approved the initial and subsequent transition plans that focused on the roles and responsibilities of SANDAG and the transit agencies. The transition plans were subsequently memorialized in an MOU between SANDAG, NCTD, and MTS. The MOU recognized that addenda would be executed as the functions and responsibilities of the three agencies evolved.

Each year as part of the budget process (beginning in FY 2004), both NCTD and MTS transfer Transportation Development Act (TDA) funding to SANDAG to pay for the administrative functions that transferred to SANDAG as a result of the consolidation. All three agencies desire to formalize this transfer by expressing it in terms of a percentage of their total annual TDA allocations. The attached addenda to the MOU accomplish this objective.

GARY L. GALLEGOS
Executive Director

Attachments: 1. Addendum Number 3 to the Master MOU
2. Addendum Number 4 to the Master MOU

Key Staff Contact: Renée Wasmund, (619) 699-1940, rwa@sandag.org
ADDENDUM NUMBER THREE
TO THE MASTER MEMORANDUM OF UNDERSTANDING
BETWEEN THE SAN DIEGO ASSOCIATION OF GOVERNMENTS AND
THE NORTH COUNTY TRANSIT DISTRICT (FORMERLY NSDCTDB)
AND THE METROPOLITAN TRANSIT SYSTEM (FORMERLY MTDB)
DEFINING THE FUNCTIONS AND RESPONSIBILITIES
OF THE THREE AGENCIES:
FUNDING OF FUNCTIONS TRANSFERRED PURSUANT TO SENATE BILL 1703

This Addendum Number Three is made and entered into this _______ day of ________________, 2005, by and between the San Diego Association of Governments (SANDAG), and the North County Transit District (NCTD), which was formerly known as the North San Diego County Transit Development Board (NSDCTDB).

RECATLS

WHEREAS, a Memorandum of Understanding between the San Diego Association of Governments, the NCTD, and the Metropolitan Transit Development Board (MTDB, now known as the Metropolitan Transit System [MTS]) Defining the Functions and Responsibilities of the Three Agencies (“Memorandum of Understanding”) has been entered into; and

WHEREAS, the agencies seek to append the Memorandum of Understanding with this Addendum Number Three to describe the methodology for ongoing funding of functions transferred from NCTD to SANDAG under SB 1703.

IN CONSIDERATION of the mutual promises set forth herein, the Parties agree as follows:

1. Funding for said transfer of functions and responsibilities shall be provided directly to SANDAG from the annual TDA 4.0 apportionment.

2. SANDAG shall receive 1.6 percent of NCTD’s annual available TDA apportionment, which includes Article 4.0 and Article 4.5 ($31,119,187 for FY 2006).

3. No other funds shall be transferred from NCTD to SANDAG for functions transferred to SANDAG under SB 1703, except as may be otherwise identified in the Master MOU.

4. This concludes all the funding transfers pursuant to SB 1703, other than the future transfers to occur pursuant to the MOU executed on December 1, 2003, between SANDAG and NCTD for the Project Development and Construction functions.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date and year first written above.
APPROVED AS TO FORM:  

By: ___________________________________

C. Michael Cowett, General Counsel

NORTH COUNTY TRANSIT DISTRICT

By: ___________________________________

Karen King, Executive Director

APPROVED AS TO FORM:  

By: ___________________________________

Office of the General Counsel

SAN DIEGO ASSOCIATION OF GOVERNMENTS

By: ___________________________________

Gary L. Gallegos, Executive Director
ADDENDUM NUMBER FOUR
TO THE MASTER MEMORANDUM OF UNDERSTANDING
BETWEEN THE SAN DIEGO ASSOCIATION OF GOVERNMENTS AND
THE NORTH COUNTY TRANSIT DISTRICT (FORMERLY NSDCTDB)
AND THE METROPOLITAN TRANSIT SYSTEM (FORMERLY MTDB)
DEFINING THE FUNCTIONS AND RESPONSIBILITIES
OF THE THREE AGENCIES:
FUNDING OF FUNCTIONS TRANSFERRED PURSUANT TO SENATE BILL 1703

This Addendum Number Four is made and entered into this _____ day of __________________, 2005, by and between the San Diego Association of Governments (SANDAG), and the Metropolitan Transit System (MTS), which was formerly known as the Metropolitan Transit Development Board (MTDB).

RECITALS

WHEREAS, a Memorandum of Understanding between the San Diego Association of Governments, the North San Diego County Transit Development Board (NSDCTDB, now known as the North County Transit District [NCTD]), and the Metropolitan Transit System Defining the Functions and Responsibilities of the Three Agencies (“Memorandum of Understanding”) has been entered into; and

WHEREAS, the agencies seek to append the Memorandum of Understanding with this Addendum Number Four to describe the methodology for ongoing funding of functions transferred under SB 1703.

IN CONSIDERATION of the mutual promises set forth herein, the Parties agree as follows:

1. Transfers of functions from SANDAG to MTS that have already taken place include the transfer of three Service Planners, one Right-of-Way Manager, and one Manager of Business Development.

2. This MOU contemplates that the TDA allocation formula in Section 4 below has been adjusted by $400,000 to allow MTS to hire certain staff to fulfill its obligations under consolidation. Additionally, MTS will take responsibility for its own Web site content (SANDAG retains overall responsibility for Web site development). SANDAG will take responsibility for the pass by mail program.

3. Funding for said transfer of functions and responsibilities shall be provided directly from SANDAG to MTS from the annual TDA 4.0 apportionment.

4. SANDAG shall receive 2.78 percent of MTS’ annual available TDA apportionment, which includes Article 4.0, Article 4.5, and TDA 10 percent ($78,753,413 in FY 2006). This percentage accounts for the transfers of people in Section 1 above and transfers of functions in Section 2 above, if applicable.
5. This is the final adjustment related to consolidation. Any future needs shall be handled by each respective agency as part of the overall budget process.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date and year first written above.

APPROVED AS TO FORM: METROPOLITAN TRANSIT SYSTEM

By:_________________________________ By:_________________________________
   Office of the General Counsel            Paul Jablonski, Chief Executive Officer

APPROVED AS TO FORM: SAN DIEGO ASSOCIATION OF
   GOVERNMENTS

By:_________________________________ By:_________________________________
   Office of the General Counsel           Gary L. Gallegos, Executive Director
EAST VILLAGE INTERMODAL TRANSIT IMPROVEMENTS PROJECT

File Number 1049400

Introduction

The East Village Intermodal Transit Improvements Project will develop rail and urban design improvements along Park Boulevard from Imperial Avenue to C Street. Funding for the project was originally divided into five separate Capital Improvement Program (CIP) project budgets for work associated with transit and non-transit-related improvements in the East Village (see Attachment 1). Two of these projects (CIP #10491 - Gaslamp Station Modifications, and CIP #10493 - 12th and Market Station) have been completed.

The remaining work involves constructing rail and streetscape improvements along Park Boulevard from G Street to C Street and constructing a new City College Trolley station that will become part of the Smart Corner development. The consolidation of the remaining project budgets will provide one budget for the remaining work and will create a simplified project cost center. The Metropolitan Transit System (MTS) Board is scheduled to approve consolidation of these various MTS project budgets at its November 10, 2005, meeting.

Recommendation

The SANDAG Board of Directors is asked to:

1. Approve a transfer of all current and future funding for the East Village Intermodal Transit Improvements Project from MTS to SANDAG; and

2. Approve amendments to the FY 2006 Program Budget to: (a) reduce the project budget for the Orange Line to Blue Line Connection project (CIP #10492) from $5,998,000 to $850,000; and (b) add a new CIP project #10494 entitled East Village Smart Corner Improvements Project, totaling $14,283,000. The project would include rail and urban design improvements on Park Boulevard from G Street to C Street, including a new City College Trolley station as part of the Smart Corner development.

Discussion

MTS and Centre City Development Corporation (CCDC) have a cooperative Memorandum of Understanding (MOU) covering funding, design, construction, and administration for development of East Village rail and urban design improvements along Park Boulevard. A portion of these rail and urban improvements were completed under MTS contracts from K Street to G Street along Park Boulevard, including the Gaslamp Trolley Station (CIP #10491) and reconstruction of the 12th and Market Station (CIP #10493).
Under the SB 1703 consolidation, SANDAG became responsible for project management of the remaining design and construction improvements along Park Boulevard from G Street to C Street, including realignment of rail through the former City College Trolley Station. The three uncompleted projects include the Orange Line to Blue Line Connection project (CIP #10492), the City College Station Realignment (CIP #10494), and the 12th Avenue Corridor Improvement project (CIP #1046). Because of recent construction cost increases, only two of the remaining three projects can be fully funded. These two projects are the 12th Avenue Corridor Improvement project that includes rail and urban improvements in the corridor from G Street to C Street, and the City College Station Realignment, which involves reconstruction of rail through the Smart Corner development. The third project, the Orange to Blue Line Connection, was identified by MTS as a lower priority project and will be deferred to a future CIP.

In order to manage the project budget through the completion of construction, we recommend that the remaining funding from the Orange Line to Blue Line Connection, City College Station Realignment, and the 12th Avenue Corridor Improvement projects, plus any future monies received for this work by MTS from CCDC, be consolidated into one CIP project. Project funding would be consolidated in the SANDAG FY 2006 CIP and Program Budget under CIP project number 10494, which would be renamed East Village Smart Corner Improvements (see Attachment 1). The MTS Board is scheduled to approve the recommended MTS budget changes and consolidation at its November 10, 2005, meeting.

GARY L. GALLEGOS  
Executive Director

Attachment: 1. East Village Intermodal Improvements Project - Budget Consolidation table

Key Staff Contact: Eric C. Adams, 619-699-1974, ead@sandag.org
## EAST VILLAGE INTERMODAL IMPROVEMENTS PROJECT
### Budget Consolidation

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>CIP No.</th>
<th>CURRENT Funding</th>
<th>Agency</th>
<th>PROPOSED Funding</th>
<th>Agency</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gaslamp Station Modifications</td>
<td>10491</td>
<td>$575,000</td>
<td>MTS</td>
<td>$575,000</td>
<td>MTS</td>
<td>Project complete; no budget change.</td>
</tr>
<tr>
<td>Orange Line to Blue Line Connection</td>
<td>10492</td>
<td>$5,998,000</td>
<td>SANDAG</td>
<td>$850,000</td>
<td>SANDAG</td>
<td>Project deferred; reduce project budget to $850K to cover design costs; transfer remainder of funds to CIP #10494.</td>
</tr>
<tr>
<td>12th &amp; Market Station</td>
<td>10493</td>
<td>$7,555,000</td>
<td>MTS</td>
<td>$9,700,000</td>
<td>MTS</td>
<td>Project complete; MTS to approve a budget increase to cover outstanding costs.</td>
</tr>
<tr>
<td>City College Station Realignment</td>
<td>10494</td>
<td>$6,189,000</td>
<td>MTS</td>
<td>$14,283,000</td>
<td>SANDAG</td>
<td>Consolidate remainder of work and funds from CIP #10492 and CIP #11046 into CIP #10494 and rename project.</td>
</tr>
<tr>
<td>East Village Smart Corner Improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12th Avenue Corridor Improvement</td>
<td>11046</td>
<td>$5,991,000</td>
<td>MTS</td>
<td>$900,000</td>
<td>MTS</td>
<td>MTS to approve a budget change to $900K to cover outstanding costs; transfer remaining work and funding to CIP #10494.</td>
</tr>
</tbody>
</table>

**TOTAL**                                      |         | $26,308,000     |        | $26,308,000       |        |                                                                        |
SANDAG’s Investment Policy requires that the Board of Directors be provided a quarterly report of investments held by SANDAG. This report includes all money under the direction or care of SANDAG as of September 30, 2005, including funds of the San Diego County Regional Transportation Commission (RTC), SourcePoint, and ARJIS. The cash and investments of ARJIS are held by the City of San Diego. Those funds are currently undergoing an audit by an independent certified public accountant (CPA) firm. As a result, the specific amount of cash and investments related to ARJIS are not currently available for inclusion in the report as of September 30, 2005. Subsequently on October 28, 2005, the City of San Diego wired to SANDAG $8.1 million, with the understanding that the remaining ARJIS funds will be remitted to SANDAG once the audits are complete.

Discussion

The attached report shows a summary by institution (Attachment 1), a summary by account (Attachment 2), and a detail by investment type (Attachment 3) regarding SANDAG’s investment portfolio as of September 30, 2005.

As of September 30, 2005, a total of $166.9 million was held by SANDAG in a number of investment accounts in comparison to $141.4 million held in the previous quarter. The $25.5 million increase during the quarter is primarily due to the timing of TransNet sales tax receipts, TransNet debt service payments, and TransNet allocation payments to other local governmental agencies.

Approximately $1.6 million was held in five Bank of America accounts at the end of the quarter. Funds in these accounts are used for operating purposes. Approximately $165.3 million was invested in seven major funds or accounts, as follows.

1. **State of California Local Agency Investment Fund (LAIF)** - State law allows local agencies (RTC and SANDAG) to invest up to $40 million each in LAIF. These funds hold excess TransNet funds not yet paid to other local governmental agencies and excess operating funds. A total of $50.6 million was invested in LAIF. These funds are highly liquid and funds may be accessed easily for immediate operating needs.

2. **California Asset Management Program (CAMP) - Cash Reserve Portfolio** - These are funds administered by SANDAG’s financial advisor, Public Financial Management, Inc. (PFM), for the specific purpose of managing the investment of bond funds that are subject to debt service restrictions. SANDAG uses this program for debt service payments related to its various sales tax revenue bond issues. All bond debt service funds in CAMP are held in trust.
by our bond trustee, US Bank. Only the trustee may deposit or withdraw bond debt service money. Approximately $25.1 million was on deposit with the CAMP Cash Reserve Portfolio, which is reserved by US Bank, the trustee, for future debt service payments.

3. California Asset Management Program (CAMP) – Individual Portfolio – This fund is administered by PFM for the investment of excess TransNet funds not yet paid to other local governmental agencies. Approximately $29.2 million was on deposit with the CAMP Individual Portfolio.

4. Nations Funds – These are a series of government treasury obligation mutual funds managed by Bank of America. These also are highly liquid and may be used for immediate cash needs. Approximately $2.4 million was invested in these funds.

5. US Bank – These funds, totaling approximately $35.1 million, were held by US Bank, trustee for bond debt service payments and payment of interest on the short-term commercial paper program, as part of the TransNet sales tax program.

6. US Trust – US Trust invests a portion of RTC’s sales tax proceeds as well as SANDAG’s Transportation Congestion Relief Program (TCRP) funds for bus purchases. Approximately $21.8 million of TransNet sales tax proceeds and approximately $190,000 of TCRP funds were invested with US Trust.

7. Deutsche Asset Management Funds – These are a series of high quality money market instruments, including AAA-rated US treasury funds, managed by Deutsche Asset Management. These also are highly liquid and are used for immediate cash needs. Approximately $755,000 was invested in these mutual funds.

As of September 30, 2005, the yield to maturity of the portfolio was 3.60 percent with a weighted average maturity of 160 days, in comparison to 3.01 percent and 132 days in the prior quarter.

Management has continued to implement the Board’s strategy to diversify SANDAG’s investment portfolio. This will continue to be an important investment objective for the future.

Certifications

The Director of Finance reports that this portfolio, together with the authorized short-term commercial paper program, will provide the necessary liquidity to meet the expenditure requirements of SANDAG and the TransNet program for the next six months.

This portfolio is in compliance with state law and SANDAG’s updated Investment Policy.

GARY L. GALLEGOS
Executive Director

Attachments: 1. SANDAG Summary of Portfolio Balances by Institution as of September 30, 2005
               2. SANDAG Summary of Portfolio Balances by Account as of September 30, 2005
               3. SANDAG Detail of Portfolio Balances as of September 30, 2005

Key Staff Contact: Linda Olson, (619) 699-4864, lols@sandag.org
## SANDAG
### SUMMARY OF PORTFOLIO BALANCES BY INSTITUTION
#### as of September 30, 2005

<table>
<thead>
<tr>
<th></th>
<th>BOOK VALUE</th>
<th>PERCENT OF PORTFOLIO</th>
<th>MARKET VALUE</th>
<th>MARKET PRICE</th>
<th>UNREALIZED GAIN/(LOSS)</th>
<th>YIELD TO MATURITY</th>
<th>WEIGHTED AVG DAYS TO MATURITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK OF AMERICA</td>
<td>$1,596,554.63</td>
<td>0.96%</td>
<td>$1,596,554.63</td>
<td>100.00%</td>
<td>$0.00</td>
<td>0.15%</td>
<td>1</td>
</tr>
<tr>
<td>STATE OF CA LOCAL AGENCY INVEST. FUND (LAIF)</td>
<td>50,638,714.44</td>
<td>30.37%</td>
<td>50,638,714.44</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.32%</td>
<td>169 **</td>
</tr>
<tr>
<td>CALIFORNIA ASSET MANAGEMENT PRGM (CAMP)</td>
<td>54,393,013.99</td>
<td>32.62%</td>
<td>54,318,722.28</td>
<td>99.86%</td>
<td>(74,291.71)</td>
<td>3.89%</td>
<td>220 **</td>
</tr>
<tr>
<td>NATIONS FUNDS</td>
<td>2,431,963.90</td>
<td>1.46%</td>
<td>2,431,963.90</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.38%</td>
<td>28 **</td>
</tr>
<tr>
<td>US BANK</td>
<td>34,987,259.33</td>
<td>20.98%</td>
<td>35,130,222.63</td>
<td>100.41%</td>
<td>$142,963.30</td>
<td>3.54%</td>
<td>30 **</td>
</tr>
<tr>
<td>US TRUST</td>
<td>21,959,773.79</td>
<td>13.17%</td>
<td>22,022,563.21</td>
<td>100.29%</td>
<td>62,789.42</td>
<td>3.91%</td>
<td>226</td>
</tr>
<tr>
<td>DEUTSCHE ASSET MANAGEMENT FUNDS</td>
<td>755,198.70</td>
<td>0.45%</td>
<td>755,198.70</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.76%</td>
<td>51 **</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$166,762,478.78</td>
<td>100.00%</td>
<td>$166,893,939.79</td>
<td>100.08%</td>
<td>$131,461.01</td>
<td>3.60%</td>
<td>160</td>
</tr>
</tbody>
</table>

**Although average days to maturity is greater than one day, funds are available at par the same day**

### SUMMARY BY AGENCY

<table>
<thead>
<tr>
<th></th>
<th>BOOK VALUE</th>
<th>PERCENT OF PORTFOLIO</th>
<th>MARKET VALUE</th>
<th>MARKET PRICE</th>
<th>UNREALIZED GAIN/(LOSS)</th>
<th>YIELD TO MATURITY</th>
<th>AVG DAYS TO MATURITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANDAG FUNDS</td>
<td>$13,861,059.69</td>
<td>8.31%</td>
<td>$13,861,600.64</td>
<td>100.00%</td>
<td>$540.95</td>
<td>3.03%</td>
<td>136</td>
</tr>
<tr>
<td>SOURCEPOINT FUNDS</td>
<td>217,895.71</td>
<td>0.13%</td>
<td>217,895.71</td>
<td>100.00%</td>
<td>$0.00</td>
<td>1.09%</td>
<td>1</td>
</tr>
<tr>
<td>CORONADO BRIDGE TOLL FUNDS</td>
<td>1,465,033.96</td>
<td>0.88%</td>
<td>1,465,033.96</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.34%</td>
<td>13</td>
</tr>
<tr>
<td>TRANSNET FUNDS - Sales Tax</td>
<td>96,015,525.52</td>
<td>57.58%</td>
<td>96,003,482.28</td>
<td>99.99%</td>
<td>(12,043.24)</td>
<td>3.74%</td>
<td>239</td>
</tr>
<tr>
<td>- Debt Service</td>
<td>55,202,963.90</td>
<td>33.10%</td>
<td>55,345,927.20</td>
<td>100.26%</td>
<td>142,963.30</td>
<td>3.52%</td>
<td>33</td>
</tr>
<tr>
<td><strong>TOTAL TRANSNET FUNDS</strong></td>
<td>$151,218,489.42</td>
<td>90.68%</td>
<td>$151,349,409.48</td>
<td>100.09%</td>
<td>$130,920.06</td>
<td>3.66%</td>
<td>163</td>
</tr>
<tr>
<td><strong>TOTAL FUNDS</strong></td>
<td>$166,762,478.78</td>
<td>100.00%</td>
<td>$166,893,939.79</td>
<td>100.08%</td>
<td>$131,461.01</td>
<td>3.60%</td>
<td>160</td>
</tr>
<tr>
<td>ACCOUNT</td>
<td>BOOK VALUE</td>
<td>PERCENT OF PORTFOLIO</td>
<td>MARKET VALUE</td>
<td>MARKET PRICE</td>
<td>UNREALIZED GAIN / (LOSS)</td>
<td>YIELD TO MATURITY</td>
<td>AVG DAYS TO MATURITY</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>------------</td>
<td>----------------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------------------</td>
<td>-------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td><strong>BANK OF AMERICA:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checking - TransNet</td>
<td>$13,751.36</td>
<td>0.01%</td>
<td>$13,751.36</td>
<td>100.00%</td>
<td>$0.00</td>
<td>0.00%</td>
<td>1</td>
</tr>
<tr>
<td>Checking - SANDAG (General)</td>
<td>461,143.28</td>
<td>0.28%</td>
<td>461,143.28</td>
<td>100.00%</td>
<td>0.00</td>
<td>0.00%</td>
<td>1</td>
</tr>
<tr>
<td>Checking - I-15 Fastrak</td>
<td>903,578.98</td>
<td>0.54%</td>
<td>903,578.98</td>
<td>100.00%</td>
<td>0.00</td>
<td>0.00%</td>
<td>1</td>
</tr>
<tr>
<td>Checking - SourcePoint</td>
<td>23,918.66</td>
<td>0.01%</td>
<td>23,918.66</td>
<td>100.00%</td>
<td>0.00</td>
<td>0.00%</td>
<td>1</td>
</tr>
<tr>
<td>Money Market - SourcePoint</td>
<td>193,962.35</td>
<td>0.12%</td>
<td>193,962.35</td>
<td>100.00%</td>
<td>0.00</td>
<td>1.22%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL BANK OF AMERICA</strong></td>
<td>$1,596,554.63</td>
<td>0.96%</td>
<td>$1,596,554.63</td>
<td>100.00%</td>
<td>$0.00</td>
<td>0.15%</td>
<td>1</td>
</tr>
<tr>
<td><strong>STATE OF CA LOCAL AGENCY INVESTMENT FUND (LAIF):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TransNet Sales Tax (RTC)</td>
<td>$39,957,154.00</td>
<td>23.96%</td>
<td>$39,957,154.00</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.32%</td>
<td>169</td>
</tr>
<tr>
<td>SANDAG (General)</td>
<td>10,681,560.44</td>
<td>6.41%</td>
<td>10,681,560.44</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.32%</td>
<td>169</td>
</tr>
<tr>
<td><strong>TOTAL STATE OF CA LOCAL AGENCY INVESTMENT FUND</strong></td>
<td>$50,638,714.44</td>
<td>30.37%</td>
<td>$50,638,714.44</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.32%</td>
<td>169**</td>
</tr>
<tr>
<td><strong>CALIFORNIA ASSET MANAGEMENT PRGM (CAMP):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>92 Bond Principal</td>
<td>$1,239,544.30</td>
<td>0.74%</td>
<td>$1,239,544.30</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td>92 Bond Interest</td>
<td>195,750.86</td>
<td>0.12%</td>
<td>195,750.86</td>
<td>100.00%</td>
<td>0.00</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td>93 Bond Principal</td>
<td>3,671,842.01</td>
<td>2.20%</td>
<td>3,671,842.01</td>
<td>100.00%</td>
<td>0.00</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td>93 Bond Interest</td>
<td>327,926.23</td>
<td>0.20%</td>
<td>327,926.23</td>
<td>100.00%</td>
<td>0.00</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td>94 Bond Principal</td>
<td>386,088.99</td>
<td>0.23%</td>
<td>386,088.99</td>
<td>100.00%</td>
<td>0.00</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td>94 Bond Interest</td>
<td>266,033.31</td>
<td>0.16%</td>
<td>266,033.31</td>
<td>100.00%</td>
<td>0.00</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td>94 Bond Reserve</td>
<td>12,475,448.06</td>
<td>7.48%</td>
<td>12,475,448.06</td>
<td>100.00%</td>
<td>0.00</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td>96 Bond Principal</td>
<td>1,883,666.20</td>
<td>1.13%</td>
<td>1,883,666.20</td>
<td>100.00%</td>
<td>0.00</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td>96 Bond Interest</td>
<td>47,103.15</td>
<td>0.03%</td>
<td>47,103.15</td>
<td>100.00%</td>
<td>0.00</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td>TNET Sales Tax</td>
<td>4,609,403.49</td>
<td>2.76%</td>
<td>4,609,403.49</td>
<td>100.00%</td>
<td>0.00</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td><strong>TOTAL CASH RESERVE PORTFOLIO:</strong></td>
<td>$25,102,806.60</td>
<td>15.05%</td>
<td>$25,102,806.60</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.49%</td>
<td>37**</td>
</tr>
<tr>
<td><strong>INDIVIDUAL PORTFOLIO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TNET Sales Tax</td>
<td>$29,290,207.39</td>
<td>17.56%</td>
<td>$29,215,915.68</td>
<td>99.75%</td>
<td>$(74,291.71)</td>
<td>4.23%</td>
<td>376</td>
</tr>
<tr>
<td><strong>TOTAL CALIFORNIA ASSET MANAGEMENT PRGM (CAMP):</strong></td>
<td>$54,393,013.99</td>
<td>32.62%</td>
<td>$54,318,722.28</td>
<td>99.86%</td>
<td>$(74,291.71)</td>
<td>3.89%</td>
<td>220</td>
</tr>
</tbody>
</table>
### SANDAG
### SUMMARY OF PORTFOLIO BALANCES BY ACCOUNT
### as of September 30, 2005

<table>
<thead>
<tr>
<th>ACCOUNT TYPE</th>
<th>ASSET DESCRIPTION</th>
<th>BOOK VALUE</th>
<th>PERCENT OF PORTFOLIO</th>
<th>MARKET VALUE</th>
<th>MARKET PRICE</th>
<th>UNREALIZED GAIN / (LOSS)</th>
<th>YIELD TO MATURITY</th>
<th>AVG DAYS TO MATURITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NATIONS FUNDS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH RESERVES FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$12,484.15</td>
<td>0.01%</td>
<td>$12,484.15</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.46%</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Oceanside Wetland Mitigation</td>
<td>$250,575.56</td>
<td>0.15%</td>
<td>$250,575.56</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.46%</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>SourcePoint</td>
<td>$14.70</td>
<td>0.00%</td>
<td>$14.70</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.46%</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>CA Coastal Commission</td>
<td>$608,957.89</td>
<td>0.37%</td>
<td>$608,957.89</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.46%</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>SANDAG</td>
<td>$10,874.16</td>
<td>0.01%</td>
<td>$10,874.16</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.46%</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL PRIME FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$882,688.46</td>
<td>0.53%</td>
<td>$882,688.46</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.46%</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td><strong>TREASURY RESERVES FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bridge Toll Funds</td>
<td>$1,465,033.96</td>
<td>0.88%</td>
<td>$1,465,033.96</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.34%</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td><strong>GOVERNMENT RESERVES FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$84,241.48</td>
<td>0.05%</td>
<td>$84,241.48</td>
<td>100.00%</td>
<td>$0.00</td>
<td>3.35%</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NATIONS FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| | $2,431,963.90 | 1.46% | $2,431,963.90 | 100.00% | $0.00 | 3.38% | 28 | **
| **US BANK** | | | | | | | | |
| 96 Arbitrage Rebate | $105,238.13 | 0.06% | $105,238.13 | 100.00% | $0.00 | 2.96% | 30 | |
| 96 Bond Principal | $7,773,476.11 | 4.66% | $7,805,975.37 | 100.42% | $32,499.26 | 3.58% | 30 | |
| 96 Bond Interest | $1,370,735.18 | 0.82% | $1,375,612.58 | 100.38% | $5,237.40 | 3.34% | 30 | |
| 93 Bond Principal | $15,155,474.97 | 9.09% | $15,218,857.10 | 100.42% | $63,382.13 | 3.58% | 30 | |
| 93 Bond Interest | $1,494,976.43 | 0.90% | $1,500,726.38 | 100.38% | $5,749.95 | 3.35% | 30 | |
| 92 Bond Principal | $5,115,724.79 | 3.07% | $5,137,116.33 | 100.39% | $3,441.88 | 3.35% | 30 | |
| 92 Bond Interest | $893,152.16 | 0.54% | $896,594.04 | 100.39% | $3,441.88 | 3.35% | 30 | |
| 94 Bond Principal | $1,595,041.82 | 0.96% | $1,601,723.94 | 100.42% | $6,682.12 | 3.58% | 30 | |
| 94 Bond Interest | $1,206,101.20 | 0.72% | $1,210,680.22 | 100.38% | $4,579.02 | 3.34% | 30 | |
| 91 Commercial Paper Interest | $277,698.54 | 0.17% | $277,698.54 | 100.00% | $0.00 | 2.96% | 30 | |
| **TOTAL US BANK** | | | | | | | | |
| | $34,987,259.33 | 20.98% | $35,130,222.63 | 100.41% | $142,963.30 | 3.54% | 30 | **
| **US TRUST** | | | | | | | | |
| Sales Tax | $21,770,585.11 | 13.05% | $21,832,833.58 | 100.29% | $62,248.47 | 3.91% | 228 | |
| SANDAG | $189,188.68 | 0.11% | $189,729.63 | 100.29% | $540.95 | 3.91% | 1 | |
| **TOTAL US TRUST** | | | | | | | | |
| | $21,959,773.79 | 13.17% | $22,022,563.21 | 100.29% | $62,789.42 | 3.91% | 226 | |
| **DEUTSCHE ASSET MANAGEMENT FUNDS** | | | | | | | | |
| SANDAG - CA Boating & Waterways | $755,198.70 | 0.45% | $755,198.70 | 100.00% | $0.00 | 3.76% | 51 | |
| **TOTAL DEUTSCHE FUNDS** | | | | | | | | |
| | $755,198.70 | 0.45% | $755,198.70 | 100.00% | $0.00 | 3.76% | 51 | **
| **TOTAL** | | | | | | | | |
| | $166,762,478.78 | 100.00% | $166,893,939.79 | 100.08% | $131,461.01 | 3.60% | 160 | | **

**Although average days to maturity is greater than one day, funds are available at par the same day.
# DETAIL OF PORTFOLIO BALANCES
## as of September 30, 2005

<table>
<thead>
<tr>
<th>Investment</th>
<th>Purchase Date</th>
<th>Maturity Date</th>
<th>Purchase Price</th>
<th>Book Value</th>
<th>Market Value</th>
<th>Unrealized Gain / (Loss)</th>
<th>Par Value</th>
<th>Yield on Cost</th>
<th>Weighted Average Days to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checking-Bank of America</td>
<td>N/A</td>
<td>N/A</td>
<td>$1,402,592</td>
<td>$1,402,592</td>
<td>$1,402,592</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
<td>1</td>
</tr>
<tr>
<td>Cash-First Amer Treas Obl</td>
<td>N/A</td>
<td>N/A</td>
<td>$491,307</td>
<td>$491,307</td>
<td>$491,307</td>
<td>-</td>
<td>N/A</td>
<td>2.96%</td>
<td>30</td>
</tr>
<tr>
<td>Cash-First Amer Treas Obl</td>
<td>N/A</td>
<td>N/A</td>
<td>$327,183</td>
<td>$327,183</td>
<td>$327,183</td>
<td>-</td>
<td>N/A</td>
<td>2.96%</td>
<td>30</td>
</tr>
<tr>
<td>Cash-First Amer Treas Obl</td>
<td>N/A</td>
<td>N/A</td>
<td>$1,049,701</td>
<td>$1,049,701</td>
<td>$1,049,701</td>
<td>-</td>
<td>N/A</td>
<td>2.96%</td>
<td>30</td>
</tr>
<tr>
<td>Cash-First Amer Treas Obl</td>
<td>N/A</td>
<td>N/A</td>
<td>$362,000</td>
<td>$362,000</td>
<td>$362,000</td>
<td>-</td>
<td>N/A</td>
<td>2.96%</td>
<td>30</td>
</tr>
<tr>
<td>Cash-First Amer Treas Obl</td>
<td>N/A</td>
<td>N/A</td>
<td>$3,109,692</td>
<td>$3,109,692</td>
<td>$3,109,692</td>
<td>-</td>
<td>N/A</td>
<td>2.96%</td>
<td>30</td>
</tr>
<tr>
<td>Cash-First Amer Treas Obl</td>
<td>N/A</td>
<td>N/A</td>
<td>$606,323</td>
<td>$606,323</td>
<td>$606,323</td>
<td>-</td>
<td>N/A</td>
<td>2.96%</td>
<td>30</td>
</tr>
<tr>
<td>Cash-First Amer Treas Obl</td>
<td>N/A</td>
<td>N/A</td>
<td>$105,238</td>
<td>$105,238</td>
<td>$105,238</td>
<td>-</td>
<td>N/A</td>
<td>2.96%</td>
<td>30</td>
</tr>
<tr>
<td>Cash-First Amer Treas Obl</td>
<td>N/A</td>
<td>N/A</td>
<td>$556,982</td>
<td>$556,982</td>
<td>$556,982</td>
<td>-</td>
<td>N/A</td>
<td>2.96%</td>
<td>30</td>
</tr>
<tr>
<td>Cash-First Amer Treas Obl</td>
<td>N/A</td>
<td>N/A</td>
<td>$1,595,097</td>
<td>$1,595,097</td>
<td>$1,595,097</td>
<td>-</td>
<td>N/A</td>
<td>2.96%</td>
<td>30</td>
</tr>
<tr>
<td>Cash-First Amer Treas Obl</td>
<td>N/A</td>
<td>N/A</td>
<td>$277,699</td>
<td>$277,699</td>
<td>$277,699</td>
<td>-</td>
<td>N/A</td>
<td>2.96%</td>
<td>30</td>
</tr>
<tr>
<td>Cash Reserve Funds-Nations</td>
<td>N/A</td>
<td>N/A</td>
<td>$882,688</td>
<td>$882,688</td>
<td>$882,688</td>
<td>-</td>
<td>N/A</td>
<td>3.46%</td>
<td>50</td>
</tr>
<tr>
<td>Cash Reserve Portfolio-CAMP</td>
<td>N/A</td>
<td>N/A</td>
<td>$25,102,807</td>
<td>$25,102,807</td>
<td>$25,102,807</td>
<td>-</td>
<td>N/A</td>
<td>3.49%</td>
<td>37</td>
</tr>
<tr>
<td>Local Agency Investment Fund</td>
<td>N/A</td>
<td>N/A</td>
<td>$50,638,714</td>
<td>$50,638,714</td>
<td>$50,638,714</td>
<td>-</td>
<td>N/A</td>
<td>3.32%</td>
<td>169</td>
</tr>
<tr>
<td>Money Market-Bkwd/Prov Instl</td>
<td>N/A</td>
<td>N/A</td>
<td>$37,013</td>
<td>$37,013</td>
<td>$37,073</td>
<td>60</td>
<td>N/A</td>
<td>3.41%</td>
<td>1</td>
</tr>
<tr>
<td>Money Market-Bkwd/Prov Instl</td>
<td>N/A</td>
<td>N/A</td>
<td>$1,080,866</td>
<td>$1,080,866</td>
<td>$1,084,515</td>
<td>3,649</td>
<td>N/A</td>
<td>3.41%</td>
<td>1</td>
</tr>
<tr>
<td>Money Market-Bank of America</td>
<td>N/A</td>
<td>N/A</td>
<td>$193,962</td>
<td>$193,962</td>
<td>$193,962</td>
<td>-</td>
<td>N/A</td>
<td>1.22%</td>
<td>1</td>
</tr>
<tr>
<td>Treasury Reserve Funds-Nations</td>
<td>N/A</td>
<td>N/A</td>
<td>$1,465,034</td>
<td>$1,465,034</td>
<td>$1,465,034</td>
<td>-</td>
<td>N/A</td>
<td>3.34%</td>
<td>13</td>
</tr>
<tr>
<td>Deutsche Asset Mgmt Funds</td>
<td>N/A</td>
<td>N/A</td>
<td>$755,199</td>
<td>$755,199</td>
<td>$755,199</td>
<td>-</td>
<td>N/A</td>
<td>3.76%</td>
<td>51</td>
</tr>
<tr>
<td>Government Reserve Funds-Nations</td>
<td>N/A</td>
<td>N/A</td>
<td>$84,241</td>
<td>$84,241</td>
<td>$84,241</td>
<td>-</td>
<td>N/A</td>
<td>3.35%</td>
<td>46</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>US Treasury and Agency Obligations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>07/01/2005</td>
<td>10/03/2005</td>
<td>$235,778</td>
<td>$235,778</td>
<td>$239,086</td>
<td>$3,308</td>
<td>239,086</td>
<td>4.58%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>$239,525</td>
<td>$239,525</td>
<td>$239,675</td>
<td>$150</td>
<td>239,675</td>
<td>4.58%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>07/01/2005</td>
<td>10/03/2005</td>
<td>$317,894</td>
<td>$317,894</td>
<td>$322,355</td>
<td>$4,461</td>
<td>322,355</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>07/01/2005</td>
<td>10/03/2005</td>
<td>$1,016,259</td>
<td>$1,016,259</td>
<td>$1,030,519</td>
<td>$14,260</td>
<td>1,030,519</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>$1,016,551</td>
<td>$1,016,551</td>
<td>$1,017,184</td>
<td>$634</td>
<td>1,017,184</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>07/01/2005</td>
<td>10/03/2005</td>
<td>$178,646</td>
<td>$178,646</td>
<td>$181,153</td>
<td>$2,507</td>
<td>181,153</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>$176,241</td>
<td>$176,241</td>
<td>$176,351</td>
<td>$110</td>
<td>176,351</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>07/01/2005</td>
<td>10/03/2005</td>
<td>$3,011,454</td>
<td>$3,011,454</td>
<td>$3,053,710</td>
<td>$42,256</td>
<td>3,053,710</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>07/01/2005</td>
<td>10/03/2005</td>
<td>$298,136</td>
<td>$298,136</td>
<td>$302,320</td>
<td>$4,183</td>
<td>302,320</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>$295,244</td>
<td>$295,244</td>
<td>$295,428</td>
<td>$184</td>
<td>295,428</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>07/01/2005</td>
<td>10/03/2005</td>
<td>$270,644</td>
<td>$270,644</td>
<td>$274,441</td>
<td>$3,798</td>
<td>274,441</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>$271,377</td>
<td>$271,377</td>
<td>$271,547</td>
<td>$169</td>
<td>271,547</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>07/01/2005</td>
<td>10/03/2005</td>
<td>$1,544,824</td>
<td>$1,544,824</td>
<td>$1,545,787</td>
<td>$963</td>
<td>1,545,787</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FHL Bk Disc Note</td>
<td>07/01/2005</td>
<td>10/03/2005</td>
<td>$1,543,755</td>
<td>$1,543,755</td>
<td>$1,565,417</td>
<td>$21,661</td>
<td>1,565,417</td>
<td>4.59%</td>
<td>3</td>
</tr>
<tr>
<td>FNMA Disc Note</td>
<td>08/24/2005</td>
<td>10/03/2005</td>
<td>$996,144</td>
<td>$996,144</td>
<td>$1,000,000</td>
<td>$3,856</td>
<td>1,000,000</td>
<td>3.68%</td>
<td>3</td>
</tr>
</tbody>
</table>

| | | | | | | | | | |
| | | | | | | | | | |
| **Total** | $90,124,340 | $90,124,340 | $90,124,089 | $3,709 | | | | | |
DETAIL OF PORTFOLIO BALANCES
as of September 30, 2005

Investment
FNMA Disc Note
FNMA Disc Note
FNMA Disc Note
FNMA Disc Note
FNMA Disc Note
FNMA Disc Note
FNMA Disc Note
FNMA Disc Note
FNMA Disc Note
FNMA Disc Note
FNMA Disc Note
FNMA Disc Note
FHL Bk Cons Disc Note
FHL Mtg Corp Disc Note
FHL Bk Cons Disc Note
US Treasury Notes
FNMA Disc Note
Tenn Valley Auth Disc Note
FHL Mtg Corp Disc Note
FNMA Disc Note
FHL Bk Cons Disc Note
FHL Bk Cons Disc Note
US Treasury Notes
FHL Bk Cons Disc Note
FHL Mtg Corp Disc Note
FHL Mtg Corp Disc Note
FNMA Disc Note
FHLB Global Notes
FHL Bk Cons Disc Note
FHL Mtg Corp Disc Note
FHLMC Global Ref Notes
FHLMC Disc Note
FNMA Notes
FNMA Global Benchmark Notes
FHLB Notes (Callable)
FHLMC Notes (Callable)
FHLB Tap Notes
FNMA Notes (Callable)
FHLB Notes (Callable)
US Treasury Notes
FHLB Notes (Callable)

Purchase
Date

Maturity
Date

09/01/2005
09/01/2005
09/20/2005
09/01/2005
09/20/2005
09/01/2005
09/01/2005
09/20/2005
09/01/2005
09/01/2005
09/01/2005
09/20/2005
04/20/2005
08/24/2005
08/26/2005
11/10/2003
08/24/2005
09/30/2005
08/26/2005
09/02/2005
09/26/2005
09/02/2005
12/02/2003
09/26/2005
09/26/2005
09/16/2005
09/14/2005
12/08/2003
09/22/2005
09/30/2005
07/17/2003
08/17/2005
07/25/2005
07/11/2005
03/24/2004
06/11/2003
03/09/2005
02/20/2004
02/24/2004
06/03/2004
03/25/2004

10/03/2005
10/03/2005
10/03/2005
10/03/2005
10/03/2005
10/03/2005
10/03/2005
10/03/2005
10/03/2005
10/03/2005
10/03/2005
10/03/2005
10/12/2005
10/24/2005
10/28/2005
10/31/2005
11/02/2005
11/10/2005
11/10/2005
11/16/2005
11/21/2005
11/30/2005
11/30/2005
12/02/2005
12/06/2005
12/12/2005
12/13/2005
12/15/2005
12/21/2005
01/10/2006
07/15/2006
07/25/2006
08/18/2006
11/15/2006
11/24/2006
12/11/2006
02/15/2007
02/20/2007
05/07/2007
05/15/2007
06/25/2007

Purchase
Price
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$

239,491
316,673
316,661
1,016,564
1,016,649
176,265
3,011,391
3,011,616
295,273
271,372
1,544,827
1,544,974
984,590
993,968
993,735
1,422,332
993,000
995,809
992,358
992,542
994,338
991,125
1,046,924
993,207
992,663
991,131
1,487,322
999,590
990,725
989,120
2,740,234
2,694,930
2,599,449
4,609,440
1,514,085
2,498,125
2,429,361
1,000,000
1,001,250
2,393,690
2,500,000

Book Value
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$

239,491
316,673
316,661
1,016,564
1,016,649
176,265
3,011,391
3,011,616
295,273
271,372
1,544,827
1,544,974
984,590
993,968
993,735
1,434,469
993,000
995,809
992,358
992,542
994,338
991,125
1,049,743
993,207
992,663
991,131
1,487,322
999,958
990,725
989,120
2,564,750
2,708,755
2,599,504
4,622,559
1,500,000
2,499,342
2,416,848
1,000,000
1,000,000
2,394,280
2,500,000

7

Market Value
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$

240,612
318,154
317,204
1,021,319
1,018,393
177,090
3,025,475
3,016,780
296,655
272,643
1,552,052
1,547,623
999,100
997,900
997,500
1,442,853
996,930
995,809
996,110
995,500
994,990
994,070
1,054,073
993,710
993,290
992,660
1,488,840
1,003,188
991,720
989,440
2,551,684
2,705,349
2,610,942
4,647,106
1,495,911
2,463,693
2,414,763
984,667
994,675
2,383,977
2,463,035

Unrealized
Gain / (Loss)
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$
$

1,121
1,481
543
4,755
1,743
825
14,084
5,165
1,382
1,270
7,225
2,649
14,510
3,932
3,765
8,384
3,930
(0)
3,752
2,958
652
2,945
4,330
503
627
1,529
1,518
3,230
995
320
(13,066)
(3,406)
11,438
24,547
(4,089)
(35,649)
(2,085)
(15,333)
(5,325)
(10,303)
(36,965)

Par Value
240,612
318,154
317,204
1,021,319
1,018,393
177,090
3,025,475
3,016,780
296,655
272,643
1,552,052
1,547,623
1,000,000
1,000,000
1,000,000
1,435,000
1,000,000
1,000,000
1,000,000
1,000,000
1,000,000
1,000,000
1,050,000
1,000,000
1,000,000
1,000,000
500,000
1,000,000
1,000,000
1,000,000
2,500,000
2,800,000
2,600,000
4,690,000
1,500,000
2,500,000
2,385,000
1,000,000
1,000,000
2,395,000
2,500,000

Yield
on Cost
5.31%
5.06%
5.06%
5.06%
5.06%
5.31%
5.06%
5.06%
5.31%
5.31%
5.06%
5.06%
3.60%
3.60%
3.60%
2.08%
3.68%
3.79%
3.68%
3.68%
3.68%
3.68%
2.03%
3.77%
3.77%
3.77%
3.77%
2.27%
3.77%
3.84%
2.17%
4.10%
4.02%
3.95%
2.76%
2.47%
3.87%
3.00%
3.16%
3.14%
3.01%

Weighted
Average Days
to Maturity
3
3
3
3
3
3
3
3
3
3
3
3
12
24
28
31
33
41
41
47
52
61
61
63
67
73
74
76
82
102
278
292
305
395
403
421
479
488
556
564
604


## DETAIL OF PORTFOLIO BALANCES
### as of September 30, 2005

<table>
<thead>
<tr>
<th>Investment</th>
<th>Purchase Date</th>
<th>Maturity Date</th>
<th>Purchase Price</th>
<th>Book Value</th>
<th>Market Value</th>
<th>Unrealized Gain / (Loss)</th>
<th>Par Value</th>
<th>Yield on Cost</th>
<th>Weighted Average Days to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIG FDG Disc Comm Paper</td>
<td>08/22/2005</td>
<td>10/06/2005</td>
<td>$ 497,756</td>
<td>$ 497,756</td>
<td>$ 499,840</td>
<td>$ 2,084</td>
<td>500,000</td>
<td>4.20%</td>
<td>6</td>
</tr>
<tr>
<td>Amer Express Disc Comm Paper</td>
<td>08/22/2005</td>
<td>10/13/2005</td>
<td>$ 497,393</td>
<td>$ 497,393</td>
<td>$ 499,470</td>
<td>$ 2,077</td>
<td>500,000</td>
<td>4.20%</td>
<td>13</td>
</tr>
<tr>
<td>UBS Fin Disc Comm Paper</td>
<td>08/24/2005</td>
<td>10/17/2005</td>
<td>$ 497,278</td>
<td>$ 497,278</td>
<td>$ 499,265</td>
<td>$ 1,988</td>
<td>500,000</td>
<td>4.20%</td>
<td>17</td>
</tr>
<tr>
<td>Barclays LLC Disc Comm Paper</td>
<td>08/25/2005</td>
<td>10/19/2005</td>
<td>$ 497,242</td>
<td>$ 497,242</td>
<td>$ 499,160</td>
<td>$ 1,918</td>
<td>500,000</td>
<td>4.20%</td>
<td>19</td>
</tr>
<tr>
<td>Gen Elect Cap Disc Comm Paper</td>
<td>08/22/2005</td>
<td>10/21/2005</td>
<td>$ 496,975</td>
<td>$ 496,975</td>
<td>$ 499,060</td>
<td>$ 2,085</td>
<td>500,000</td>
<td>4.20%</td>
<td>21</td>
</tr>
<tr>
<td>Windmill FDG Disc Comm Paper</td>
<td>08/22/2005</td>
<td>11/02/2005</td>
<td>$ 496,350</td>
<td>$ 496,350</td>
<td>$ 498,405</td>
<td>$ 2,055</td>
<td>500,000</td>
<td>4.20%</td>
<td>33</td>
</tr>
<tr>
<td>Citi Group Disc Comm Paper</td>
<td>09/22/2005</td>
<td>12/07/2005</td>
<td>$ 495,957</td>
<td>$ 495,957</td>
<td>$ 496,480</td>
<td>$ 523</td>
<td>500,000</td>
<td>4.38%</td>
<td>68</td>
</tr>
<tr>
<td>Suisse First Boston Comm Paper</td>
<td>09/27/2005</td>
<td>12/08/2005</td>
<td>$ 496,150</td>
<td>$ 496,150</td>
<td>$ 496,425</td>
<td>$ 275</td>
<td>500,000</td>
<td>4.11%</td>
<td>69</td>
</tr>
<tr>
<td>Gen Elect Cap Disc Comm Paper</td>
<td>09/27/2005</td>
<td>12/28/2005</td>
<td>$ 495,017</td>
<td>$ 495,017</td>
<td>$ 495,300</td>
<td>$ 283</td>
<td>500,000</td>
<td>4.12%</td>
<td>89</td>
</tr>
</tbody>
</table>

| Total Portfolio:               |               |               | $ 4,470,118     | $ 4,470,118 | $ 4,483,405  | $ 13,287                |           |               |                                  |

| Total Portfolio:               | $ 166,921,682 | $ 166,762,479 | $ 166,893,940  | $ 131,461    |
QUARTERLY PROGRESS REPORT ON TRANSPORTATION PROJECTS – JULY TO SEPTEMBER 2005

Introduction

This quarterly report summarizes the current status of major highway, transit, arterial, traffic management, and transportation demand management (TDM) projects in SANDAG’s five-year Regional Transportation Improvement Program (RTIP) for July to September 2005. The TransNet one-half cent local sales tax and other local, state, and federal revenue sources fund the projects. The projects contained in this report have been previously prioritized and are included in the 2030 Regional Transportation Plan (RTP). This item is presented to the Board of Directors for information.

Attachment 1 - TransNet Program - indicates that sales tax revenue available for allocation was $58.9 million in the first quarter of FY 2006. Revenue for the fiscal year is 5.7 percent higher than it was last fiscal year at this time. Revenue is approximately 4.0 percent higher than the FY 2006 TransNet Program budget to date. These revenue increases, however, are offset by higher construction costs. The California Highway Construction Price Index is currently 28.7 percent higher than last year at this time. Revenue available for allocation since the inception of the TransNet Program totals $2.672 billion.

Highway Projects

Attachment 2 - Highway Projects - provides cost and schedule information on the major highway projects in the San Diego region. The accompanying map (Attachment 3 - Major Highway Projects) locates these projects.

The design of Unit 5 of the I-15 Managed Lanes (Middle) project (project #18) has been completed. This is the fifth of five segments for the Managed Lanes project to go out to construction between State Route (SR) 56 and Centre City Parkway. Caltrans will advertise this project by January 2006. Grant Anticipation Revenue Vehicle (GARVEE) bond proceeds, TransNet, and federal resources will fund construction of this section, which includes work between Rancho Bernardo Road in San Diego and Clarence Lane in Escondido. Completion of the entire Managed Lanes (Middle) project is scheduled for December 2007.

Caltrans opened to traffic the SR 76/Olive Hill Road Intersection Improvements (project #26). This TransNet-funded project is alleviating congestion by widening SR 76 on the east and westbound approaches to the intersection, thus improving the traffic operations for through traffic as well as for those making left- and right-turn moves.
Transit and Bikeway Projects

Attachment 4 – Transit and Bikeway Projects – provides cost and schedule information on the major transit and bikeway projects in the San Diego region. The accompanying map (Attachment 5 – Major Transit and Bikeway Projects) locates these projects.

Construction on the North County Transit District (NCTD) SPRINTER Light Rail Transit project (project #46) continues. A major boost to the project’s funding package occurred when the California Transportation Commission earlier approved an $80 million allocation in Traffic Congestion Relief Program (TCRP) Funds. Completion of this project is scheduled for December 2007.

Arterial and Freeway Interchange Projects

Attachment 6 – Arterial and Freeway Interchange Projects – provides cost and schedule information on the major arterial and interchange projects in the San Diego region. The accompanying map (Attachment 7 – Major Arterial and Interchange Projects) locates these projects.

The City of Santee awarded the construction contract for the Forester Creek Channelization project (project #108). This project will channel Forester Creek between Mission Gorge Road and Prospect Avenue. Completion of this project is a critical element for the start of construction of the State Route 52 extension to SR 67 (project #22). Completion of the channelization project is scheduled for June 2007.

Traffic and Demand Management

Attachment 8 – Traffic Management and Intelligent Transportation System Projects – provides cost and schedule information on the major traffic management and intelligent transportation system projects in the San Diego region. The accompanying map (Attachment 9 – Major Traffic Management Projects) locates some of these projects, as applicable.

The California Transportation Commission allocated $1.17 million in State Transportation Improvement Program (STIP) funds for the Changeable Message Signs (CMS) project (project #121). This Transportation Systems Management project will install CMSs along I-5 to provide motorists with opportune traffic condition information. Completion of this project is scheduled for early 2007.

Attachment 10 – Transportation Demand and Incident Management – summarizes monthly activities in those functional areas. Attachment 11 – Freeway Service Patrol Assists – summarizes the number of assists by each of the Freeway Service Patrol beats. Attachment 12 – Vanpool Program – summarizes the number of daily vanpool origins by major area.

Transportation Demand Management (TDM) programs reduced an estimated 69,200 pounds of smog-forming pollution during the first quarter of FY 2006, an increase of 14 percent over last year at this time. During this same time period, the Freeway Service Patrol assisted approximately 15,100 motorists, about 5 percent more than last quarter.

SANDAG’s Vanpool Program participation rate continues to increase, growing 24 percent in the last year, from 363 vanpools to 451 vanpools. Vanpools from outside San Diego County represent 49 percent of all vanpools and have increased 19 percent in the past year from 184 to 219 vanpools. Vanpools originating in Riverside County continue to be a large and fast-growing component of the
program, increasing 19 percent from 152 to 181 in the last year and accounting for 40 percent of all the regional vanpools. Average ridership per vanpool was approximately 8.6 passengers, with 3,867 daily passengers participating in the program.

**Employer Programs:** During the quarter, staff contacted 99 employers. Thirteen formal presentations were delivered to employers, and six employer surveys were completed resulting in over 800 match lists.

**Marketing/Outreach:** The Survive the Drive marketing program continued with monthly bulletins and promotions e-mailed to employers in the Sorrento Valley area. Staff attended six human resources and facility managers’ association events. A SchoolPool promotion was developed and implemented. The SchoolPool promotion resulted in coverage on four local television news channels as well as local area newspapers.

GARY L. GALLEGOS  
Executive Director

**Attachments:**  
1. TransNet Program  
2. Highway Projects  
3. Major Highway Projects (map)  
4. Transit and Bikeway Projects  
5. Major Transit and Bikeway Projects (map)  
6. Arterial and Freeway Interchange Projects  
7. Arterial and Interchange Projects (map)  
8. Traffic Management and Intelligent Transportation System Projects  
9. Major Traffic Management Projects (map)  
10. Transportation Demand and Incident Management  
11. Freeway Service Patrol Assists (map)  
12. Vanpool Program (map)

**Key Staff Contact:** José A. Nuncio, (619) 699-1908, jnu@sandag.org

Funds are budgeted in the TransNet, STIP-RIP, RSTP, and CMAQ Programs.
### TransNet Program – July-September 2005 Progress Report

<table>
<thead>
<tr>
<th>Program &amp; Recipient</th>
<th>TransNet Allocations</th>
<th>Fund Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>This Quarter</td>
<td>FY To Date</td>
</tr>
<tr>
<td><strong>BICYCLE ELEMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various Agencies</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td></td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td><strong>WALKABLE COMMUNITIES DEMONSTRATION PROGRAM</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various Agencies</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td><strong>HIGHWAY ELEMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programwide</td>
<td>19,545,985</td>
<td>19,545,985</td>
</tr>
<tr>
<td></td>
<td>$19,545,985</td>
<td>$19,545,985</td>
</tr>
<tr>
<td><strong>TRANSIT ELEMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elderly/Disabled (Various Agencies)</td>
<td>195,460</td>
<td>195,460</td>
</tr>
<tr>
<td>MTS</td>
<td>13,850,179</td>
<td>13,850,179</td>
</tr>
<tr>
<td>NCTD</td>
<td>5,500,347</td>
<td>5,500,347</td>
</tr>
<tr>
<td></td>
<td>$19,545,985</td>
<td>$19,545,985</td>
</tr>
<tr>
<td><strong>LOCAL STREET &amp; ROAD ELEMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carlsbad</td>
<td>657,724</td>
<td>657,724</td>
</tr>
<tr>
<td>Chula Vista</td>
<td>1,262,767</td>
<td>1,262,767</td>
</tr>
<tr>
<td>Coronado</td>
<td>161,457</td>
<td>161,457</td>
</tr>
<tr>
<td>Del Mar</td>
<td>50,998</td>
<td>50,998</td>
</tr>
<tr>
<td>El Cajon</td>
<td>591,106</td>
<td>591,106</td>
</tr>
<tr>
<td>Encinitas</td>
<td>417,805</td>
<td>417,805</td>
</tr>
<tr>
<td>Oceanside</td>
<td>855,721</td>
<td>855,721</td>
</tr>
<tr>
<td>Imperial Beach</td>
<td>167,625</td>
<td>167,625</td>
</tr>
<tr>
<td>La Mesa</td>
<td>377,684</td>
<td>377,684</td>
</tr>
<tr>
<td>Lemon Grove</td>
<td>176,371</td>
<td>176,371</td>
</tr>
<tr>
<td>National City</td>
<td>341,293</td>
<td>341,293</td>
</tr>
<tr>
<td>Oceanside</td>
<td>1,084,079</td>
<td>1,084,079</td>
</tr>
<tr>
<td>Poway</td>
<td>361,270</td>
<td>361,270</td>
</tr>
<tr>
<td>San Diego City</td>
<td>7,855,276</td>
<td>7,855,276</td>
</tr>
<tr>
<td>San Marcos</td>
<td>448,460</td>
<td>448,460</td>
</tr>
<tr>
<td>Santee</td>
<td>346,742</td>
<td>346,742</td>
</tr>
<tr>
<td>Solana Beach</td>
<td>110,603</td>
<td>110,603</td>
</tr>
<tr>
<td>Vista</td>
<td>631,943</td>
<td>631,943</td>
</tr>
<tr>
<td>County of San Diego</td>
<td>3,627,063</td>
<td>3,627,063</td>
</tr>
<tr>
<td></td>
<td>$19,545,985</td>
<td>$19,545,985</td>
</tr>
<tr>
<td><strong>TransNet PROGRAM</strong></td>
<td>$58,887,956</td>
<td>$58,887,956</td>
</tr>
</tbody>
</table>

1) TransNet Allocations consist of tax allocations from the State plus interest earnings.
2) Disbursements include cash disbursements and bond proceeds. Debt service costs are not included.
## Highway Projects

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Sponsor Agency</th>
<th>Description/Limits</th>
<th>Phase</th>
<th>Completion</th>
<th>Cost and Budget</th>
<th>Current Completion</th>
<th>On Schedule?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Title</strong></td>
<td><strong>Description/Limits</strong></td>
<td><strong>Current Phase</strong></td>
<td><strong>Total Project</strong></td>
<td><strong>Cost and Budget</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>I-5 Realignment</td>
<td>US GSA/Caltrans</td>
<td>Environmental</td>
<td>Dec-06</td>
<td>$47,000</td>
<td>$14,273</td>
<td>$47,000</td>
</tr>
<tr>
<td>2</td>
<td>I-5 Widening</td>
<td>Caltrans</td>
<td>Construction</td>
<td>Jun-07</td>
<td>$9,640</td>
<td>$9,640</td>
<td>$11,100</td>
</tr>
<tr>
<td>3</td>
<td>I-5/I-8 Interchange</td>
<td>Caltrans</td>
<td>Environmental</td>
<td>Jul-06</td>
<td>$23,100</td>
<td>$1,200</td>
<td>$23,100</td>
</tr>
<tr>
<td>5</td>
<td>I-5 HOV/Managed Lanes</td>
<td>Caltrans</td>
<td>Environmental</td>
<td>Apr-08</td>
<td>$1,400,000</td>
<td>$27,837</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>6</td>
<td>I-5/SR 56 Connectors</td>
<td>City of San Diego</td>
<td>Environmental</td>
<td>Jan-10</td>
<td>$140,000</td>
<td>$8,396</td>
<td>$140,000</td>
</tr>
<tr>
<td>7</td>
<td>I-5/SR 78 Connectors</td>
<td>Caltrans</td>
<td>Feasibility Study</td>
<td>Jan-06</td>
<td>$120,000</td>
<td>$1,000</td>
<td>$120,000</td>
</tr>
<tr>
<td>8</td>
<td>I-8 Widening (Eastbound)</td>
<td>Caltrans</td>
<td>Design</td>
<td>Sep-07</td>
<td>$11,500</td>
<td>$11,500</td>
<td>$9,400</td>
</tr>
<tr>
<td>9</td>
<td>SR 11 4-Lane Freeway</td>
<td>Caltrans</td>
<td>Environmental</td>
<td>Dec-11</td>
<td>$260,000</td>
<td>$8,000</td>
<td>$260,000</td>
</tr>
<tr>
<td>10</td>
<td>I-15 Widening (Southbound)</td>
<td>Caltrans</td>
<td>Complete</td>
<td></td>
<td>$9,300</td>
<td>$9,300</td>
<td>$9,300</td>
</tr>
<tr>
<td>11</td>
<td>I-15 Managed Lanes South</td>
<td>Caltrans</td>
<td>Design</td>
<td>Jan-09</td>
<td>$218,000</td>
<td>$62,000</td>
<td>$218,000</td>
</tr>
<tr>
<td>12</td>
<td>I-15 Widening</td>
<td>Caltrans</td>
<td>Complete</td>
<td></td>
<td>$37,000</td>
<td>$37,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>13</td>
<td>I-15 Widening</td>
<td>Caltrans</td>
<td>Construction</td>
<td>Dec-06</td>
<td>$22,000</td>
<td>$22,000</td>
<td>$22,000</td>
</tr>
<tr>
<td>14</td>
<td>I-15 Managed Lanes Middle</td>
<td>Caltrans</td>
<td>Construction</td>
<td>Dec-07</td>
<td>$35,000</td>
<td>$35,000</td>
<td>$57,000</td>
</tr>
<tr>
<td>15</td>
<td>I-15 Managed Lanes Middle</td>
<td>Caltrans</td>
<td>Construction</td>
<td>Dec-07</td>
<td>$66,000</td>
<td>$66,000</td>
<td>$66,000</td>
</tr>
<tr>
<td>16</td>
<td>I-15 Managed Lanes Middle</td>
<td>Caltrans</td>
<td>Construction</td>
<td>Dec-07</td>
<td>$61,000</td>
<td>$61,000</td>
<td>$61,000</td>
</tr>
</tbody>
</table>

*TransNet funded projects in **bold**

Underlined items changed from last report

* Work suspended due to program budget deficit

November 2005
<table>
<thead>
<tr>
<th>Project Title</th>
<th>Sponsor Agency</th>
<th>Description/Limits</th>
<th>Phase</th>
<th>Completion</th>
<th>Total Project Cost and Budget (in $1,000's)</th>
<th>Approved Budget (in $1,000's)</th>
<th>Funded Budget (in $1,000's)</th>
<th>Cost to Complete (in $1,000's)</th>
<th>Current Completion On Schedule?</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 I-15 Managed Lanes Middle</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$109,000 $120,000</td>
<td>$109,000</td>
<td>$109,000</td>
<td>$109,000</td>
<td>On Schedule</td>
</tr>
<tr>
<td>18 SR 52 HOV/Managed Lanes</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$60,000 $30,000</td>
<td>$60,000</td>
<td>$60,000</td>
<td>$60,000</td>
<td>On Schedule</td>
</tr>
<tr>
<td>19 I-15 Managed Lanes North</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$120,000 $11,600</td>
<td>$120,000</td>
<td>$80,000</td>
<td>$120,000</td>
<td>On Schedule</td>
</tr>
<tr>
<td>20 SR 76 Widening Middle</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$26,400 $365,575</td>
<td>$26,400</td>
<td>$26,400</td>
<td>$26,400</td>
<td>On Schedule</td>
</tr>
<tr>
<td>21 SR 76 Widening Middle</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$8,400 $3,670</td>
<td>$8,400</td>
<td>$8,400</td>
<td>$4,200</td>
<td>On Schedule</td>
</tr>
<tr>
<td>22 SR 78 Widening East</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$36,860 $36,860</td>
<td>$36,860</td>
<td>$36,860</td>
<td>$36,860</td>
<td>On Schedule</td>
</tr>
<tr>
<td>23 SR 78 Widening East</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$10,100 $10,100</td>
<td>$10,100</td>
<td>$10,100</td>
<td>$10,100</td>
<td>On Schedule</td>
</tr>
<tr>
<td>24 SR 78 Intersection</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$20,000 $25,000</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
<td>On Schedule</td>
</tr>
<tr>
<td>25 SR 78 Intersection</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$4,147 $2,104</td>
<td>$4,147</td>
<td>$4,147</td>
<td>$4,147</td>
<td>On Hold</td>
</tr>
<tr>
<td>26 SR 78 Widening East</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$36,860 $36,860</td>
<td>$36,860</td>
<td>$36,860</td>
<td>$36,860</td>
<td>On Schedule</td>
</tr>
<tr>
<td>27 SR 78 Widening East</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$106,300 $106,300</td>
<td>$106,300</td>
<td>$106,300</td>
<td>$106,300</td>
<td>On Hold</td>
</tr>
<tr>
<td>28 SR 94 Capacity Enhancement*</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$20,000 $400,000</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$400,000</td>
<td>Behind</td>
</tr>
<tr>
<td>29 SR 94 Noise Barriers</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$106,300 $106,300</td>
<td>$106,300</td>
<td>$106,300</td>
<td>$106,300</td>
<td>On Hold</td>
</tr>
<tr>
<td>30 SR 94/SR 125 Connectors*</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$1,476 $1,214</td>
<td>$1,476</td>
<td>$1,476</td>
<td>$1,476</td>
<td>On Hold</td>
</tr>
<tr>
<td>31 SR 125/54 6-Lane</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$36,860</td>
<td>$36,860</td>
<td>$36,860</td>
<td>$36,860</td>
<td>On Schedule</td>
</tr>
<tr>
<td>32 SR 125/54 6-Lane</td>
<td>Caltrans</td>
<td></td>
<td></td>
<td></td>
<td>$101,720 $101,720</td>
<td>$101,720</td>
<td>$101,720</td>
<td>$101,720</td>
<td>On Schedule</td>
</tr>
</tbody>
</table>

* Work suspended due to program budget deficit

TransNet funded projects in bold

Underlined items changed from last report
<table>
<thead>
<tr>
<th>Project Title</th>
<th>Description/Limits</th>
<th>Sponsor Agency</th>
<th>Current Phase</th>
<th>Approved Budget (&lt;1,000's)</th>
<th>Funded Budget (&lt;1,000's)</th>
<th>Cost to Complete (&lt;1,000's)</th>
<th>Current Completion</th>
<th>On Schedule?</th>
</tr>
</thead>
<tbody>
<tr>
<td>33 SR 125 4-Lane Toll Highway</td>
<td>SR 905 to San Miguel Rd</td>
<td>CTV</td>
<td>Design-Build</td>
<td>Sep-06</td>
<td>$635,000</td>
<td>$635,000</td>
<td>$635,000</td>
<td>2006</td>
</tr>
<tr>
<td>34 I-805 Managed Lanes</td>
<td>Telegraph Canyon Rd. to I-5/I-805 &quot;Merge&quot;</td>
<td>Caltrans</td>
<td>Environmental</td>
<td>Jun-09</td>
<td>$26,000</td>
<td>$26,000</td>
<td>N/A</td>
<td>2015</td>
</tr>
<tr>
<td>35 SR 905 4-Lane Freeway</td>
<td>I-805 to U.S./Mexico Border</td>
<td>Caltrans</td>
<td>Design &amp; Right of Way</td>
<td>Apr-06</td>
<td>$309,000</td>
<td>$215,441</td>
<td>$309,000</td>
<td>2008</td>
</tr>
</tbody>
</table>

**Totals**

<table>
<thead>
<tr>
<th>Approved Budget (&lt;1,000's)</th>
<th>Funded Budget (&lt;1,000's)</th>
<th>Cost to Complete (&lt;1,000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,205,941</td>
<td>$2,299,788</td>
<td>$5,156,859</td>
</tr>
</tbody>
</table>

*TransNet funded projects in **bold**

*Underlined items changed from last report

* Work suspended due to program budget deficit

November 2005
<table>
<thead>
<tr>
<th>Project Title</th>
<th>Sponsor Agency</th>
<th>Current Phase</th>
<th>Total Project</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transit and Bikeway Projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40 San Ysidro Station</td>
<td>MTS</td>
<td>Construction Apr-06</td>
<td>$27,760</td>
<td>2006 Behind</td>
</tr>
<tr>
<td>41 Mission Valley East LRT</td>
<td>MTS</td>
<td>Complete</td>
<td>$506,000</td>
<td>Complete</td>
</tr>
<tr>
<td>42 Mid-Coast LRT</td>
<td>SANDAG</td>
<td>Environmental Jan-09</td>
<td>$670,000</td>
<td>2014 On Schedule</td>
</tr>
<tr>
<td>43 Nobel Drive Coaster Station</td>
<td>MTS</td>
<td>Design Mar-06</td>
<td>$13,090</td>
<td>2007 Behind</td>
</tr>
<tr>
<td>44 I-15 Managed Lanes/BRT</td>
<td>SANDAG</td>
<td>Design &amp; Right of Way Nov-05</td>
<td>$75,666</td>
<td>2008 On Schedule</td>
</tr>
<tr>
<td>45 Oceanside Transit Station</td>
<td>NCTD</td>
<td>Construction Jan-06</td>
<td>$11,512</td>
<td>2006 Behind</td>
</tr>
<tr>
<td>46 SPRINTER LRT</td>
<td>NCTD</td>
<td>Construction Dec-07</td>
<td>$375,500</td>
<td>2007 Behind</td>
</tr>
<tr>
<td>47 South Bay Maintenance Facility</td>
<td>MMO</td>
<td>Right of Way Jun-08</td>
<td>$13,634</td>
<td>2008 Behind</td>
</tr>
<tr>
<td>48 SDTC New Buses</td>
<td>MMO</td>
<td>Complete</td>
<td>$15,022</td>
<td>Complete</td>
</tr>
<tr>
<td>49 MTS New Buses</td>
<td>MMO</td>
<td>Complete</td>
<td>$2,265</td>
<td>Complete</td>
</tr>
<tr>
<td>50 CVT New Buses</td>
<td>CVT</td>
<td>Complete</td>
<td>$2,010</td>
<td>Complete</td>
</tr>
<tr>
<td>51 City College Station</td>
<td>MTS</td>
<td>Construction Dec-06</td>
<td>$6,189</td>
<td>2006 On Schedule</td>
</tr>
<tr>
<td>52 East County Maintenance Facility</td>
<td>MMO</td>
<td>Right of Way Jun-08</td>
<td>$13,400</td>
<td>2008 Behind</td>
</tr>
<tr>
<td>53 Grossmont Station</td>
<td>La Mesa</td>
<td>Design Nov-06</td>
<td>$2,700</td>
<td>2007 Behind</td>
</tr>
<tr>
<td>54 Trolley Station Improvements</td>
<td>MTS</td>
<td>Construction Jun-09</td>
<td>$10,903</td>
<td>2009 Behind</td>
</tr>
</tbody>
</table>

* TransNet funded projects in bold
* Underlined items changed from last report
* Work suspended due to program budget deficit

November 2005
<table>
<thead>
<tr>
<th>Project Title</th>
<th>Description/Limits</th>
<th>Sponsor Agency</th>
<th>Current Phase</th>
<th>Total Project</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>55 SDTI Bus Stop Improvements</td>
<td>CCTV Equipment Upgrades</td>
<td>SDTI</td>
<td>Advertise</td>
<td>Jan-06</td>
<td>$4,729</td>
</tr>
<tr>
<td>56 Power Substation Improvements</td>
<td>Refurbish &amp; Standardize</td>
<td>SDTI</td>
<td>Complete</td>
<td></td>
<td>$1,146</td>
</tr>
<tr>
<td>57 Operations Center</td>
<td></td>
<td>MTS</td>
<td>Commissioning</td>
<td>Nov-05</td>
<td>$3,870</td>
</tr>
<tr>
<td>58 SDTC/SDTI</td>
<td>Financial Management System</td>
<td>MTS</td>
<td>Implementation</td>
<td>Dec-05</td>
<td>$3,613</td>
</tr>
<tr>
<td>59 San Diego Transit Radio</td>
<td>AVL System</td>
<td>SDTC</td>
<td>Implementation</td>
<td>Dec-05</td>
<td>$16,675</td>
</tr>
<tr>
<td>60 Low Floor Vehicle Station</td>
<td>Platform Retrofit</td>
<td>SDTI</td>
<td>Complete</td>
<td></td>
<td>$11,469</td>
</tr>
<tr>
<td>61 Kearny Mesa Station Improvements</td>
<td>CNG Fuel Station</td>
<td>SDTC</td>
<td>Construction</td>
<td>Aug-06</td>
<td>$4,200</td>
</tr>
<tr>
<td>62 LRV Rehabilitation</td>
<td>Body and Paint</td>
<td>SDTI</td>
<td>Ongoing</td>
<td>N/A</td>
<td>$4,192</td>
</tr>
<tr>
<td>63 Traction Motor Rehabilitation</td>
<td></td>
<td>SDTI</td>
<td>Ongoing</td>
<td>N/A</td>
<td>$9,414</td>
</tr>
<tr>
<td>64 Kearny Mesa Transit Center</td>
<td>Construction</td>
<td>REGIONAL</td>
<td>On Hold</td>
<td></td>
<td>$1,470</td>
</tr>
<tr>
<td>65 Tunnel Fleet Modification</td>
<td></td>
<td>SDTI</td>
<td>Complete</td>
<td></td>
<td>$4,390</td>
</tr>
<tr>
<td>66 LRV Shop Modifications</td>
<td>Low Floor Vehicle Accommodation</td>
<td>SDTI</td>
<td>Construction</td>
<td>Nov-05</td>
<td>$2,351</td>
</tr>
<tr>
<td>67 San Ysidro Intermodal Facility</td>
<td>Freight Facility</td>
<td>MTS</td>
<td>On Hold</td>
<td>N/A</td>
<td>$12,000</td>
</tr>
<tr>
<td>68 Catenary Improvement Project</td>
<td>Component Replacement</td>
<td>MTS</td>
<td>Advertisement</td>
<td>Nov-05</td>
<td>$2,372</td>
</tr>
</tbody>
</table>

TransNet funded projects are in **bold**
Underlined items changed from last report
* Work suspended due to program budget deficit

November 2005
<table>
<thead>
<tr>
<th>Project Title</th>
<th>Sponsor Agency</th>
<th>Current Phase</th>
<th>Total Project</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>phase</td>
<td>completion</td>
<td>Approved Budget ($1,000's)</td>
</tr>
<tr>
<td>69 Coastal Rail</td>
<td>SANDAG</td>
<td>Environmental</td>
<td>Mar-06</td>
<td>$2,498</td>
</tr>
<tr>
<td>Double Track Corridor Level EIR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70 Oceanside-Escondido Bikeway</td>
<td>NCTD</td>
<td>Construction</td>
<td>Dec-07</td>
<td>$14,970</td>
</tr>
<tr>
<td>71 Coastal Rail Trail</td>
<td>SANDAG</td>
<td>Construction</td>
<td>Dec-08</td>
<td>$12,833</td>
</tr>
<tr>
<td>72 Del Mar Bluffs</td>
<td>SANDAG</td>
<td>Preliminary</td>
<td>Engineering</td>
<td>Nov-05</td>
</tr>
<tr>
<td>Stabilization</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>73 East Division Maintenance Facility</td>
<td>SANDAG</td>
<td>Design</td>
<td>Nov-05</td>
<td>$5,302</td>
</tr>
<tr>
<td>74 Santa Margarita River Bridge</td>
<td>SANDAG</td>
<td>Design</td>
<td>Oct-06</td>
<td>$31,000</td>
</tr>
<tr>
<td>Replacement &amp; 2nd Track</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>75 Sorrento-Miramar Curve</td>
<td>SANDAG</td>
<td>Final Design</td>
<td>On Hold</td>
<td>$45,200</td>
</tr>
<tr>
<td>Replacement &amp; 2nd Track</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>76 Chula Vista Nature Center</td>
<td>SANDAG</td>
<td>Complete</td>
<td></td>
<td>$318</td>
</tr>
<tr>
<td>Center Bus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>77 San Diego Bayshore Bikeway</td>
<td>SANDAG</td>
<td>Design</td>
<td>Jun-06</td>
<td>$350</td>
</tr>
<tr>
<td>Salt Works phase</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>78 Escondido-San Diego Bikeway</td>
<td>SANDAG</td>
<td>Design</td>
<td>Jan-06</td>
<td>$2,500</td>
</tr>
<tr>
<td>Mission Valley Segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Totals**

<table>
<thead>
<tr>
<th>Approved Budget ($1,000's)</th>
<th>Funded Budget ($1,000's)</th>
<th>Cost to Complete ($1,000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,965,466</td>
<td>$1,258,499</td>
<td>$1,983,629</td>
</tr>
</tbody>
</table>

*TransNet funded projects in **bold**
*Underlined items changed from last report

* Work suspended due to program budget deficit

November 2005
MAJOR TRANSIT AND BIKEWAY PROJECTS

July – September 2005

- Project Under Construction
- Project Under Development
- Bus Rapid Transit Center (BRT)
- LRT: Light Rail Transit

TRANSIT AND BIKEWAY PROJECTS

40. San Ysidro Station Enhancement
41. Mission Valley East LRT
42. Mid-Coast LRT Old Town–UTC
43. Nobel Drive Coaster Station
44a. Del Lago BRT Station
44b. Rancho Bernardo BRT Station
44c. Sabre Springs BRT Station
45. Parking Structure–Oceanside Station
46. Oceanside–Escondido Rail
47. South Bay Maintenance Facility
51. City College Station
52. East County Bus Maintenance Facility
61. Kearny Mesa Fueling Station
64. Kearny Mesa Transit Center
67. San Ysidro Intermodal Freight Facility
70. Oceanside–Escondido Rail Trail
71. North Coastal Bikeway
72. Del Mar Bluffs
74. Santa Margarita River Bridge
75. Sorrento–Miramar Curve
77. San Diego Bayshore Bikeway
78. Escondido–San Diego Bikeway

Project number refers to Project ID in Attachment 4
# Arterial and Freeway Interchange Projects

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Sponsor Agency</th>
<th>Current Phase</th>
<th>Total Project</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description/Limits</strong></td>
<td></td>
<td>Phase</td>
<td>Budget</td>
</tr>
<tr>
<td><strong>Cost and Budget</strong></td>
<td></td>
<td>Completion</td>
<td>($1,000's)</td>
</tr>
<tr>
<td><strong>Cost to</strong></td>
<td></td>
<td></td>
<td>Approved</td>
</tr>
<tr>
<td><strong>Complete</strong></td>
<td></td>
<td></td>
<td>Budget</td>
</tr>
<tr>
<td><strong>Schedule</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Completion</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>On Schedule?</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90 Extend South Melrose Drive</td>
<td>Carlsbad</td>
<td>Construction</td>
<td>Apr-06</td>
</tr>
<tr>
<td>Palomar Airport Road to Carlsbad/Vista limits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>91 Widen Rancho Santa Fe Rd.</td>
<td>Carlsbad</td>
<td>Construction</td>
<td>Jun-06</td>
</tr>
<tr>
<td>La Costa Avenue to Melrose Drive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>92 Olympic Parkway/I-805 Interchange</td>
<td>Chula Vista</td>
<td>Construction</td>
<td>Dec-05</td>
</tr>
<tr>
<td>Reconstruct and widen interchange</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>93 Coronado Tunnel</td>
<td>Coronado</td>
<td>Environmental</td>
<td>Aug-08</td>
</tr>
<tr>
<td>Construct new tunnel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>94 Widen Jamacha Road</td>
<td>El Cajon</td>
<td>Environmental</td>
<td>Dec-05</td>
</tr>
<tr>
<td>E. Main St. to South city limits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>95 Manchester Ave/I-5 Interchange</td>
<td>Encinitas</td>
<td>Environmental</td>
<td>Dec-06</td>
</tr>
<tr>
<td>Reconstruct interchange</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>96 Widen Bear/East Valley Pkwy.</td>
<td>Escondido</td>
<td>Design &amp;</td>
<td>Dec-05</td>
</tr>
<tr>
<td>Orleans to North city limits</td>
<td></td>
<td>Right of Way</td>
<td></td>
</tr>
<tr>
<td>97 Nordahl Road/SR 78 Interchange</td>
<td>Escondido</td>
<td>Environmental</td>
<td>Jun-06</td>
</tr>
<tr>
<td>Widening, Mission Avenue to Montiel Road</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>98 Widen Plaza Blvd.</td>
<td>National City</td>
<td>Environmental</td>
<td>Dec-05</td>
</tr>
<tr>
<td>Highland Avenue to Euclid Avenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>99 Rancho Del Oro Dr/SR 78 Interchange</td>
<td>Oceanside</td>
<td>Suspended</td>
<td>N/A</td>
</tr>
<tr>
<td>Vista Way to SR 78</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100 Widen Espola Road</td>
<td>Poway</td>
<td>Environmental</td>
<td>Mar-06</td>
</tr>
<tr>
<td>Twin Peaks Rd. to 900' South of Titan Way</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101 Extend Carroll Canyon Rd.</td>
<td>San Diego</td>
<td>Environmental</td>
<td>Dec-05</td>
</tr>
<tr>
<td>Sorrento Valley Rd. to Scranton Rd.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102 Genesee Ave/I-5 Interchange</td>
<td>San Diego</td>
<td>Environmental</td>
<td>Dec-05</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>103 Genesee Ave Widening</td>
<td>San Diego</td>
<td>Advertisement</td>
<td>Dec-05</td>
</tr>
<tr>
<td>I-5 to Campus Point</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TransNet funded projects in **bold**
Underlined items changed from last report
* Work suspended due to program budget deficit

November 2005
## Arterial and Freeway Interchange Projects

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Sponsor Agency</th>
<th>Current Phase</th>
<th>Total Project</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Cost and Budget</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Approved Budget ($1,000's)</td>
<td>Funded Budget ($1,000's)</td>
</tr>
<tr>
<td>104 Friars Rd./SR 163 Interchange</td>
<td>San Diego</td>
<td>Environmental</td>
<td>May-06</td>
<td>$84,400</td>
</tr>
<tr>
<td>Fashion Valley Rd. to Frazee Rd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>105 Clairemont Mesa Blvd./SR 163 Interchange</td>
<td>San Diego</td>
<td>Advertisement</td>
<td>Dec-05</td>
<td>$22,000</td>
</tr>
<tr>
<td>Kearny Mesa Rd. to Kearny Villa Rd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>106 El Camino Real</td>
<td>San Diego</td>
<td>Environmental</td>
<td>Jun-06</td>
<td>$20,000</td>
</tr>
<tr>
<td>Via de la Valie to San Dieguito Rd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>107 Las Posas Rd./SR 78 Interchange</td>
<td>San Marcos</td>
<td>Construction</td>
<td>Oct-06</td>
<td>$23,480</td>
</tr>
<tr>
<td>Construct new interchange</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>108 Forester Creek Channelization</td>
<td>Santee</td>
<td>Construction</td>
<td>Jun-07</td>
<td>$29,100</td>
</tr>
<tr>
<td>Mission Gorge Rd. to Prospect Avenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>109 Lomas Santa Fe Dr./I-5</td>
<td>Solana Beach</td>
<td>Design &amp; Right of Way</td>
<td>Jun-06</td>
<td>$27,363</td>
</tr>
<tr>
<td>Reconstruct interchange</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thunder Drive to Melrose Drive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>111 South Santa Fe Ave.</td>
<td>Co. of San Diego</td>
<td>Design &amp; Right of Way</td>
<td>Jan-07</td>
<td>$65,656</td>
</tr>
<tr>
<td>Vista city limits to San Marcos city limits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>112 Bradley Ave./SR 67 Interchange</td>
<td>Co. of San Diego</td>
<td>Environmental</td>
<td>May-07</td>
<td>$22,600</td>
</tr>
<tr>
<td>Reconstruct and widen interchange</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>113 Los Coches/8 Interchange</td>
<td>Co. of San Diego</td>
<td>Construction</td>
<td>Dec-06</td>
<td>$4,567</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| TransNet funded projects in **bold**
| Underlined items changed from last report
| * Work suspended due to program budget deficit
| November 2005

<table>
<thead>
<tr>
<th>Approved Budget ($1,000's)</th>
<th>Funded Budget ($1,000's)</th>
<th>Cost to Complete ($1,000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$642,142</strong></td>
<td><strong>$291,233</strong></td>
<td><strong>$1,098,609</strong></td>
</tr>
</tbody>
</table>
## Traffic Management and Intelligent Transportation System Projects

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Sponsor Agency</th>
<th>Current Phase</th>
<th>Total Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCTV Incident Identification System</td>
<td>Caltrans</td>
<td>Construction</td>
<td>Jul-06</td>
</tr>
<tr>
<td>I-15: SR 94 to I-8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-805: SR 94 to I-8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changeable Message Signs</td>
<td>Caltrans</td>
<td>Construction</td>
<td>Apr-07</td>
</tr>
<tr>
<td>I-5: 3 Locations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ramp Meters (Northbound)</td>
<td>Caltrans</td>
<td>Environmental</td>
<td>Feb-07</td>
</tr>
<tr>
<td>I-5: Coronado Ave. to E Street</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ramp Meters (Northbound)</td>
<td>Caltrans</td>
<td>Design</td>
<td>Sep-07</td>
</tr>
<tr>
<td>I-805: Otay Valley Rd. to E Street</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traffic Monitoring Systems</td>
<td>Caltrans</td>
<td>Design</td>
<td>Oct-08</td>
</tr>
<tr>
<td>I-5, SR 52, SR 94, and I-805</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermodal Transportation Management System</td>
<td>SANDAG</td>
<td>Design</td>
<td>Jun-07</td>
</tr>
<tr>
<td>Phase III</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smart Card Project</td>
<td>MTDB</td>
<td>Implementation</td>
<td>Dec-05</td>
</tr>
<tr>
<td>Automated Vehicle Classification</td>
<td>SANDAG</td>
<td>Design</td>
<td>Jan-06</td>
</tr>
<tr>
<td>Freeway System, Ports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advanced Traveler Information System</td>
<td>SANDAG</td>
<td>Permit Approval</td>
<td>Apr-06</td>
</tr>
<tr>
<td>Freeway System</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Monitoring System</td>
<td>SANDAG</td>
<td>Design</td>
<td>Dec-05</td>
</tr>
<tr>
<td>Arterial, Freeway, Transit Systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Arterial Management System</td>
<td>SANDAG</td>
<td>Implementation</td>
<td>Sep-06</td>
</tr>
<tr>
<td>Arterial System</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pulsing Ramp Meters</td>
<td>SANDAG</td>
<td>Proposal</td>
<td>Dec-05</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CCTV: Closed Circuit Television Camera

* Underlined items changed from last report
* Work suspended due to program budget deficit

November 2005
# Transportation Demand and Incident Management

## Jul-Sep 2005 Quarterly Progress Report

### DEMAND MANAGEMENT

<table>
<thead>
<tr>
<th>Category</th>
<th>This Quarter</th>
<th>Last Quarter</th>
<th>Fiscal Year To Date</th>
<th>Last Fiscal Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reduced Travel</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Person Trips Reduced</td>
<td>478,264</td>
<td>485,036</td>
<td>478,264</td>
<td>424,632</td>
</tr>
<tr>
<td>Vehicle Miles Traveled (VMT)</td>
<td>24,903,729</td>
<td>25,452,482</td>
<td>24,903,729</td>
<td>21,816,473</td>
</tr>
<tr>
<td><strong>Reduced Emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pounds of Smog-forming Pollution Reduced</td>
<td>69,175</td>
<td>70,701</td>
<td>69,175</td>
<td>60,600</td>
</tr>
<tr>
<td><strong>Reduced Fuel Consumption</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gallons of Fuel</td>
<td>1,357,520</td>
<td>1,387,433</td>
<td>1,357,520</td>
<td>1,189,234</td>
</tr>
<tr>
<td><strong>Reduced Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduced Auto Fees</td>
<td>12,153,020</td>
<td>12,420,812</td>
<td>12,153,020</td>
<td>10,646,440</td>
</tr>
<tr>
<td><strong>Program Activity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Vanpools</td>
<td>451</td>
<td>423</td>
<td>451</td>
<td>363</td>
</tr>
<tr>
<td>Vanpool Passengers</td>
<td>3,867</td>
<td>3,860</td>
<td>3,867</td>
<td>3,378</td>
</tr>
<tr>
<td>Companies in RideLink Subsidy Program</td>
<td>534</td>
<td>534</td>
<td>534</td>
<td></td>
</tr>
<tr>
<td>Bike Locker Members</td>
<td>343</td>
<td>318</td>
<td>343</td>
<td>407</td>
</tr>
<tr>
<td>Guaranteed Ride Home Participants</td>
<td>2,499</td>
<td>2,331</td>
<td>2,499</td>
<td>3,130</td>
</tr>
<tr>
<td>Total Phone Calls Received</td>
<td>1,648</td>
<td>2,676</td>
<td>1,648</td>
<td>2,981</td>
</tr>
<tr>
<td>Carpool Matchlists Distributed</td>
<td>2,171</td>
<td>1,089</td>
<td>2,171</td>
<td>3,008</td>
</tr>
</tbody>
</table>

### INCIDENT MANAGEMENT

<table>
<thead>
<tr>
<th>Category</th>
<th>This Quarter</th>
<th>Last Quarter</th>
<th>Fiscal Year To Date</th>
<th>Last Fiscal Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Freeway Service Patrol</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assists</td>
<td>15,098</td>
<td>14,398</td>
<td>15,098</td>
<td>13,594</td>
</tr>
<tr>
<td>(Ind. FSP for Traffic Management Plans on I-5, I-15)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Freeway Changeable Message Signs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incident Broadcasts</td>
<td>257</td>
<td>90</td>
<td>257</td>
<td>122</td>
</tr>
<tr>
<td>Broadcast Duration (total minutes)</td>
<td>3,385</td>
<td>7,654</td>
<td>3,385</td>
<td>21,887</td>
</tr>
<tr>
<td><strong>Freeway Incident Advisories</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig Alerts</td>
<td>162</td>
<td>127</td>
<td>162</td>
<td>129</td>
</tr>
<tr>
<td>Sig Alert Duration (total minutes)</td>
<td>15,158</td>
<td>11,269</td>
<td>15,158</td>
<td>12,983</td>
</tr>
</tbody>
</table>
San Diego Region

Assists by Patrol Beat

<table>
<thead>
<tr>
<th>Beat</th>
<th>Assists</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>957</td>
</tr>
<tr>
<td>2</td>
<td>705</td>
</tr>
<tr>
<td>3</td>
<td>785</td>
</tr>
<tr>
<td>4</td>
<td>685</td>
</tr>
<tr>
<td>5</td>
<td>1,232</td>
</tr>
<tr>
<td>6</td>
<td>920</td>
</tr>
<tr>
<td>7</td>
<td>883</td>
</tr>
<tr>
<td>8</td>
<td>775</td>
</tr>
<tr>
<td>9</td>
<td>1,606</td>
</tr>
<tr>
<td>10</td>
<td>240</td>
</tr>
<tr>
<td>11</td>
<td>769</td>
</tr>
<tr>
<td>12</td>
<td>1,058</td>
</tr>
<tr>
<td>13</td>
<td>1,021</td>
</tr>
</tbody>
</table>

Roving Trucks 3,462
REPORT SUMMARIZING DELEGATED ACTIONS TAKEN BY EXECUTIVE DIRECTOR FOR SEPTEMBER 2005

Introduction

Board Policy Nos. 3 and 17 require the Executive Director to report certain actions to the Board of Directors on a monthly basis.

Discussion

Board Policy No. 3


Board Policy No. 17

Board Policy No. 17, “Delegation of Authority,” requires the Executive Director to report to the Board certain actions taken at the next regular meeting. There are two types of actions taken that require reporting this month: budget transfers and procurement protests.

Budget Transfers

The policy authorizes the Executive Director to enter into agreements not currently incorporated in the budget and make other modifications to the budget in an amount up to $100,000 per transaction so long as the overall budget remains in balance. Attachment 2 provides budget transfers and amendments for September 2005 approved under the Executive Director’s authority.

Procurement Protests

Policy No. 17 also authorizes the Executive Director to provide the final determination to persons or firms filing a protest regarding SANDAG’s procurement or contracting processes or procedures. On June 3, 2005, A to Z Enterprises Inc. (Road One) filed a protest regarding Invitation for Bid (IFB) No. 5000392. Road One contended that SANDAG should not award any Freeway Service Patrol (FSP) work to J.C. Towing based on several grounds. In accordance with SANDAG’s protest procedures, SANDAG’s Executive Director appointed a Protest Committee that included a panel member (external to SANDAG) to review and respond to Road One’s protest. The Protest Committee reviewed Road One’s protest, the J.C. Towing bid package, procurement documentation from the FSP project manager, and other relevant documents. The review of the evidence did not support
Road One’s protest, and therefore, the committee recommended the protest be denied in its entirety. The Executive Director was consulted regarding the Protest Committee’s recommendation, and no appeal was filed.

GARY L. GALLEGOS
Executive Director

Attachments: 1. Investment Transactions – Monthly Activity for Securities Transactions for September 1 through September 30, 2005
2. September 2005 Budget Transfers and Amendments

Key Staff Contact: Renée Wasmund, (619) 699-1940, rwa@sandag.org
### MONTHLY ACTIVITY FOR SECURITIES TRANSACTIONS FOR SEPTEMBER 1 THROUGH SEPTEMBER 30, 2005

<table>
<thead>
<tr>
<th>Transaction Date</th>
<th>Maturity Date</th>
<th>Security</th>
<th>Par Value</th>
<th>Amount (Cost)</th>
<th>Return Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/01/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>240,612.11</td>
<td>239,491.02</td>
<td>5.310%</td>
</tr>
<tr>
<td>09/01/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>318,153.74</td>
<td>316,672.63</td>
<td>5.060%</td>
</tr>
<tr>
<td>09/01/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>296,655.36</td>
<td>295,273.14</td>
<td>5.310%</td>
</tr>
<tr>
<td>09/01/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>3,025,475.40</td>
<td>3,011,390.82</td>
<td>5.060%</td>
</tr>
<tr>
<td>09/01/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>177,090.00</td>
<td>176,264.88</td>
<td>5.310%</td>
</tr>
<tr>
<td>09/01/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>1,021,318.82</td>
<td>1,016,564.25</td>
<td>5.060%</td>
</tr>
<tr>
<td>09/01/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>272,642.53</td>
<td>271,372.19</td>
<td>5.310%</td>
</tr>
<tr>
<td>09/01/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>1,552,052.04</td>
<td>1,544,826.73</td>
<td>5.060%</td>
</tr>
<tr>
<td>09/02/2005</td>
<td>11/30/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>1,000,000.00</td>
<td>991,124.72</td>
<td>3.680%</td>
</tr>
<tr>
<td>09/02/2005</td>
<td>11/16/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>1,000,000.00</td>
<td>992,541.67</td>
<td>3.680%</td>
</tr>
<tr>
<td>09/14/2005</td>
<td>12/13/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>500,000.00</td>
<td>495,425.00</td>
<td>3.770%</td>
</tr>
<tr>
<td>09/16/2005</td>
<td>12/12/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>1,000,000.00</td>
<td>991,130.83</td>
<td>3.770%</td>
</tr>
<tr>
<td>09/20/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>317,204.30</td>
<td>316,661.29</td>
<td>5.060%</td>
</tr>
<tr>
<td>09/20/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>3,016,779.84</td>
<td>3,011,615.50</td>
<td>5.060%</td>
</tr>
<tr>
<td>09/20/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>1,018,392.76</td>
<td>1,016,469.40</td>
<td>5.060%</td>
</tr>
<tr>
<td>09/20/2005</td>
<td>10/03/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>1,547,623.10</td>
<td>1,544,973.77</td>
<td>5.060%</td>
</tr>
<tr>
<td>09/22/2005</td>
<td>12/07/2005</td>
<td>CIT GROUP INC NEW DISC COML PAPER</td>
<td>500,000.00</td>
<td>495,957.22</td>
<td>4.380%</td>
</tr>
<tr>
<td>09/22/2005</td>
<td>12/21/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NOTE</td>
<td>1,000,000.00</td>
<td>990,725.00</td>
<td>3.770%</td>
</tr>
<tr>
<td>09/26/2005</td>
<td>11/21/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NOTE</td>
<td>1,000,000.00</td>
<td>994,337.77</td>
<td>3.680%</td>
</tr>
<tr>
<td>09/26/2005</td>
<td>12/02/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>1,000,000.00</td>
<td>993,206.94</td>
<td>3.770%</td>
</tr>
<tr>
<td>09/26/2005</td>
<td>12/06/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>1,000,000.00</td>
<td>992,663.33</td>
<td>3.770%</td>
</tr>
<tr>
<td>09/26/2005</td>
<td>12/13/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>1,000,000.00</td>
<td>991,896.66</td>
<td>3.770%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>12/08/2005</td>
<td>CREDIT SUISSE FIRST BOSTON USAINC DISC COML PAPER</td>
<td>500,000.00</td>
<td>496,150.00</td>
<td>4.110%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>12/28/2005</td>
<td>GENERAL ELEC CAP CORP DISC COML PAPER</td>
<td>500,000.00</td>
<td>495,016.66</td>
<td>4.120%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>239,674.52</td>
<td>239,525.02</td>
<td>4.580%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>316,827.96</td>
<td>316,630.50</td>
<td>4.590%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>295,427.94</td>
<td>295,243.66</td>
<td>4.590%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>176,350.83</td>
<td>176,240.83</td>
<td>4.590%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>1,017,184.48</td>
<td>1,016,550.53</td>
<td>4.590%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>271,546.71</td>
<td>271,377.32</td>
<td>4.590%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>10/03/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>1,545,786.94</td>
<td>1,544,823.55</td>
<td>4.590%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>01/10/2006</td>
<td>FEDERAL HOME LN MTG CORP DISC NT</td>
<td>1,000,000.00</td>
<td>989,120.00</td>
<td>3.840%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>11/10/2005</td>
<td>TENNESSEE VALLEY AUTH DISC NTS</td>
<td>1,000,000.00</td>
<td>995,808.88</td>
<td>3.790%</td>
</tr>
</tbody>
</table>

**TOTAL BOUGHT:**

<table>
<thead>
<tr>
<th>Amount (Cost)</th>
<th>Return Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>31,538,574.39</td>
<td>4.480%</td>
</tr>
</tbody>
</table>
### MONTHLY ACTIVITY FOR SECURITIES TRANSACTIONS FOR SEPTEMBER 1 THROUGH SEPTEMBER 30, 2005

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
<th>Maturity</th>
<th>Curr. Year Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/02/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>850,000.00</td>
<td>833,962.15</td>
<td>3.420%</td>
</tr>
<tr>
<td>09/14/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NTS</td>
<td>500,000.00</td>
<td>498,290.00</td>
<td>3.430%</td>
</tr>
<tr>
<td>09/15/2005</td>
<td>FHLMC GLOBAL REFERENCE NOTES</td>
<td>2,500,000.00</td>
<td>2,541,612.50</td>
<td>2.048%</td>
</tr>
<tr>
<td>09/15/2005</td>
<td>FHLMC GLOBAL REFERENCE NOTES</td>
<td>2,000,000.00</td>
<td>2,022,186.00</td>
<td>2.313%</td>
</tr>
<tr>
<td>09/16/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>1,000,000.00</td>
<td>997,631.94</td>
<td>3.440%</td>
</tr>
<tr>
<td>09/20/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>322,043.01</td>
<td>316,662.24</td>
<td>5.500%</td>
</tr>
<tr>
<td>09/20/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>3,062,798.52</td>
<td>3,011,624.61</td>
<td>5.500%</td>
</tr>
<tr>
<td>09/20/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>1,033,927.56</td>
<td>1,016,652.47</td>
<td>5.500%</td>
</tr>
<tr>
<td>09/20/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>1,571,230.91</td>
<td>1,544,978.45</td>
<td>5.500%</td>
</tr>
<tr>
<td>09/22/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NTS</td>
<td>1,000,000.00</td>
<td>997,055.00</td>
<td>3.450%</td>
</tr>
<tr>
<td>09/22/2005</td>
<td>MET LIFE FDG INC-DISC COML PAPER</td>
<td>500,000.00</td>
<td>498,594.31</td>
<td>4.610%</td>
</tr>
<tr>
<td>09/22/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NTS</td>
<td>1,000,000.00</td>
<td>997,046.39</td>
<td>3.460%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>245,282.37</td>
<td>239,676.02</td>
<td>5.650%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>324,032.26</td>
<td>316,627.54</td>
<td>5.500%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>302,340.29</td>
<td>295,429.78</td>
<td>5.650%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>3,081,717.31</td>
<td>3,011,294.51</td>
<td>5.650%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>180,477.04</td>
<td>176,351.93</td>
<td>5.650%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>1,040,314.08</td>
<td>1,016,541.03</td>
<td>5.650%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>277,900.30</td>
<td>271,548.41</td>
<td>5.650%</td>
</tr>
<tr>
<td>09/27/2005</td>
<td>FEDERAL HOME LN MTG CORP DISC NOTE</td>
<td>1,580,936.35</td>
<td>1,544,809.09</td>
<td>5.650%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>485,550.06</td>
<td>478,900.68</td>
<td>5.540%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>599,226.67</td>
<td>591,023.86</td>
<td>5.540%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>3,039,296.87</td>
<td>3,011,597.06</td>
<td>5.560%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>357,764.18</td>
<td>352,867.05</td>
<td>5.540%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>1,025,937.67</td>
<td>1,016,587.39</td>
<td>5.560%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>550,459.09</td>
<td>542,922.37</td>
<td>5.540%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>1,558,983.90</td>
<td>1,544,775.49</td>
<td>5.560%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>FEDERAL NATL MTG ASSN DISC NOTE</td>
<td>1,000,000.00</td>
<td>996,273.33</td>
<td>3.470%</td>
</tr>
<tr>
<td>09/30/2005</td>
<td>FEDERAL HOME LN BK CONS DISC NTS</td>
<td>319,781.56</td>
<td>316,867.11</td>
<td>5.560%</td>
</tr>
<tr>
<td><strong>TOTAL MATURED</strong></td>
<td></td>
<td><strong>31,310,000.00</strong></td>
<td><strong>31,000,388.71</strong></td>
<td><strong>4.865%</strong></td>
</tr>
</tbody>
</table>

4
<table>
<thead>
<tr>
<th>PM</th>
<th>PROJECT NUMBER</th>
<th>PROJECT NAME</th>
<th>CURRENT BUDGET</th>
<th>NEW BUDGET</th>
<th>CHANGE (in 000s)</th>
<th>NOTES</th>
<th>GRANTS DEPT. APPROVAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Linthicum</td>
<td>1106900</td>
<td>Regional Miscellaneous Capital - MTS</td>
<td>$161.2</td>
<td>$164.6</td>
<td>$3.4</td>
<td>Transfer the remaining budget in 1094300 to Miscellaneous Capital project 1106900 so the project can be closed.</td>
<td>YES</td>
</tr>
<tr>
<td>M. Ruth</td>
<td>1094300</td>
<td>LRV Car Wash Sewer Line</td>
<td>$183.5</td>
<td>$180.1</td>
<td>($3.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R. Meenes</td>
<td>1048500</td>
<td>South Bay Maintenance Facility Property Expansion</td>
<td>$7,334.0</td>
<td>$7,429.0</td>
<td>$95.0</td>
<td>Transfer $95.0k from 1107900 MMO (Multimodal Operations) Battery Compartment Upgrade project to SBMF Property Expansion 1048500 for upcoming construction.</td>
<td>YES</td>
</tr>
<tr>
<td>E. Hurwitz</td>
<td>1107900</td>
<td>MMO Battery Compartment Upgrade</td>
<td>$150.0</td>
<td>$55.0</td>
<td>($95.0)</td>
<td></td>
<td>YES</td>
</tr>
<tr>
<td>D. McCaslin</td>
<td>1118000</td>
<td>MMO Maintenance Service Truck</td>
<td>$0.0</td>
<td>$80.0</td>
<td>$80.0</td>
<td>Close out project 1107700 and transfer balance of funds to</td>
<td>YES</td>
</tr>
<tr>
<td>D. McCaslin</td>
<td>1111200</td>
<td>MMO Nonrevenue Vehicles</td>
<td>$25.0</td>
<td>$59.0</td>
<td>$34.0</td>
<td>1112100 MCS Nonrevenue Vehicles.</td>
<td></td>
</tr>
<tr>
<td>E. Hurwitz</td>
<td>1113000</td>
<td>Regional Misc. Operations Capital</td>
<td>$106.0</td>
<td>$0.0</td>
<td>($106.0)</td>
<td></td>
<td>YES</td>
</tr>
<tr>
<td>D. McCaslin</td>
<td>1107700</td>
<td>MMO/Chula Vista Transit Nonrevenue Vehicles</td>
<td>$50.0</td>
<td>$42.0</td>
<td>($8.0)</td>
<td>Transfer $50k from MMO Miscellaneous Operations Capital project 111300 to project 1118000 for the purchase of one Maintenance Service Truck for the East County bus operations.</td>
<td></td>
</tr>
<tr>
<td>R. Desai</td>
<td>1104200</td>
<td>LRV Body and Paint Rehabilitation</td>
<td>$1,724.0</td>
<td>$1,724.5</td>
<td>($0.5)</td>
<td>Transfer $501.40 to LRV Body and Paint Rehabilitation project 1104200 to cover negative budget balance and close project.</td>
<td>YES</td>
</tr>
<tr>
<td>R. Desai</td>
<td>1101500</td>
<td>SDTI Miscellaneous Capital</td>
<td>$88.6</td>
<td>$88.1</td>
<td>($0.5)</td>
<td></td>
<td>YES</td>
</tr>
<tr>
<td>L. Howard</td>
<td>2004500</td>
<td>ARJIS Quality Control Study</td>
<td>$0.0</td>
<td>$50.0</td>
<td>$50.0</td>
<td>This new addition to the CJ Overall Work Program is a result of a request by the Chiefs'/Sheriffs Management Committee, accompanied by a subsequent grant.</td>
<td>YES</td>
</tr>
<tr>
<td>C. Burke</td>
<td>2004700</td>
<td>Multi-system Therapy (MST) Program Evaluation</td>
<td>$0.0</td>
<td>$43.2</td>
<td>$43.2</td>
<td>Newly acquired grant. Funded by the SD Unified School District, this effort evaluates prevention and early intervention services for mentally ill juveniles.</td>
<td>YES</td>
</tr>
<tr>
<td>C. Burke</td>
<td>2004600</td>
<td>Probation Quality Control Study (multi-year: FY06-09 = $268,400)</td>
<td>$0.0</td>
<td>$268.4</td>
<td>$268.4</td>
<td>Newly acquired grant from the San Diego County Probation Dept. to examine the effectiveness of probation detention programs.</td>
<td>YES</td>
</tr>
<tr>
<td>L. Culp</td>
<td>3001000</td>
<td>Intercity Rail and High Speed Rail Planning</td>
<td>$22.0</td>
<td>$27.0</td>
<td>$5.0</td>
<td>Additional $5,000 in local contributions to assist with this regional, intercity planning effort.</td>
<td>YES</td>
</tr>
<tr>
<td>L. Culp</td>
<td>3005300</td>
<td>Transit Planning Internship</td>
<td>$74.5</td>
<td>$163.6</td>
<td>$89.1</td>
<td>Newly acquired grant from Caltrans to provide additional funding to multiyear internship program.</td>
<td>YES</td>
</tr>
</tbody>
</table>
TransNet INTEREST RATE HEDGING PROPOSAL

Introduction

Earlier this year, the Transportation Committee and Board of Directors approved the TransNet Early Action Program (EAP) and directed staff to proceed with actions necessary to develop these EAP projects for accelerated implementation. At its May 20, 2005, meeting, the Transportation Committee approved the initial financial strategy for funding the EAP, which included expanding SANDAG’s existing TransNet Commercial Paper (CP) program from $135 million to $335 million (approved by the Board in September), and investigating hedging strategies to lock in today’s historically low rates for SANDAG’s first long-term debt issuance under the TransNet Extension planned for 2008.

Based on this direction, the staff has been working in coordination with SANDAG’s Financial Advisor, Public Financial Management (PFM), to solicit proposals from investment banking firms regarding potential approaches to locking in interest rates for the 2008 issue. Based on this proposal process, an interest rate swap structure has been developed as the recommended approach for locking in today’s low rates. The proposed structure includes three $200 million interest rate swaps with three swap counterparties (Bank of America, Goldman Sachs, and Merrill Lynch) for a total of $600 million. This total amount was based on the draft TransNet Plan of Finance for the EAP, which was considered by the Transportation Committee at its November 4, 2005, meeting. The final Plan of Finance is scheduled for the Board’s consideration at its December meeting.

A memorandum from PFM is included as Attachment 1, providing additional background on the specifics of the proposed interest rate hedging strategy, including the risks associated with such transactions, and the benefits of the transactions in terms of a potentially significant reduction in future debt service costs (estimated by PFM to save $3.1 million per year, or $93 million over the 30-year life of the transaction). It is PFM’s recommendation to proceed with the proposed interest rate hedging proposal. A policy regarding interest rate swap proposals also has been developed to provide guidance for this and all future interest rate swap proposals (Attachment 2). The Independent Taxpayer Oversight Committee (ITOC) reviewed the recommended interest rate hedging strategy at its November 2 and 9, 2005, meetings. The ITOC acted to support the interest rate hedging proposal.

Recommendation

Acting as the San Diego County Regional Transportation Commission (RTC), the Board of Directors is asked to:

1. Approve an Interest Rate Swap Policy (Attachment 2) to provide guidance on all interest rate swap transactions to be considered by SANDAG; and

2. Adopt Resolution No. RC2005-02 (Attachment 3), authorizing:
a. The issuance of up to $600 million in sales tax revenue bonds (the terms of which will be brought to the Board for approval sometime prior to April 2008);

b. A forward interest rate swap transaction in connection with the bond issue;

c. Execution and delivery of the documents listed under “Discussion” below by the Chair of the Board or the Executive Director once they are in final form, which have been included as attachments to the resolution in substantially final form; and

d. Execution and delivery of required tax certifications and closing certificates and taking such other actions as are required in connection with the swaps.

**Discussion**

Please note that recent case law in the State of California indicates that Board members have an obligation to review the attached materials related to the proposed financing before voting.

- Exhibit A - International Swap Dealers Association, Inc. ("ISDA") Master Agreement, which is a form agreement including standard swap terms.

- Exhibit B - Schedule to the Master Agreement, which supplements and amends the ISDA Master Agreement and sets out the specific business terms and conditions governing swap transactions to be entered into by the RTC with a particular swap counterparty.

- Exhibit C - ISDA Credit Support Annex (CSA), which specifies the provisions and circumstances under which posting of collateral is required. The CSA is governed by and supplements the ISDA Master Agreement.

- Exhibit D - Confirmation, which specifies the specific terms and provisions of a particular swap transaction and is executed in connection with a specific swap transaction. The Confirmation also supplements the ISDA Master Agreement.

This set of documents comprises what is commonly referred to as the “Swap Agreement." The RTC will enter into a separate set of Swap Agreement documents with each of the swap counterparties selected (Bank of America, Goldman Sachs, and Merrill Lynch). The exhibits include three versions of each exhibit (one for each counterparty) in substantially final form.

GARY L. GALLEGOS  
Executive Director

Attachments: 1. Memo from Public Financial Management dated 11/8/05  
2. Interest Rate Swap Policy  
3. San Diego County Regional Transportation Commission Resolution No. RC2005-02  
   Exhibit A – International Swap Dealers Association, Inc. ("ISDA") Master Agreement;  
   Exhibit B – Schedule to the Master Agreement;  
   Exhibit C – ISDA Credit Support Annex (CSA);  
   Exhibit D – Confirmation

Key Staff Contact: Craig Scott, (619) 699-1926, csc@sandag.org

Funds are budgeted in Work Element #11102
November 8, 2005

Memorandum

To: SANDAG Board of Directors
Independent Taxpayers Oversight Committee

From: Public Financial Management, Inc.
PFM Asset Management LLC

Re: Locking in the 2008 Cost of Funds for the TransNet Program

As we have previously discussed, SANDAG is advancing its ability to implement the Early Action Program through several financial strategies. The first is the expansion of the SANDAG commercial paper program from $135 million to $335 million. We expect this program expansion to close on November 9th.

At the same time, we have been developing a financial planning model to allow SANDAG’s staff to evaluate various project delivery strategies and to determine cash flow and financing requirements. Multiple alternatives of the financial model have been produced, and we have determined that SANDAG is expected to face an estimated financing requirement in 2008 of over $600 million.

Now that the initial financing requirement for the TransNet Early Action Program (EAP) has been identified, the third leg of our strategy, locking in a cost of funds at today’s historically low rates, can be considered.

Limiting our exposure to rising interest rates helps ensure our ability to deliver the full TransNet program and avoids the potential of having to finance in an adverse market. Several California transportation issuers, including the Bay Area Toll Authority and the Contra Costa Transportation Authority are pursuing similar strategies. While rates are beginning to move up, on a historic basis, we continue to be in an interest rate environment that is exceptionally low and is highly favorable to SANDAG.

On September 19, 2005, SANDAG received nine proposals, from the firms in the established senior manager underwriting pool, related to hedging the cost of the 2008 bonds. These proposals were carefully considered, and good ideas were generated from multiple proposals. On October 20, 2005, interviews were held with all nine firms, and SANDAG’s staff has recommended three firms to participate in the hedging program.
This proposal process has provided us with the best ideas Wall Street has to offer for the best price. Based on the proposals received and information developed during the interviews, we are recommending that SANDAG enter into interest rate exchange agreements, known as “swaps,” with three firms to establish today, the cost of its bonds in 2008. Based on rates as of November 7, 2005, SANDAG can lock in a cost of funds with an arbitrage yield of 3.79%. To put this in perspective, the average cost of funds for TransNet I was approximately 5.60%. Also, the cost today of a fixed rate, 30-year, non callable bond issue would be 4.58%. The proposed hedge would lock in a cost of funds approximately 79 basis points lower than traditional fixed rate bonds and 181 basis points lower than the 20-year average cost of funds achieved during TransNet I (100 basis points equals 1%). Based on SANDAG’s EAP financing requirements, the difference in annual debt service between today’s fixed rate transaction and this proposal is approximately $3.10 million per year for thirty years. More importantly perhaps, by entering into these agreements, SANDAG will protect itself against potential upwards movements in interest rates prior to 2008. As you know, interest rates are near historic lows, and the consensus of Wall Street analysts is for rates to move higher. Should the hedges be terminated in 2008 without the issuance of bonds, SANDAG would “break even” if rates were only 17 basis points higher than today’s rates. In order to achieve the same cost of capital on fixed rate bonds in 2008, rates would have to be 79 basis points lower than today’s rates.

From a programmatic perspective, SANDAG would be locking in the cost of funds on approximately 40% of its expected long-term debt based on the analysis conducted for the draft TransNet Plan of Finance for the Early Action Program at a rate less than 4%. We believe this would be a substantial accomplishment. The lower rates would result reduced debt service requirements making more TransNet funds available for the EAP projects and would provide important insulation to SANDAG in the event of recession, excess inflation, or potentially higher borrowing costs.

**Specific Recommendations**

PFM is recommending that SANDAG enter into three interest rate exchange agreements of $200 million each. Two of these agreements would involve SANDAG paying a fixed rate of 3.92% and receiving 65% of one month LIBOR (London Interbank Offered Rate), for 10 years. In the tenth year, the agreement would convert to the receipt of the Bond Market Association (BMA) rate for the remaining 20 years. LIBOR is a widely used proxy for taxable variable rates and BMA is a proxy for tax-exempt variable rates.

In the third agreement, SANDAG would pay a fixed rate of 3.53% and receive 65% of LIBOR for the 30-year period.

In 2008, SANDAG is expected to issue variable rate bonds, which would be paid from the variable rate payments received under the agreements (either LIBOR or BMA). This leaves SANDAG with a fixed cost of capital of 3.92% on 2/3rds on the transaction and 3.53% on one-
third of the transaction for a blended cost of 3.79%. The agreements would amortize equally over thirty years. (All interest rate quotations are as of November 7th, and are subject to market changes. In addition, fees related to remarketing and liquidity when the bonds are issued would increase the rates approximately 21 basis points.)

Based on staff’s selection process, Merrill Lynch and Goldman Sachs would serve as counterparties on the LIBOR/BMA agreements and Bank of America would be the counterparty on the LIBOR agreement.

The counterparties do not “bet against” SANDAG in the transaction but rather engage in offsetting transactions with other parties seeking in this case to have variable rate exposure. The counterparties earn a “bid/ask” spread from both parties. In the case of SANDAG, this spread has been determined to be 4 basis points. Also built into the rate is a “forward premium” to compensate the counterparty for taking interest rate risk on behalf of SANDAG through 2008. Forward premiums are historically low today, due to the flat yield curve. The forward premium cost to hedge to 2008 is approximately 13 basis points. Therefore, if rates stay flat from today, our “cost” of this hedge (spread+forward premium) is 17 basis points.

Rationale for the Recommendation and Risk Issues

The ability to lock in a cost of funds 79 basis points lower than conventional fixed rate bonds currently results from a very flat yield curve and a historically low “forward premium” cost to hedge debt. The use of interest rate exchange agreements (swaps), to lower borrowing cost is a technique that has exploded among municipal issuers in the past five years. In a low interest rate environment where it is possible to lock in a 30 year cost of funds below 4%, the economics become compelling. However, the use of this tool, and the savings to be achieved, are not without specific risks which should be understood and evaluated prior to entering into the transaction.

The first risk is counterparty risk. This is the risk that the selected counterparty will fail to perform under the terms of the agreement. SANDAG is addressing this risk by diversifying its exposure among three counterparties with strong underlying credit ratings. The three counterparties recommended are rated AA or better. This diversification provides confidence that SANDAG can rely on the performance of its counterparties. Provisions will be built into the agreement, which provide specific remedies to ensure performance in the event of a default or downgrade.

The second risk is basis risk. Basis risk is the potential that the variable rate SANDAG receives will not be sufficient to fully cover the payment on SANDAG’s variable rate bonds. In this case, in addition to the fixed rate paid under the agreement, SANDAG must also pay an additional amount to its bond holders. This issue can be acute during times of unusually low interest rates, such as we experienced in 2002-04, due to rate compression. Though the recent past has
provided an example of rate compression, we are seeing a return to more typical relationships as short-term interest rates rise. We have analyzed historic performance of variable rate bonds similar to those that will be issued in 2008 by SANDAG. In fact, based on this historical analysis, we would expect the payments received under the agreements to exceed the expected bond payments. For example, in the period 1998-2005 under a variable rate bond program managed by PFM, the underlying bonds outperformed the BMA index by 22.7 basis points. To the extent SANDAG’s bonds outperform the variable rate receipt, this will provide additional savings.

The third risk is tax risk. Tax risk is the potential that Congress would reduce the highest marginal tax brackets, and therefore, reduce the benefit of tax-exempt bond income. This would not be a problem for BMA agreements, since BMA is a tax-exempt index and would adjust to reflect the change in taxable/tax-exempt relationships. In LIBOR transactions however, a change in federal tax rates would cause bonds to trade at a percentage of the LIBOR index higher than its historical percentage. For example, rather than trading at 65% of LIBOR, if the tax exemption were to be eliminated entirely, we would expect bonds to trade at 100% of LIBOR. If under SANDAG’s agreement, it was receiving 65% and paying 100% of LIBOR, the difference would be additional cost to SANDAG. More incremental changes in the top tax rates would result in less dramatic, but similar changes. By the same token, if tax rates were to rise, we would expect the trading relationship of LIBOR to be reduced, therefore resulting in a net reduction in SANDAG’s debt service costs. Over the first ten years of the transaction, we believe tax risk is manageable. Current rates are set until 2010. In the absence of specific reauthorization, rates will automatically rise to their pre-2001 levels. Given the current state of the economy and federal budget, it is difficult to imagine a scenario where tax rates can be reduced below the levels established in 2001. A more likely scenario is that rates will be made permanent at current levels. It is because of this tax risk, that SANDAG is able to achieve such a lower rate on the LIBOR only portion of this transaction. By taking this risk, we achieve savings of 91 basis points. Because we simply cannot predict future changes in tax laws on a long-term basis, such as the advancement of the flat tax idea or a challenge to the tax exemption on bonds, we are recommending that in year ten, two-thirds of the transaction converts to a BMA swap. This essentially eliminates the tax risk for two-thirds of the bonds, while allowing us to achieve an additional 52 basis points of savings vs. a solely BMA agreement. This essentially pays us approximately $2.1 million per year to take this limited tax risk, while eliminating it on two-thirds of the transaction when potential changes could have the most impact on the TransNet program.

The fourth risk is termination risk. While SANDAG anticipates maintaining these agreements through the amortization of its proposed bonds out to 2038, and indeed, will likely covenant to issue bonds in 2008 as part of this transaction, there is the risk that SANDAG will not issue bonds or that during the course of the agreement it may wish to terminate the agreement. If interest rates are at least 17 basis points higher than current levels when the agreement terminates, the counterparties will owe a payment to SANDAG. Termination risk for SANDAG
will occur if interest rates are lower than today’s current rates. Under this market environment, SANDAG will owe a termination payment to the counterparties. To use an extreme example, assume interest rates are 100 basis points or 1% lower on March 1, 2008 and that SANDAG terminates the agreements rather than selling bonds and entering into the payment exchange. Under that environment, SANDAG could owe a payment in excess of $55 million. However, this would imply a market where the ten year Treasury bond, currently at 4.64% would be at 3.64%. Given historical performance, we would not expect rates to reach this low level, but if they did, SANDAG would be able to finance both its projects and its termination fee at record low rates in the low 3% range. Termination risk is mitigated by ensuring that SANDAG will have sufficient reason to borrow in 2008. Since we will be refunding the commercial paper and any notes that may be issued, and in light of the higher project requirements indicated in the draft Plan of Finance, we believe there will be a compelling justification for a financing in 2008 in order to maintain the schedule of the TransNet program. Given the excellent bids recently received for liquidity support on the commercial paper, and the reaffirmation of SANDAG’s AA ratings during the commercial paper process, we do not believe SANDAG will face significant market access or liquidity risk in 2008.

These risks will be discussed in more depth during the ITOC and Board meetings.

We would note that the recommended strategy is not the approach that would result in the absolute lowest cost of capital. By taking a higher exposure to the aforementioned risks, SANDAG could achieve a cost of funds as low as 3.53%. It is our recommendation however that the strategy as outlined, best strikes a balance between risk and reward to achieve the optimal risk profile and cost of capital.

**Summary Recommendation**

SANDAG is presented the opportunity to lock in a cost of funds under 4% for approximately 50% of its expected long-term debt program based on the draft *TransNet* Plan of Finance for the Early Action Program. It can do so during a period of historically low interest rates and when a flat yield curve allows a three year forward starting transaction to be highly attractive. While synthetic fixed rate debt is subject to some specific risks as discussed above, the cost of capital is more than 79 basis points lower than a conventional fixed rate bond issue sold today. The expected annual savings of over $3 million annually ($93 million over a 30-year bond measure) compensates SANDAG for this additional risk. We believe this structure has been carefully balanced to achieve SANDAG’s objectives of achieving a low cost of capital, while mitigating potential risks. We believe it will be well received by the capital markets and the rating agencies, and it will best serve the interests of the motorists and transit users in San Diego County.
San Diego County Regional Transportation Commission
Interest Rate Swap Policy

I. Introduction:

The purpose of the Interest Rate Swap Policy of the San Diego County Regional Transportation Commission (SANDAG) is to establish guidelines for the use and management of interest rate swaps and options. The “Interest Rate Swap Policy” or the “Policy” is intended to provide general procedural direction regarding the use, procurement and execution of interest rate swaps. The Policy is intended to relate to various interest rate hedging techniques, including the contractual exchange of different fixed and variable rate payment streams through interest rate swap agreements and is not intended to relate to other derivative products that SANDAG may consider.

SANDAG is authorized under California Government Code Section 5922 to enter into interest rate swaps to manage the amount and duration of rate, spread, or risk when used in combination with the issuance of bonds or notes.

II. Scope and Authority:

This Interest Rate Swap Policy shall govern SANDAG’s use and management of all interest rate swaps and options. While adherence to this Policy is required in applicable circumstances, SANDAG recognizes that changes in the capital markets, SANDAG’s programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy and will require modifications or exceptions to achieve policy goals. In these cases, management flexibility is appropriate provided specific authorization from the Board of Directors is obtained.

The Interest Rate Swap Policy shall be reviewed and updated at least annually and presented to the Board of Directors for approval. Day-to-day responsibility for management of interest rate swaps shall fall within the responsibilities of the Director of Finance.

SANDAG shall be authorized to enter into interest rate swap transactions only with qualified swap counterparties. The Director of Finance, in consultation with SANDAG’s bond counsel and financial advisor, shall have authority to select the counterparties, so long as the criteria set forth in the Interest Rate Swap Policy are met.

III. Approach and Objectives:

Interest rate swaps and options are appropriate interest rate management tools that can help SANDAG meet important financial objectives. Properly used, these instruments
can increase SANDAG’s financial flexibility, hedge exposure to interest rate risk, provide opportunities for interest rate savings or enhanced investment yields, and help SANDAG manage its balance sheet through better matching of assets and liabilities. Swaps should be integrated into SANDAG’s overall debt program and should not be used for speculation or leverage.

Swaps are appropriate to use when they achieve a specific objective consistent with SANDAG’s overall financial strategies. They may be used, for example, to lock in a current market fixed rate or create additional variable rate exposure. They may also be used to produce interest rate savings, to limit or hedge variable rate exposure, to alter the pattern of debt service payments or for asset/liability matching purposes. Swaps may be used to cap, limit or hedge variable rate payments. Options granting the right to commence or cancel an underlying swap may be used to the extent the swap itself is consistent with these guidelines or SANDAG determines there are other advantages to be derived in purchasing or granting the option; however, SANDAG must determine if the use of any such option is appropriate and warranted given the potential benefit, risks, and SANDAG’s objectives. SANDAG, together with SANDAG’s financial advisor and bond counsel, shall periodically review SANDAG’s swap guidelines and recommend appropriate changes.

IV. Conditions for Use of Interest Rate Swaps and Options:

A. Rationale:

SANDAG may use interest rate swaps and options if it is reasonably determined that the proposed transaction is expected to:

a. Optimize capital structure; including schedule of debt service payments and/or fixed vs. variable rate allocations.
b. Achieve appropriate asset/liability match.
c. Reduce risk, including:
   i. Interest rate risk;
   ii. Tax risk; or
   iii. Liquidity renewal risk.
d. Provide greater financial flexibility.
e. Generate interest rate savings.
f. Enhance investment yields.
g. Manage exposure to changing markets in advance of anticipated bond issuances (through the use of anticipatory hedging instruments).

B. Benefit Expectation:

Financial transactions, using fixed rate swaps or other derivative products, should result in debt service savings of at least 2% when compared to the projected debt service SANDAG would consider for traditional bonds or notes. This threshold
will serve as a guideline and will not apply should the transaction, in SANDAG’s sole judgment, meet any of the other objectives outlined herein. The debt service savings target reflects the greater complexity and higher risk of derivative financial instruments. Such comparative savings analyses shall include, where applicable, the consideration of the probability (based on historical interest rate indices, where applicable, or other accepted analytic techniques) of the realization of savings for both the derivative and traditional structures.

For example, assuming a refunding of $100 million of existing bonds, if a traditional fixed rate advance refunding that does not use derivative products would have a present value savings threshold of $5.0 million, which is 5.0% of the refunded par, then a refunding structure utilizing a derivative product would have to achieve a threshold of $7.0 million in present value savings, or 7.0% of the refunded par. Therefore, the transaction utilizing a swap or other derivative product would have to generate an additional $2.0 million to meet the target. Such analysis should consider structural differences in comparing traditional vs. derivative alternatives, e.g., the non-callable nature of derivative transactions.

For variable rate or other swap transactions that do not result in a fixed interest rate, SANDAG will evaluate any additional value generated through the transaction in assessing the benefits of proceeding, including the ability to meet the objectives outlined herein. These benefits include, for example, managing interest rate or tax risk, optimizing the capital structure or further reducing interest expense.

In determining any benefit in implementing a fixed-to-variable swap, the cost of remarketing, in addition to the cost of credit enhancement or liquidity fees, must be added to the projected variable rate of the bonds or notes. Such a calculation should consider the trading performance of comparable bonds or notes and any trading premium resulting from a specific form of credit enhancement or liquidity and/or any impact related to broader industry trends.

C. Maximum Notional Amount:

SANDAG will limit the total notional amount of outstanding interest rate swaps based on the proper management of risks, calculation of termination exposure, and development of a contingency plan. The total “net notional amount” of all swaps related to a bond or note issue should not exceed the outstanding or expected to be issued par amount of the related bonds or notes. For purposes of calculating the net notional amount, credit shall be given to any fixed versus variable rate swaps that offset for a specific bond or note transaction.

D. Maximum Maturity:

SANDAG shall determine the appropriate term for an interest rate swap agreement on a case-by-case basis. In connection with the issuance or carrying of
bonds or notes, the term of the swap agreement between SANDAG and a qualified swap counterparty shall not extend beyond the final maturity date of the related bonds or notes.

E. Liquidity Considerations:

SANDAG shall consider the impact of any variable rate bonds or notes issued in combination with an interest rate swap on the availability and cost of liquidity support for other variable rate programs. SANDAG recognizes that there is a limited supply of letter of credit or liquidity facility support for SANDAG’s variable rate bonds or notes, and the usage of liquidity support in connection with an interest rate swap may result in higher overall financing costs. SANDAG shall consider the benefits of not using liquidity when using a fixed rate bond in conjunction with a swap to variable to create synthetic variable rate debt.

F. Call Option Value Considerations:

When considering the relative advantage of an interest rate swap to fixed rate bonds, SANDAG will consider the value of the call option on fixed rate bonds, or the cost of including a call or cancellation option in a swap. The value derived from the ability to call bonds at a future date is foregone when using a “non-callable” swap for the remaining term of the bonds. While fixed rate bonds are typically structured with a call provision at a certain time, after which the bonds may be refunded, this opportunity may be lost through the utilization of a long-dated “non-callable” swap, impairing SANDAG’s ability to reap economic savings, unless this option is specifically included under the swap.

V. Interest Rate Swap Features:

A. Interest Rate Swap Agreement:

SANDAG will use terms and conditions as set forth in the International Swap and Derivatives Association, Inc. (“ISDA”) Master Agreement. The swap agreement between SANDAG and each swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as SANDAG, in consultation with its bond and general counsel and financial advisor, deems necessary or desirable.

Subject to the provisions contained herein, the terms of SANDAG’s swap agreement shall use the following guidelines:

1. SANDAG’s downgrade provisions triggering termination shall in no event be worse than those affecting the counterparty.
2. Governing law for swaps will be New York or California.
3. The specified indebtedness related to credit events in any swap agreement should be narrowly defined and refer only to indebtedness of SANDAG
that could have a materially adverse affect on SANDAG’s ability to perform its obligations under the swap.

4. Collateral thresholds for the swap provider, and for SANDAG if applicable, should be set on a sliding scale reflective of credit ratings of the swap provider or guarantor. Collateral should be held by an independent third party.

5. Eligible collateral is outlined in Appendix A.

6. Termination value should be set by a “market quotation” methodology, unless SANDAG deems an alternative methodology to be appropriate.

7. SANDAG will consider the use of swap insurance to mitigate possible termination risk and also to mitigate the need for SANDAG to post collateral under the Credit Support Annex.

B. Interest Rate Swap Counterparties:

1. Credit Criteria:

   SANDAG will only do business with highly rated counterparties or counterparties whose obligations are supported by highly rated parties. SANDAG will structure swap agreements to protect itself from credit deterioration of counterparties, including the use of credit support annexes or other forms of credit enhancement to secure counterparty performance. Such protection shall include any terms and conditions in SANDAG’s sole discretion are necessary or appropriate or in SANDAG’s best interest.

   SANDAG will make its best efforts to work with qualified swap counterparties that at the time of execution of a swap transaction have a general credit rating of: (i) at least “Aa3” or “AA-” by one of the nationally recognized rating agencies and not rated lower than “A2” or “A” by any nationally recognized rating agency, or (ii) have a “AAA” subsidiary as rated by at least one nationally recognized credit rating agency. The nationally recognized rating agencies are Moody’s Investors Services, Inc., Standard and Poor’s Rating Services, and Fitch Ratings.

   For lower rated (below “AA-“) counterparties, SANDAG will seek credit enhancement in the form of:

   i. Contingent credit support or enhancement;
   ii. Collateral consistent with the policies contained herein;
   iii. Ratings downgrade triggers; or
   iv. Guaranty of parent, if any.

   In addition, qualified swap counterparties must have a demonstrated record of successfully executing swap transactions as well as creating and implementing innovative ideas in the swap market.
C. Limitations on Termination Exposure to a Single Counterparty:

In order to diversify SANDAG’s counterparty credit risk, and to limit SANDAG’s credit exposure to any one counterparty, limits will be established for each counterparty based upon both the credit rating of the counterparty as well as the relative level of risk associated with each existing and proposed swap transaction. The guidelines below provide general termination exposure guidelines with respect to whether SANDAG should enter into an additional transaction with an existing counterparty. SANDAG may make exceptions to the guidelines at any time to the extent that the execution of a swap achieves one or more of the goals outlined in these guidelines or provides other benefits to SANDAG. In general, the maximum Net Termination Exposure, as defined below, to any single counterparty should be set so that it does not exceed a prudent level as measured against the available financial resources of SANDAG.

Such guidelines will also not mandate or otherwise force automatic termination by SANDAG or the counterparty. Maximum Net Termination Exposure is not intended to impose retroactively any terms and conditions on existing transactions. Such provisions will only act as guidelines in making a determination as to whether or not a proposed transaction should be executed given certain levels of existing and projected net termination exposure to a specific counterparty. Additionally, the guidelines below are not intended to require retroactively additional collateral posting for existing transactions. Collateral posting guidelines are described in the “Collateral Requirements” section below. The calculation of net termination exposure per counterparty will take into consideration multiple transactions, some of which may offset the overall exposure to SANDAG.

Under this approach, SANDAG will set limits on individual counterparty exposure based on existing as well as new or proposed transactions. The sum of the current market value and the projected exposure shall constitute the Maximum Net Termination Exposure. For outstanding transactions, current exposure will be based on the market value as of the last quarterly swap valuation report provided by the financial advisor. Projected exposure shall be calculated based on the swap’s potential termination value taking into account possible adverse changes in interest rates as implied by historical or projected measures of potential rate changes applied over the remaining term of the swap. For purposes of this calculation, SANDAG shall include all existing and projected transactions of an individual counterparty and all transactions will be analyzed in aggregate such that the maximum exposure will be additive.

The exposure thresholds, which will be reviewed periodically by SANDAG to ensure that they remain appropriate, will also be tied to credit ratings of the counterparties and whether or not collateral has been posted as shown in the table below. If a counterparty has more than one rating, the lowest rating will govern for purposes of the calculating the level of exposure.
The following chart provides the Maximum Net Termination Exposure to a swap counterparty given the lowest credit rating.

<table>
<thead>
<tr>
<th>Credit Rating Category</th>
<th>Maximum Collateralized Exposure</th>
<th>Maximum Uncollateralized Exposure</th>
<th>Maximum Total Termination Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>Not applicable</td>
<td>$50 million</td>
<td>$100 million</td>
</tr>
<tr>
<td>AA</td>
<td>$50 million</td>
<td>$50 million</td>
<td>$100 million</td>
</tr>
<tr>
<td>A</td>
<td>$30 million</td>
<td>$15 million</td>
<td>$45 million</td>
</tr>
<tr>
<td>Below A</td>
<td>$30 million</td>
<td>None</td>
<td>$30 million</td>
</tr>
</tbody>
</table>

If the exposure limit is exceeded by a counterparty, SANDAG shall conduct a review of the exposure limit per counterparty. SANDAG, in consultation with its bond counsel and financial advisor, shall explore remedial strategies to mitigate this exposure.

D. Collateral Requirements:

As part of any swap agreement, SANDAG may require collateralization or other forms of credit enhancements to secure any or all swap payment obligations. As appropriate, SANDAG may require collateral or other credit enhancement to be posted by each swap counterparty under the following circumstances:

1. Each counterparty to SANDAG may be required to post collateral (subject to applicable thresholds) if the credit rating of the counterparty or parent falls below the “AA” category. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the Credit Support Annex of the ISDA Agreement between each counterparty and SANDAG.

2. Threshold amounts shall be determined by SANDAG on a case-by-case basis. SANDAG will determine the reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.

3. In determining maximum uncollateralized exposure, SANDAG shall also consider and include, as applicable, financial exposure to the same corporate entities that it may have through other forms of financial dealings, such as securities lending agreements and commercial paper investments.

4. Collateral shall be deposited with a third party trustee, or as mutually agreed upon between SANDAG and the counterparty.

5. A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counterparty. A complete list of acceptable securities and valuation percentages are included as Attachment A.

6. The market value of the collateral shall be determined on at least a weekly basis, or more frequently if SANDAG determines it is in SANDAG’s best interest given the specific collateral security.
7. SANDAG shall determine on a case-by-case basis whether other forms of credit enhancement are more beneficial to SANDAG.

E. Swap Insurance

If, after a cost/benefit analysis, it is determined that it would be beneficial to insure the interest rate swap, swap insurance will be pursued.

F. Security and Source of Repayment:

SANDAG will generally use the same security and source of repayment (pledged revenues) for the interest rate swap as is used for the related bond or note issue.

G. Prohibited Interest Rate Swap Features:

SANDAG will not use interest rate swaps that are: (i) speculative or create extraordinary leverage or risk, (ii) lack adequate liquidity to terminate without incurring a significant bid/ask spread, (iii) provide insufficient price transparency to allow reasonable valuation, or (iv) are used as investments.

VI. Evaluation and Management of Interest Rate Swap Risks:

Prior to the execution of any swap transaction, SANDAG’s Director of Finance, financial advisor and bond counsel shall evaluate the proposed transaction and report the findings to SANDAG’s Board. Such a review shall include the identification of the proposed benefit and potential risks. As part of this evaluation, SANDAG shall compute the Maximum Net Termination Exposure to the proposed swap counterparty.

A. Evaluation Methodology

SANDAG will review the following areas of potential risk for new and existing interest rate swaps:

<table>
<thead>
<tr>
<th>Type of Risk</th>
<th>Description</th>
<th>Evaluation Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basis Risk</td>
<td>The mismatch between actual variable rate debt service and variable rate indices used to determine swap payments.</td>
<td>SANDAG will review historical trading differentials between the variable rate bonds or notes and the index.</td>
</tr>
<tr>
<td>Tax Risk</td>
<td>The risk created by potential tax events that could affect swap payments.</td>
<td>SANDAG will review the tax events in proposed swap agreements. It will also evaluate the impact of potential changes in tax law on LIBOR indexed swaps.</td>
</tr>
<tr>
<td>Counterparty Risk</td>
<td>The risk that the counterparty fails to make required payments.</td>
<td>SANDAG will monitor exposure levels, ratings thresholds and collateralization requirements.</td>
</tr>
<tr>
<td>Type of Risk</td>
<td>Description</td>
<td>Evaluation Methodology</td>
</tr>
<tr>
<td>----------------</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Termination Risk</td>
<td>The risk that the transaction is terminated in a market dictating termination payment by SANDAG.</td>
<td>SANDAG will compute its termination exposure for all existing and proposed swaps at market value and under a worst-case scenario. SANDAG will consider use of swap insurance to mitigate this risk.</td>
</tr>
<tr>
<td>Rollover Risk</td>
<td>The mismatch of the maturity of the swap and the maturity of the underlying bonds or notes.</td>
<td>SANDAG will determine its capacity to issue variable rate bonds or notes that may be outstanding after the maturity of the swap.</td>
</tr>
<tr>
<td>Liquidity Risk</td>
<td>The inability to continue or renew a liquidity facility.</td>
<td>SANDAG will evaluate the expected availability of liquidity support for swapped and unhedged variable rate debt and will consider the use of variable rate debt that does not require liquidity (e.g. auction rate securities)</td>
</tr>
<tr>
<td>Credit Risk</td>
<td>The occurrence of an event modifying the credit rating of the issuer or its counterparty.</td>
<td>SANDAG will monitor the ratings of its counterparties and insurers.</td>
</tr>
</tbody>
</table>

B. Managing Interest Rate Swap Risks:

1. Annual Report to the Board:

   Staff will evaluate the risks associated with outstanding interest rate swaps at least annually and provide a written evaluation to the Board of Directors. This evaluation will include the following information:

   i. A description of all outstanding interest rate swaps, including related bond series, types of swaps, rates paid and received by SANDAG, existing notional amount, average life and remaining term of each swap agreement and the current termination value of outstanding swaps.

   ii. Separately for each swap, the actual debt service requirements versus the projected debt service on the swap transaction. For any swap used as part of a refunding, the actual cumulative savings versus the projected savings at the time the swap was executed.

   iii. The credit ratings of each swap counterparty, parent, guarantor and credit enhancer insuring the swap payments, if any.

   iv. Actual collateral posting by swap counterparty, if any, per swap agreement and in total by swap counterparty.

   v. Information concerning any material event involving outstanding swap agreements, including a default by a swap counterparty, counterparty downgrade or termination.
vi. An updated contingency plan to replace, or fund a termination payment in the event an outstanding swap is terminated.

vii. The status of any liquidity support used in connection with interest rate swaps, including the remaining term and current fee.

SANDAG shall review the Interest Rate Swap Policy with the Board at least annually.

2. Contingency Plan:

SANDAG shall determine the termination exposure of each of its swaps and its total swap termination payment exposure at least annually and prepare a contingency plan to either replace the swaps or fund the termination payments, if any, in the event one or more outstanding swaps are terminated. SANDAG shall assess its ability to obtain replacement swaps and identify revenue sources to fund potential termination payments.

C. Terminating Interest Rate Swaps

1. Optional Termination:

SANDAG will structure interest rate swaps to include optional termination at the current market valuation, which would allow SANDAG to terminate a swap prior to its maturity if it is determined that it is financially advantageous to do so, but will not provide this right to the counterparty.

2. Mandatory Termination:

In the event a swap is terminated as a result of a termination event such as a default or credit downgrade of either counterparty, SANDAG will evaluate whether it is financially advantageous to obtain a replacement swap or, depending on market value, make or receive a termination payment.

In the event SANDAG makes a swap termination payment, SANDAG shall attempt to follow the process identified in its swap contingency plan. SANDAG shall also evaluate the economic costs and benefits of incorporating a provision into the swap agreement that will allow SANDAG to make termination payments over time.
VII. Disclosure and Financial Reporting:

SANDAG will take steps to ensure that there is full and complete disclosure of all interest rate swaps to the SANDAG Board of Directors, rating agencies and in disclosure documents. With respect to its financial statements, SANDAG will adhere to the guidelines for the financial reporting of interest rate swaps as set forth by the Government Accounting Standards Board.

Adopted by the Board of Directors on this [__]th day of __________, 2005.

____________________________
Chairman
## Appendix A – Acceptable Collateral

<table>
<thead>
<tr>
<th>Security</th>
<th>Valuation Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Cash</td>
<td>100%</td>
</tr>
<tr>
<td>(B) (x) Negotiable debt obligations issued by the U.S. Treasury Department or the Government National Mortgage Association (“Ginnie Mae”), or (y) mortgage backed securities issued by Ginnie Mae (but with respect to either (x) or (y) excluding interest only or principal only stripped securities, securities representing residual interests in mortgage pools, or securities that are not listed on a national securities exchange or regularly quoted in a national quotation service) and in each case having a remaining maturity of:</td>
<td></td>
</tr>
<tr>
<td>(i) less than one year</td>
<td>99%</td>
</tr>
<tr>
<td>(ii) greater than one year but less than 10 years</td>
<td>98%</td>
</tr>
<tr>
<td>(iii) greater than 10 years</td>
<td>95%</td>
</tr>
<tr>
<td>(C) (x) Negotiable debt obligations issued by the Federal Home Loan Mortgage Corporation (“Freddie Mac”) or the Federal Home Loan Mortgage Association (“Fannie Mae”) or (y) mortgage backed securities issued by Freddie Mac or Fannie Mae but excluding interest only or principal only stripped securities, securities representing residual interests in mortgage pools, or securities that are not listed on a national securities exchange or regularly quoted in a national quotation service.</td>
<td>95%</td>
</tr>
<tr>
<td>(D) Any other collateral acceptable to SANDAG’s sole discretion.</td>
<td></td>
</tr>
</tbody>
</table>

The valuation percentage shall be determined by the Valuation Agent from time to time and in its reasonable discretion.

For example, if a counterparty is required to post $1.0 million of collateral and wished to use Ginnie Mae’s with five years remaining to maturity, it would be required to post $1,052,632 ($1.0 million/0.95) to satisfy the collateral requirement.
APPENDIX B: GLOSSARY OF TERMS

Asset/Liability Matching: Matching the term and amount of assets and liabilities in order to mitigate the impact of changes in interest rates.

Bid/Ask Spread: The difference between the bid price (at which a market maker is willing to buy) and the ask price (at which a market maker is willing to sell).

Call Option: The right to buy an underlying asset (e.g. a municipal bond) after a certain date at a certain price. A call option is frequently embedded in a municipal bond, giving the issuer the right to buy, or redeem, the bonds at a certain price.

Collateral: Assets pledged to secure an obligation. The assets are potentially subject to seizure in event of default.

Downgrade: A negative change in credit ratings.

Forward Starting Swap: Interest rate swap that starts at some time in the future. Used to lock-in current interest rates.

Hedge: A transaction that reduces the interest rate risk of an underlying security.

Interest Rate Exchange Agreement: An agreement detailing the contractual exchange of interest payment streams between counterparties. Often the exchange of a fixed and a floating interest rate between two parties. Also called an interest rate swap.

Interest Rate Swap: An agreement detailing the contractual exchange of interest payment streams between counterparties. Often the exchange of a fixed and a floating interest rate between two parties. Also called an interest rate exchange agreement.

Liquidity Support: An agreement by a bank to make payment on a variable rate security to assure investors that the security can be sold.

LIBOR: London Interbank Offered Rate. Often used as an index to compute the variable rate paid on an interest rate swap.

Maximum Net Termination Exposure: The aggregate termination payment for all existing and projected swap transactions that would be paid by an individual counterparty. For purposes of this calculation, the aggregate termination payment is equal to: (i) the termination payment based on the market value of all existing swaps, plus (ii) the expected worst-case termination payment of the proposed transaction. The expected worst-case termination payment shall be calculated assuming interest rates, as measured by the appropriate index (typically the Bond Buyer Revenue Bond Index or Bond Market Association), increase (or decrease) by two standard deviations from the sample mean over a period of time corresponding to the term of the swap.
**Notional Amount**: The amount used to determine the interest payments on a swap.

**Termination Payment**: A payment made by a counterparty that is required to terminate the swap. The payment is commonly based on the market value of the swap, which is computed using the rate of the initial swap and the rate on a replacement swap.
RESOLUTION
NO. RC2005-02

AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $600,000,000 AGGREGATE PRINCIPAL AMOUNT OF SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION SALES TAX REVENUE BONDS (LIMITED TAX BONDS) ON OR ABOUT APRIL 1, 2008, APPROVING A SWAP POLICY, AUTHORIZING A FORWARD INTEREST RATE SWAP TRANSACTION IN CONNECTION WITH SAID LIMITED TAX BONDS, INCLUDING THE EXECUTION AND DELIVERY OF ISDA MASTER AGREEMENTS, SCHEDULES, CREDIT SUPPORT ANNEXES AND CONFIRMATIONS RELATING THERETO, AND AUTHORIZING THE TAKING OF ALL ACTIONS NECESSARY IN CONNECTION THERewith.

WHEREAS, the Board of Directors (the "Board") of the San Diego County Regional Transportation Commission (the "Commission"), pursuant to the San Diego County Regional Transportation Commission Act (constituting Chapter 2 of Division 12.7 of the California Public Utilities Code) and Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code, as referenced in said San Diego County Regional Transportation Commission Act (collectively, the "Law"), is authorized to issue limited tax bonds, secured by and payable from the proceeds of the retail transactions and use tax (the "Sales Tax") levied by the Commission;

WHEREAS, the Commission adopted the San Diego Transportation Improvement Program Ordinance and Expenditure Plan on July 31, 1987 (as amended, the "1987 Ordinance"), pursuant to the provisions of the Law, which 1987 Ordinance provided for the imposition of a retail transactions and use tax (the "retail transactions and use tax") applicable in the incorporated and unincorporated territory of the County of San Diego (the "County") in accordance with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code at the rate of one-half of one percent (1/2%) for a period not to exceed twenty (20) years;

WHEREAS, by its terms the 1987 Ordinance became effective at the close of the polls on November 3, 1987, the day of the election at which the proposition imposing the retail transactions and use tax was adopted by a majority vote of the electors voting on such proposition;

WHEREAS, in order to provide for the extension of the initial term of the retail transactions and use tax for a period of forty (40) years, the Commission adopted the San Diego Transportation Improvement Program Ordinance and Expenditure Plan (the "Sales Tax Extension Ordinance," and, together with the 1987 Ordinance, hereinafter collectively referred to as the "Ordinance") on May 28, 2004;

WHEREAS, by its terms the Sales Tax Extension Ordinance became effective on November 3, 2004, the day following the date of the election at which the proposition providing for the extension of the retail transactions and use tax was approved by at least two-thirds of the electors voting on such proposition;

WHEREAS, in order to provide funds to finance or reimburse the Commission for its prior payment of the costs of certain transportation facility and service improvements identified in the
Ordinance and the payment of all costs incidental to or connected with the accomplishment of such improvements, the Commission has authorized the issuance of the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series A, in an aggregate principal amount not to exceed $135,000,000 outstanding at any one time (the "Series A Notes"), the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series B, in an aggregate principal amount not to exceed $100,000,000 outstanding at any one time (the "Series B Notes"), and the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series C, in an aggregate principal amount not to exceed $100,000,000 outstanding at any one time (the "Series C Notes", and, together with the Series A Notes and the Series B Notes, the "Notes") pursuant to an Amended and Restated Subordinate Indenture, dated as of November 1, 2005, between the Commission and U.S. Bank, National Association, as trustee;

WHEREAS, in order to provide funds to finance or reimburse the Commission for its prior payment of the costs of certain transportation facility and service improvements identified in the Ordinance and the payment of all costs incidental to or connected with the accomplishment of such improvements, the Commission intends to issue, in an amount not to exceed $600,000,000 aggregate principal amount, San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) (the "Bonds") on or about April 1, 2008, such Bonds to be issued as variable rate bonds, in one or more series, pursuant to an Indenture to be entered into by the Commission with a corporate trustee to be selected by the Executive Director of the Commission (the "Executive Director") prior to the issuance of the Bonds;

WHEREAS, Section 5922 of the Government Code of the State of California (the "Government Code") provides that in connection with, or incidental to, the issuance or carrying of bonds, any public entity may enter into any contracts which the public entity determines to be appropriate to place the obligations represented by the bonds, in whole or in part, on the interest rate, cash flow or other basis desired by the public entity, including, without limitation, contracts commonly known as interest rate swap agreements, forward payment conversion agreements or contracts providing for payments based on levels of, or changes in, interest rates or stock or other indices, or contracts to exchange cash flows or a series of payments, in each case to hedge payment, rate, spread or similar exposure;

WHEREAS, Section 5922 of the Government Code further provides that such agreements or contracts shall be entered into with the parties, selected by the means, and contain the payment, security, default, remedy, and other terms and conditions determined by the public entity after giving due consideration for the creditworthiness of the counterparties to such agreements or contracts, including any rating by a nationally recognized rating agency;

WHEREAS, in order to hedge against rising interest rates and thereby minimize debt service and maximize delivery of capital projects identified in the Ordinance, the Commission hereby determines that it is desirable to enter into forward swap agreements providing for a fixed swap rate in connection with all or a portion of the Bonds;

WHEREAS, the Commission hereby acknowledges that a payment may be due to each Counterparty in the event the Commission does not issue the Bonds, that the amount of any such
payment will vary depending in large part on prevailing interest rates at the time such payment is calculated, and that under certain market conditions, the amount of such payments could be substantial;

WHEREAS, the Commission has been presented with a proposed Interest Rate Swap Policy (the "Swap Policy") establishing guidelines for the use and management of interest rate swap agreements and similar transactions;

WHEREAS, the Commission proposes to enter into separate forward swap agreements with Merrill Lynch Capital Services, Inc., Bank of America, N.A., and Goldman Sachs Mitsui Marine Derivative Products, L.P. (each, a "Counterparty" and hereinafter collectively referred to as the "Counterparties");

WHEREAS, the Commission has been presented with a proposed form of forward swap agreement to be entered into with each Counterparty, each such proposed form of forward swap agreement being comprised of an ISDA Master Agreement (each, a "Master Agreement"), a Schedule to the Master Agreement (each, a "Schedule"), an ISDA Credit Support Annex (each, a "Credit Support Annex") and a Confirmation (each, a "Confirmation");

WHEREAS, it is now necessary for the Commission to authorize the issuance of the Bonds on terms to be approved by the Commission at a later date, to approve the Swap Policy, to authorize the execution and delivery of, and approve the forms of, each Master Agreement, each Schedule, each Credit Support Annex, and each Confirmation, and to authorize the taking of various actions in connection therewith;

WHEREAS, the Commission has been presented with the form of each Master Agreement, each Schedule, each Credit Support Annex, and each Confirmation described herein and the Commission has examined and approved the form of each document and desires to authorize and direct the execution and delivery of such documents and such other documents as are necessary in connection with the transactions described herein; and

WHEREAS, all acts, conditions and things required by the Law and the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Commission is now duly authorized and empowered, pursuant to each and every requirement of law, to authorize the issuance of the Bonds on or about April 1, 2008, and to authorize the execution and delivery of each Master Agreement, each Schedule, each Credit Support Annex, and each Confirmation, for the purposes, in the manner and upon the terms provided; NOW, THEREFORE,

BE IT RESOLVED by the San Diego County Regional Transportation Commission as follows:

Section 1. The foregoing recitals are true and correct and the Commission so finds and determines.

Section 2. The issuance by the Commission of not to exceed $600,000,000 aggregate principal amount of Bonds on or about April 1, 2008, is hereby authorized and approved.
Section 3. The proposed Swap Policy of the Commission, presented to the Commission, is hereby adopted and approved. The Secretary of the Commission (the "Secretary") is directed to file a copy of the proposed Swap Policy of the Commission with the minutes of this meeting.

Section 4. Pursuant to Section 5922 of the Government Code, the Commission hereby finds and determines that each of the forward swap agreements described herein is being entered into in connection with, or incidental to, the issuance or carrying of the Notes and, when issued, the Bonds, are necessary and appropriate to place the Commission's obligations as represented by the Notes and, when issued, the Bonds on the fixed interest rate basis desired by the Commission, will reduce the amount and duration of interest rate risk with respect to the Notes and the Bonds, and is designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Notes and the Bonds.

Section 5. Bank of America, N.A., is hereby approved to enter into a forward swap agreement with the Commission at a fixed rate not to exceed 4.25% per annum against receipt of a floating rate of 65% of one-month LIBOR, which forward swap agreement shall be in such notional amount which does not exceed $200,000,000. Goldman Sachs Mitsui Marine Derivative Products, L.P., and Merrill Lynch Capital Services, Inc. are each hereby approved to enter into forward swap agreements with the Commission, each at a fixed rate not to exceed 4.50% per annum against receipt of a floating rate of 65% of one-month LIBOR until April 1, 2018, and the BMA Index thereafter, which forward swap agreements shall each be in such notional amount which does not exceed $200,000,000.

Section 6. The proposed form of each Master Agreement, each Schedule, each Credit Support Annex and each Confirmation, presented to the Commission, and the terms and conditions thereof, which are hereby incorporated by reference, are hereby approved. The Secretary is directed to file a copy of the proposed form of each of said agreements with the minutes of this meeting, and the Chair of the Board of Directors of the Commission (the "Chair") or the Executive Director, each acting alone, is authorized and directed to execute and deliver each of said agreements in substantially the form of said agreement presented to this meeting, with such additions thereto or changes therein, as such officer of the Commission executing the same, may require or approve, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of said agreement. Pursuant to Section 5922 of the Government Code, the Commission hereby further finds and determines that it has given due consideration to the creditworthiness of each Counterparty, including the ratings of each Counterparty by nationally recognized rating agencies, in selecting each Counterparty and determining the payment, security, default, remedy, and other terms and conditions contained in the proposed form of each Master Agreement, each Schedule, each Credit Support Annex, and each Confirmation.

Section 7. The Chair, the Executive Director, the Secretary, the Director of Finance of the Commission, the TransNet Program Manager of the Commission and other appropriate officers of the Board or the Commission are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Commission, to execute and deliver any and all agreements, documents, instruments, and certificates, and to do and cause to be done any and all acts and things necessary or proper to carry out the transactions contemplated by this Resolution, including, without limitation, the execution and delivery of any agreements or documents required in connection with the Bonds, and to do any and all things and take any and all actions which may be
necessary or advisable, in such officer's discretion, to effectuate the actions which the Commission has approved in this Resolution.

**Section 8.** All actions heretofore taken by the officers and agents of the Board or the Commission with respect to the transactions described herein are hereby ratified, confirmed and approved.

**Section 9.** If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution which shall continue in full force and effect.

**Section 10.** This Resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this 18th of November, 2005.

________________________________________           ATTEST: ________________________________________

CHAIRPERSON                   SECRETARY

MEMBER AGENCIES: Cities of Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Escondido, Imperial Beach, La Mesa, Lemon Grove, National City, Oceanside, Poway, San Diego, San Marcos, Santee, Solana Beach, Vista, and County of San Diego.

ADVISORY MEMBERS: California Department of Transportation, Metropolitan Transit System, North San Diego County Transit Development Board, Imperial County, U.S. Department of Defense, San Diego Unified Port District, San Diego County Water Authority, and Baja California/Mexico.
SECRETARY'S CERTIFICATE

I, Gary L. Gallegos, Secretary of the Board of Directors of the San Diego County Regional Transportation Commission, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Commission duly, regularly and legally held at the regular meeting place of the Commission in San Diego, California, on November __, 2005, of which meeting all of said directors of the Commission had due notice and at which a majority thereof were present and acting throughout;

At said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSENT:

An agenda of said meeting was posted at least 72 hours before said meeting at a location in San Diego, California, freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda;

I have carefully compared the foregoing with the original minutes of said meeting on file and of record in my office, and the foregoing is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and

Said original resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand and the seal of the San Diego County Regional Transportation Commission this ____ day of November, 2005.

[Seal]

______________________________

Secretary of the Board of Directors
of the San Diego County Regional
Transportation Commission
BANK OF AMERICA, N.A. and San Diego Regional Transportation Commission have entered and/or anticipate entering into one or more transactions (each a “Transaction”) that are or will be governed by this Master Agreement (the “Master Agreement”), which includes the schedule (the “Schedule”), and the documents and other confirming evidence (each a “Confirmation”) exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:—

1. Interpretation

(a) Definitions. The terms defined in Section 12 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) Inconsistency. In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) Single Agreement. All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this “Agreement”), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by
payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable:

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party’s obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of branches or offices through which the parties make and receive payments or deliveries.

(d) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of
any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into) that:—

(a) Basic Representations.

(i) Status. It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;

(ii) Powers. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorize such execution, delivery and performance;

(iii) No Violation or Conflict. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) Consents. All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) Obligations Binding. Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors’ rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) Absence of Certain Events. No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) Absence of Litigation. There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document.
to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

4. **Agreements**

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) **Furnish Specified Information.** It will deliver to the other party any forms, documents or certificates specified in the Schedule or any Confirmation by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorizations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

5. **Events of Default and Termination Events**

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an “Event of Default”) with respect to such party:—

   (i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

   (ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) or to give notice of a Termination Event) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

   (iii) **Credit Support Default.**
(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) Misrepresentation. A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) Default under Specified Transaction. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) Cross Default. If “Cross Default” is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such
agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:—

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or
the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (ii) below or an Additional Termination Event if the event is specified pursuant to (iii) below:—

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):—

1. to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

2. to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(iii) **Additional Termination Event.** If any “Additional Termination Event” is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. **Early Termination**
(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the “Defaulting Party”) has occurred and is then continuing, the other party (the “Non-defaulting Party”) may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, “Automatic Early Termination” is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) **Two Affected Parties.** If an Illegality under Section 5(b)(i)(1) occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iii) **Right to Terminate.** If:

1. an agreement under Section 6(b)(ii) has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or
2. an Illegality other than that referred to in Section 6(b)(ii), a Credit Event Upon Merger or an Additional Termination Event occurs,

either party in the case of an Illegality, any Affected Party in the case of an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) **Effect of Designation.**

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.
(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(d) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) **Calculations.**

(i) **Statement.** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) **Payment Date.** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment), from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) **Payments on Early Termination.** If an Early Termination Date occurs, the following provisions shall apply based on the parties’ election in the Schedule of a payment measure, either “Market Quotation” or “Loss,” and a payment method, either the “First Method” or the “Second Method.” If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that “Market Quotation” or the “Second Method,” as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) **Events of Default.** If the Early Termination Date results from an Event of Default:—

(1) **First Method and Market Quotation.** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions.
Transactions and the Unpaid Amounts owing to the Non-defaulting Party over (B) the Unpaid Amounts owing to the Defaulting Party.

(2)  First Method and Loss.  If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party’s Loss in respect of this Agreement.

(3)  Second Method and Market Quotation.  If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party less (B) the Unpaid Amounts owing to the Defaulting Party.  If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4)  Second Method and Loss.  If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party’s Loss in respect of this Agreement.  If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii)  Termination Events.  If the Early Termination Date results from a Termination Event:—

(1)  One Affected Party.  If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2)  Two Affected Parties.  If there are two Affected Parties:—

(A)  if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount (“X”) and the Settlement Amount of the party with the lower Settlement Amount (“Y”) and (b) the Unpaid Amounts owing to X less (II) the Unpaid Amounts owing to Y; and

(B)  if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable
equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) **Adjustment for Bankruptcy.** In circumstances where an Early Termination Date occurs because “Automatic Early Termination” applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) **Pre-Estimate.** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

### 7. Transfer

Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:—

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

### 8. Miscellaneous

(a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.
(c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) **Counterparts and Confirmations.**

   (i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

   (ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

9. **Expenses**

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

10. **Notices**

   (a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address
or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient’s answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender’s facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

11. **Governing Law and Jurisdiction**

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:—

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.
Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) **Waiver of Immunities.** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

12. **Definitions**

As used in this Agreement:—

“**Additional Termination Event**” has the meaning specified in Section 5(b).

“**Affected Party**” has the meaning specified in Section 5(b).

“**Affected Transactions**” means (a) with respect to any Termination Event consisting of an Illegality, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

“**Affiliate**” means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, “control” of any entity or person means ownership of a majority of the voting power of the entity or person.

“**Applicable Rate**” means:—

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.
“consent” includes a consent, approval, action, authorization, exemption, notice, filing, registration or exchange control consent.

“Credit Event Upon Merger” has the meaning specified in Section 5(b).

“Credit Support Document” means any agreement or instrument that is specified as such in this Agreement.

“Credit Support Provider” has the meaning specified in the Schedule.

“Default Rate” means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

“Defaulting Party” has the meaning specified in Section 6(a).

“Early Termination Date” means the date determined in accordance with Section 6(a) or 6(b)(iii).

“Event of Default” has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

“Illegality” has the meaning specified in Section 5(b).

“law” includes any treaty, law, rule or regulation and “lawful” and “unlawful” will be construed accordingly.

“Local Business Day” means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

“Loss” means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the
relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party’s legal fees and out-of-pocket expenses referred to under Section 9. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

“Market Quotation” means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the “Replacement Transaction”) that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

“Non-default Rate” means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

“Non-defaulting Party” has the meaning specified in Section 6(a).

“Potential Event of Default” means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.
“Reference Market-makers” means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

“Scheduled Payment Date” means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

“Set-off” means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

“Settlement Amount” means, with respect to a party and any Early Termination Date, the sum of:

(a) the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party’s Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

“ Specified Entity” has the meaning specified in the Schedule.

“Specified Indebtedness” means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

“Specified Transaction” means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

“Terminated Transactions” means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the
notice designating that Early Termination Date (or, if “Automatic Early Termination” applies, immediately before that Early Termination Date).

“Termination Event” means an Illegality or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

“Termination Rate” means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

“Unpaid Amounts” owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.
IN WITNESS WHEREOF the parties have executed this document on the respective
dates specified below with effect from the date specified on the first page of this document.

BANK OF AMERICA, N.A.

By:_______________________________
Name:
Title:
Date:

SAN DIEGO REGIONAL
TRANSPORTATION COMMISSION

By:_______________________________
Name:
Title:
Date:
Local Currency—Single Jurisdiction)

ISDA®
International Swap Dealers Association, Inc.

MASTER AGREEMENT
dated as of [               ], 2005

GOLDMAN SACHS MITSUI MARINE and SAN DIEGO COUNTY REGIONAL
DERIVATIVE PRODUCTS, L.P. TRANSPORTATION COMMISSION

have entered and/or anticipate entering into one or more transactions (each a “Transaction”) that are or will be governed by this Master Agreement, which includes the schedule (the “Schedule”), and the documents and other confirming evidence (each a “Confirmation”) exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:

1. Interpretation

(a) Definitions. The terms defined in Section 12 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) Inconsistency. In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) Single Agreement. All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this “Agreement”), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.
(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable:—

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party’s obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of branches or offices through which the parties make and receive payments or deliveries.

(d) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.
Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into) that:—

(a)  **Basic Representations.**

(i) **Status.** It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;

(ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorize such execution, delivery and performance;

(iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors’ rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section
3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) **Furnish Specified Information.** It will deliver to the other party any forms, documents or certificates specified in the Schedule or any Confirmation by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorizations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

5. Events of Default and Termination Events

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an “Event of Default”) with respect to such party:—

   (i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

   (ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) or to give notice of a Termination Event) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

   (iii) **Credit Support Default.**

      (1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

Copyright © 1992 by International Swaps and Derivatives Association, Inc.
(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) Misrepresentation. A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) Default under Specified Transaction. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) Cross Default. If “Cross Default” is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) Bankruptcy. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:
is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:

1. the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

2. the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, and, if specified to
be applicable, a Credit Event Upon Merger if the event is specified pursuant to (ii) below or an Additional Termination Event if the event is specified pursuant to (iii) below:—

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):—

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(iii) **Additional Termination Event.** If any “Additional Termination Event” is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the “Defaulting Party”) has occurred and is then continuing, the other party (the “Non-defaulting Party”) may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, “Automatic Early Termination” is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the
occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) **Two Affected Parties.** If an Illegality under Section 5(b)(i)(1) occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iii) **Right to Terminate.** If:—

(1) an agreement under Section 6(b)(ii) has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality other than that referred to in Section 6(b)(ii), a Credit Event Upon Merger or an Additional Termination Event occurs,

either party in the case of an Illegality, any Affected Party in the case of an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) **Effect of Designation.**

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(d) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).
(d) **Calculations.**

(i) **Statement.** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) **Payment Date.** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment), from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) **Payments on Early Termination.** If an Early Termination Date occurs, the following provisions shall apply based on the parties’ election in the Schedule of a payment measure, either “Market Quotation” or “Loss,” and a payment method, either the “First Method” or the “Second Method.” If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that “Market Quotation” or the “Second Method,” as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) **Events of Default.** If the Early Termination Date results from an Event of Default:

(1) **First Method and Market Quotation.** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party over (B) the Unpaid Amounts owing to the Defaulting Party.

(2) **First Method and Loss.** If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party’s Loss in respect of this Agreement.
(3) **Second Method and Market Quotation.** If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party less (B) the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) **Second Method and Loss.** If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party’s Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) **Termination Events.** If the Early Termination Date results from a Termination Event:—

(1) **One Affected Party.** If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) **Two Affected Parties.** If there are two Affected Parties:—

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount (“X”) and the Settlement Amount of the party with the lower Settlement Amount (“Y”) and (b) the Unpaid Amounts owing to X less (II) the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss (“X”) and the Loss of the party with the lower Loss (“Y”).

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) **Adjustment for Bankruptcy.** In circumstances where an Early Termination Date occurs because “Automatic Early Termination” applies in respect of a party, the amount...
determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) **Pre-Estimate.** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:—

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

8. Miscellaneous

(a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) **Counterparts and Confirmations.**
(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

9. **Expenses**

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

10. **Notices**

(a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

   (i) if in writing and delivered in person or by courier, on the date it is delivered;

   (ii) if sent by telex, on the date the recipient’s answerback is received;

   (iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of
proving receipt will be on the sender and will not be met by a transmission report generated by the sender’s facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

11. **Governing Law and Jurisdiction**

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement (“Proceedings”), each party irrevocably:

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) **Waiver of Immunities.** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit,
(ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or
for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v)
execution or enforcement of any judgment to which it or its revenues or assets might otherwise
be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the
extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

12. Definitions

As used in this Agreement:—

“Additional Termination Event” has the meaning specified in Section 5(b).

“Affected Party” has the meaning specified in Section 5(b).

“Affected Transactions” means (a) with respect to any Termination Event consisting of an
Illegality, all Transactions affected by the occurrence of such Termination Event and (b) with
respect to any other Termination Event, all Transactions.

“Affiliate” means, subject to the Schedule, in relation to any person, any entity controlled,
directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or
any entity directly or indirectly under common control with the person. For this purpose,
“control” of any entity or person means ownership of a majority of the voting power of the entity
or person.

“Applicable Rate” means:—

(a) in respect of obligations payable or deliverable (or which would have been but for
Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and
after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable,
the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but
for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

“consent” includes a consent, approval, action, authorization, exemption, notice, filing,
registration or exchange control consent.

“Credit Event Upon Merger” has the meaning specified in Section 5(b).

“Credit Support Document” means any agreement or instrument that is specified as such in this
Agreement.

“Credit Support Provider” has the meaning specified in the Schedule.
“Default Rate” means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

“Defaulting Party” has the meaning specified in Section 6(a).

“Early Termination Date” means the date determined in accordance with Section 6(a) or 6(b)(iii).

“Event of Default” has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

“Illegality” has the meaning specified in Section 5(b).

“law” includes any treaty, law, rule or regulation and “lawful” and “unlawful” will be construed accordingly.

“Local Business Day” means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

“Loss” means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party’s legal fees and out-of-pocket expenses referred to under Section 9. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

“Market Quotation” means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party.
(expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the “Replacement Transaction”) that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

“Non-default Rate” means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

“Non-defaulting Party” has the meaning specified in Section 6(a).

“Potential Event of Default” means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

“Reference Market-makers” means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

“Scheduled Payment Date” means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.
“Set-off” means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

“Settlement Amount” means, with respect to a party and any Early Termination Date, the sum of:

(a) the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party’s Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

“Specified Entity” has the meaning specified in the Schedule.

“Specified Indebtedness” means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

“Specified Transaction” means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

“Terminated Transactions” means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if “Automatic Early Termination” applies, immediately before that Early Termination Date).

“Termination Event” means an Illegality or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

“Termination Rate” means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.
“Unpaid Amounts” owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.
IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

GOLDMAN SACHS MITSUI MARINE DERIVATIVE PRODUCTS, L.P.

By: GSMMDPGP, Inc.
    General Partner

By: ___________________________   By: ___________________________
    Name:                     Name:               
    Title:                    Title:         
    Date:                     Date:          

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
ISDA®

International Swaps and Derivatives Association, Inc.

MASTER AGREEMENT
dated as of November [__], 2005

Merrill Lynch Capital Services, Inc. and San Diego Regional Transportation Commission have entered and/or anticipate entering into one or more transactions (each a “Transaction”) that are or will be governed by this Master Agreement (the “Master Agreement”), which includes the schedule (the “Schedule”), and the documents and other confirming evidence (each a “Confirmation”) exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:—

1. Interpretation

(a) Definitions. The terms defined in Section 12 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) Inconsistency. In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) Single Agreement. All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this “Agreement”), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by
payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable:

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party’s obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of branches or offices through which the parties make and receive payments or deliveries.

(d) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of
any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. **Representations**

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into) that:—

(a) **Basic Representations.**

   (i) **Status.** It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;

   (ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorize such execution, delivery and performance;

   (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

   (iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

   (v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors’ rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document

Copyright © 1992 by International Swaps and Derivatives Association, Inc.

NYK 984294-6.071369.0011
to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

4. **Agreements**

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) **Furnish Specified Information.** It will deliver to the other party any forms, documents or certificates specified in the Schedule or any Confirmation by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorizations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

5. **Events of Default and Termination Events**

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an “Event of Default”) with respect to such party:—

   (i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

   (ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) or to give notice of a Termination Event) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

   (iii) **Credit Support Default.**
(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) Misrepresentation. A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) Default under Specified Transaction. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) Cross Default. If “Cross Default” is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such
agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provision liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:—

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or
(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (ii) below or an Additional Termination Event if the event is specified pursuant to (iii) below:—

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):—

1. to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

2. to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(iii) **Additional Termination Event.** If any “Additional Termination Event” is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. **Early Termination**
(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the “Defaulting Party”) has occurred and is then continuing, the other party (the “Non-defaulting Party”) may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, “Automatic Early Termination” is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) **Two Affected Parties.** If an Illegality under Section 5(b)(i)(1) occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iii) **Right to Terminate.** If:—

(1) an agreement under Section 6(b)(ii) has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality other than that referred to in Section 6(b)(ii), a Credit Event Upon Merger or an Additional Termination Event occurs,

either party in the case of an Illegality, any Affected Party in the case of an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) **Effect of Designation.**

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.
(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(d) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) **Calculations.**

(i) **Statement.** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) **Payment Date.** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment), from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) **Payments on Early Termination.** If an Early Termination Date occurs, the following provisions shall apply based on the parties’ election in the Schedule of a payment measure, either “Market Quotation” or “Loss,” and a payment method, either the “First Method” or the “Second Method.” If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that “Market Quotation” or the “Second Method,” as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) **Events of Default.** If the Early Termination Date results from an Event of Default:

(1) **First Method and Market Quotation.** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated
Transactions and the Unpaid Amounts owing to the Non-defaulting Party over (B) the Unpaid Amounts owing to the Defaulting Party.

(2) First Method and Loss. If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party’s Loss in respect of this Agreement.

(3) Second Method and Market Quotation. If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party less (B) the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) Second Method and Loss. If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party’s Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) Termination Events. If the Early Termination Date results from a Termination Event:—

(1) One Affected Party. If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) Two Affected Parties. If there are two Affected Parties:—

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount (“X”) and the Settlement Amount of the party with the lower Settlement Amount (“Y”) and (b) the Unpaid Amounts owing to X less (II) the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable
equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) **Adjustment for Bankruptcy.** In circumstances where an Early Termination Date occurs because “Automatic Early Termination” applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) **Pre-Estimate.** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. **Transfer**

Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

8. **Miscellaneous**

(a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.
(c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) **Counterparts and Confirmations.**

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

9. **Expenses**

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

10. **Notices**

(a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address

Copyright © 1992 by International Swaps and Derivatives Association, Inc.
or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient’s answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender’s facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery ) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

11. **Governing Law and Jurisdiction**

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement (“Proceedings”), each party irrevocably:—

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.
Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) **Waiver of Immunities.** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

12. **Definitions**

As used in this Agreement:—

“**Additional Termination Event**” has the meaning specified in Section 5(b).

“**Affected Party**” has the meaning specified in Section 5(b).

“**Affected Transactions**” means (a) with respect to any Termination Event consisting of an Illegality, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

“**Affiliate**” means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, “control” of any entity or person means ownership of a majority of the voting power of the entity or person.

“**Applicable Rate**” means:—

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.
“consent” includes a consent, approval, action, authorization, exemption, notice, filing, registration or exchange control consent.

“Credit Event Upon Merger” has the meaning specified in Section 5(b).

“Credit Support Document” means any agreement or instrument that is specified as such in this Agreement.

“Credit Support Provider” has the meaning specified in the Schedule.

“Default Rate” means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

“Defaulting Party” has the meaning specified in Section 6(a).

“Early Termination Date” means the date determined in accordance with Section 6(a) or 6(b)(iii).

“Event of Default” has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

“Illegality” has the meaning specified in Section 5(b).

“law” includes any treaty, law, rule or regulation and “lawful” and “unlawful” will be construed accordingly.

“Local Business Day” means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

“Loss” means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the
relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party’s legal fees and out-of-pocket expenses referred to under Section 9. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

“Market Quotation” means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the “Replacement Transaction”) that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

“Non-default Rate” means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

“Non-defaulting Party” has the meaning specified in Section 6(a).

“Potential Event of Default” means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.
“Reference Market-makers” means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

“Scheduled Payment Date” means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

“Set-off” means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

“Settlement Amount” means, with respect to a party and any Early Termination Date, the sum of:

(a) the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party’s Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

“Specified Entity” has the meaning specified in the Schedule.

“Specified Indebtedness” means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

“Specified Transaction” means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

“Terminated Transactions” means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the
notice designating that Early Termination Date (or, if “Automatic Early Termination” applies, immediately before that Early Termination Date).

“Termination Event” means an Illegality or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

“Termination Rate” means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

“Unpaid Amounts” owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.
IN WITNESS WHEREOF the parties have executed this document on the respective
dates specified below with effect from the date specified on the first page of this document.

MERRILL LYNCH CAPITAL SERVICES, INC.  SAN DIEGO REGIONAL
TRANSPORTATION COMMISSION

By:_______________________________  By:_______________________________

Name:______________________________  Name:______________________________
Title:_______________________________  Title:_______________________________
Date:_______________________________  Date:_______________________________
PART 1: Termination Provisions

(a) "Specified Entity" means in relation to Party A for the purpose of:-

Section 5(a)(v) (Default under Specified Transaction), none;
Section 5(a)(vi) (Cross Default), none;
Section 5(a)(vii) (Bankruptcy), none; and
Section 5(b)(ii) (Credit Event Upon Merger), none;

in relation to Party B for the purpose of:-

Section 5(a)(v) (Default under Specified Transaction) none;
Section 5(a)(vi) (Cross Default), none;
Section 5(a)(vii) (Bankruptcy), none; and
Section 5(b)(ii) (Credit Event Upon Merger), none.

(b) "Specified Transaction" will have the meaning specified in Section 12.

(c) The "Cross-Default" provisions of Section 5(a)(vi) (as amended in Part 5(f)) will apply to Party A and will apply to Party B.

In connection therewith:
With respect to Party A, "Specified Indebtedness" will have the meaning specified in Section 12, except that such term shall not include obligations in respect of deposits received in the ordinary course of a party’s banking business. With respect to Party B, "Specified Indebtedness" will mean any indebtedness under the Covered Indenture.

"Threshold Amount" means, with respect to Party A, an amount equal to two percent (2%) of the Shareholders’ Equity of Bank of America Corporation and, with respect to Party B, $10,000,000.

"Shareholders' Equity" means, with respect to Party A, at any time, the sum (as shown in its most recent annual audited financial statements) of (i) its capital stock (including preferred stock) outstanding, taken at par value, (ii) its capital surplus and (iii) its retained earnings, minus (iv) treasury stock, each to be determined in accordance with generally accepted accounting principles.

(d) The "Credit Event Upon Merger" provisions of Section 5(b)(ii)
    will apply to Party A
    will apply to Party B.

(e) The "Automatic Early Termination" provision of Section 6(a)
    will not apply to Party A
    will not apply to Party B;

provided, however, that with respect to a party, where the Event of Default specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or to the extent analogous thereto, (8) is governed by a system of law which does not permit termination to take place after the occurrence of the relevant Event of Default, then the Automatic Early Termination provisions of Section 6(a) will apply to such party.

Section 6(e)(iii). Section 6(e)(iii) of this Agreement shall be amended to include the following sentences after the existing sentence:

“In addition to and notwithstanding anything to the contrary in the preceding sentence of this Section 6(e)(iii), if an Early Termination Date is deemed to have occurred under Section 6(a) as a result of Automatic Early Termination, the Defaulting Party hereby agrees to indemnify the Non-Defaulting Party on demand against all loss or damage that the Non-Defaulting Party may sustain or incur in respect of each Transaction as a result of movement in interest rates, currency exchange rates or market quotations between the Early Termination Date and the date (the ‘Determination Date’) upon which the Non-Defaulting Party obtains the information confirming the existence of the Event of Default leading to the deemed Early Termination Date under Section 6(a) that has been derived from reasonably reliable source of information, including publicly available information, such as Telerate, Reuters, Financial Times and The Wall Street Journal.

If the Non-Defaulting Party shall determine that it would gain or benefit from the movement in interest rates, currency exchange rates or market quotations between the Early Termination Date and the Determination Date, the amount of such gain or benefit shall be deducted from the amount payable by the Defaulting Party pursuant to Section 6(e)(i).

The Determination Date shall be a date not later than the date upon which creditors generally of the Defaulting Party are notified of the occurrence of the Event of Default leading to the deemed Early Termination Date.”
(f) **Payments on Early Termination.** For the purpose of Section 6(e):

(i) Market Quotation will apply.

(ii) The Second Method will apply.

(g) **Additional Termination Event** will apply. The following events shall constitute Additional Termination Events hereunder:

(i) A Ratings Event occurs with respect to Party B. For purposes of this Termination Event, "Ratings Event" means that (i) the unenhanced ratings (without regard to any third party credit enhancement) on the Bonds is lower than "Baa2" by Moody's Investor Services, Inc. or any successor thereto ("Moody's"), or "BBB" by Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or any successor thereto ("S&P"), (ii) Party B fails to have an unenhanced rating (without regard to any third party credit enhancement) on the Bonds by either Moody's or S&P, or (iii) either such rating is withdrawn or suspended. "General Business Days" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the City of New York. Party B shall be the sole Affected Party with respect to this Additional Termination Event.

(ii) A Ratings Event occurs with respect to Party A, and Party A fails, within 30 days of such Ratings Event, to assign this Agreement and all Transactions hereunder to a third party reasonably satisfactory to Party B. For purposes of this Termination Event, "Ratings Event" means that (i) the unenhanced ratings (without regard to any third party credit enhancement) of its long-term certificates of deposit are lower than "Baa2" by Moody's, or "BBB" by S&P, or (ii) either such rating is withdrawn or suspended. Party A shall be the sole Affected Party with respect to this Additional Termination Event.

(iii) If, without the consent of Party A, the Covered Indenture is amended, modified, or supplemented in such a way as to adversely affect any of Party A’s rights or obligations under this Agreement or modify the obligations of, or impacts the ability of Party B to fully perform any of Party B’s obligations under, this Agreement. Party B shall be the sole Affected Party with respect to this Additional Termination Event.

(h) **Events of Default.**

(i) **Bankruptcy.** Clause (6) of Section 5(a)(vii) of this Agreement is hereby amended to read in its entirety as follows:

"(6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets or (B) in the case of a Government Entity, any Credit Support Provider of such Government Entity or any applicable Specified Entity of such Government Entity, (I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared or introduced or proposed for considerations by it or by any legislative or regulatory body with competent
jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it;".

(ii) **Merger Without Assumption.** Section 5(a)(viii) of this Agreement is hereby amended to read in its entirety as follows:

"(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, without limiting the foregoing, if such party is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, such party or any Credit Support Provider of such party) and, at the time of such consolidation, amalgamation, merger, transfer or succession:

1. the resulting, surviving, transferee or successor entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

2. the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving, transferee or successor entity of its obligations under this Agreement."

(iii) **Covered Indenture.** Section 5(a)(ix) of this Agreement is hereby added to read in its entirety as follows:

“(ix) **Covered Indenture.** With respect to the Government Entity, any default (howsoever defined) under the Covered Indenture shall be an Event of Default under this Agreement.”

(i) **Termination Events.** Section 5(b)(ii) of this Agreement is hereby amended to read in its entirety as follows:

"(ii) **Credit Event Upon Merger.** If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, without limiting the foregoing, if X is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, X, any Credit Support Provider of X or any Specified Entity of X) and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving, transferee or successor entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the sole Affected Party); or".

**PART 2: Agreement to Deliver Documents**
For the purpose of Section 4(a) of this Agreement, each party agrees to deliver the following documents:

<table>
<thead>
<tr>
<th>Party required to deliver document</th>
<th>Form/Document/Certificate</th>
<th>Date by which to be delivered</th>
<th>Covered by Section 3(d) Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Party B</td>
<td>Annual Report of Party B containing audited, consolidated financial statements certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized</td>
<td>As soon as available and in any event within 120 days after the end of each fiscal year of Party B</td>
<td>Yes</td>
</tr>
<tr>
<td>Party A</td>
<td>Annual Report of Bank of America Corporation containing audited, consolidated financial statements certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized</td>
<td>To be made available on <a href="http://www.bankofamerica.com/investor/">www.bankofamerica.com/investor/</a> as soon as available and in any event within 120 days after the end of each fiscal year of Party A</td>
<td>Yes</td>
</tr>
<tr>
<td>Party B</td>
<td>Quarterly Financial Statements of Party B containing unaudited, consolidated financial statements of such party’s fiscal quarter prepared in accordance with generally accepted accounting principles in the country in which such party is organized</td>
<td>Upon Request</td>
<td>Yes</td>
</tr>
<tr>
<td>Party B</td>
<td>Credit Support Document(s)</td>
<td>Upon execution and delivery of this Agreement</td>
<td>No</td>
</tr>
<tr>
<td>Party B</td>
<td>Opinion of Counsel satisfactory to Party A substantially in the form of Exhibit I hereto</td>
<td>Upon execution and delivery of this Agreement and each Transaction confirmed hereunder</td>
<td>No</td>
</tr>
<tr>
<td>Party A</td>
<td>Opinion of Counsel substantially in the form of Exhibit II hereto</td>
<td>Upon execution and delivery of this Agreement</td>
<td>No</td>
</tr>
<tr>
<td>Party required to deliver document</td>
<td>Form/Document/Certificate</td>
<td>Date by which to be delivered</td>
<td>Covered by Section 3(d) Representation</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>Party A and Party B</td>
<td>Certified copies of all corporate authorizations and any other documents with respect to the execution, delivery and performance of this Agreement and any Credit Support Document, as applicable</td>
<td>Upon execution and delivery of this Agreement</td>
<td>Yes</td>
</tr>
<tr>
<td>Party A and Party B</td>
<td>Certificate of incumbency and/or specimen signatures of individuals executing this Agreement and any Credit Support Document</td>
<td>Upon execution and delivery of this Agreement and thereafter upon request of the other party</td>
<td>Yes</td>
</tr>
<tr>
<td>Party B</td>
<td>A copy of the statutory or regulatory authority pursuant to which Party B is authorized to enter into this Agreement and each Transaction.</td>
<td>Upon execution and delivery of this Agreement</td>
<td>Yes</td>
</tr>
<tr>
<td>Party B</td>
<td>Executed copy of the Covered Indenture</td>
<td>Upon execution and delivery of this Agreement</td>
<td>Yes</td>
</tr>
<tr>
<td>Party B</td>
<td>Copy of any amendment, modification or supplement to the Covered Indenture</td>
<td>Upon execution and delivery of such amendment, modification or supplement</td>
<td>Yes</td>
</tr>
</tbody>
</table>
PART 3: Miscellaneous

(a) **Address for Notices.** For the purpose of Section 10(a) of this Agreement:-

Address for notice or communications to Party A:

Bank of America, N.A.
Sears Tower
233 South Wacker Drive, Suite 2800
Chicago, IL 60606
Attention: Swap Operations
Telephone No.: 312-234-2732
Facsimile No.: 312-234-3603

with a copy to:

Bank of America, N.A.
100 N. Tryon St., NC1-007-13-01
Charlotte, North Carolina 28255
Attention: Capital Markets Documentation
Facsimile No.: 704-386-4113

Address for financial statements to Party A:

Bank of America, N.A.
Mail Code: CA9-193-13-17
333 S. Hope St.
Los Angeles, CA 90071-1406
Attention: Michael C. Jones, Senior Vice President

Address for notice or communications to Party B:

San Diego Regional Transportation Commission
San Diego Association of Governments
401 B Street, Suite 800
San Diego, CA 92101-4231

(b) **Calculation Agent.** The Calculation Agent is Party A, provided, that if an Event of Default with respect to Party A as the Defaulting Party has occurred and is continuing, the Calculation Agent shall be a Reference Market-maker selected by Party B and acceptable to Party A.

(c) **Credit Support Document.** Details of any Credit Support Document:

Each of the following, as amended, supplemented, modified, renewed, replaced, consolidated, substituted or extended from time to time, is a “Credit Support Document”:

In relation to Party B, the Covered Indenture. In relation to Party A and Party B, the ISDA Credit Support Annex in the form annexed hereto and made a part hereof.
(d) **Credit Support Provider.**

Credit Support Provider means in relation to Party A: Not applicable.

Credit Support Provider means in relation to Party B: Not applicable.

(e) **Governing Law.** This Agreement will be governed by, and construed in accordance with, the laws of the State of New York without reference to its conflict of laws doctrine. Notwithstanding the foregoing, the parties agree that matters relating to the powers, authority and capacity of Party B to enter into the Agreement or any Transaction shall be governed by the laws of the State of California.

(f) **Netting of Payments.** Subparagraph (ii) of Section 2(c) shall not apply to any Transactions; provided, however, if the parties otherwise so agree, then subparagraph (ii) of Section 2(c) shall apply.

(g) "Affiliate" will have the meaning specified in Section 12 of this Agreement.

(h) "Bonds" means any bonds of Party B issued pursuant to the Covered Indenture.

(i) "Covered Indenture" means the Amended and Restated Subordinate Indenture, dated as of November 1, 2005 between Party B and U.S. Bank National Association as Trustee; and subsequent to the issuance of the Bonds, the indenture pursuant to which the Bonds are issued; each as amended and supplemented prior to the date hereof in accordance with the terms thereof and each as amended and supplemented following the date hereof in accordance with the terms hereof and thereof.

(l) "Covered Indenture Incorporation Date" means the date hereof.

(m) "Government Entity" means Party B.

**PART 4: Municipal Counterparty Provisions**

(a) **Obligations.** Section 2(a)(iii) of this Agreement is hereby amended to read in its entirety as follows:

"(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default, Potential Event of Default or Incipient Illegality with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement."

(b) **Representations.**

(i) The introductory clause of Section 3 of this Agreement is hereby amended to read in its entirety as follows:

"Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into"
and, in the case of the representations in Section 3(a) and 3(e), at all times until the termination of this Agreement) that:

(ii) Section 3(a)(ii) of this Agreement is hereby amended to read in its entirety as follows:

"(ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action and made all necessary determinations and findings to authorize such execution, delivery and performance;"

(iii) Section 3(b) of this Agreement is hereby amended to read in its entirety as follows:

"(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Incipient Illegality (in the case of a Government Entity) or Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party."

(iv) Section 3 of this Agreement is hereby amended by adding the following subsection "(e)" thereto, which subsection shall only apply to the Government Entity:

"(e) **Non-Speculation.** This Agreement has been, and each Transaction hereunder will be (and, if applicable, has been), entered into for purposes of managing its borrowings or investments and not for purposes of speculation."

(v) Section 3 of this Agreement is hereby amended by adding the following subsection "(f)" thereto:

"(f) **No Immunity.** It is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject to in any Proceedings (as defined in Section 11(b)) in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets."

(c) **Agreements.**

(i) The introductory clause of Section 4 of this Agreement is hereby amended to read in its entirety as follows:

"Each party agrees with the other (or, in the case of Section 4(d) and (e), the Government Entity agrees with the other party) that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:"
(ii) Section 4 of this Agreement is hereby amended by adding the following subsections "(d)" and "(e)" thereto:

"(d) **Compliance with Covered Indenture.** The Government Entity will observe, perform and fulfill each provision in the Covered Indenture applicable to such Government Entity in effect on the Covered Indenture Incorporation Date, as any of those provisions may be amended, supplemented or modified for purposes of this Agreement with the prior written consent of the other party hereto (the "Incorporated Provisions"), with the effect that such other party hereto will have the benefit of each of the Incorporated Provisions (including without limitation, covenants, right to consent to certain actions subject to consent under the Covered Indenture and delivery of financial statements and other notices and information). In the event the Covered Indenture ceases to be in effect prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued under the Covered Indenture) will remain in full force and effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of the Government Entity under this Agreement and any obligations of the Government Entity or any Credit Support Provider of the Government Entity under a Credit Support Document have been fully satisfied. The Incorporated Provisions are hereby incorporated by reference and made a part of this Agreement to the same extent as if such provisions were set forth herein. For purposes of this Agreement, the Incorporated Provisions shall be construed as though (i) all references therein to any party making loans, extensions of credit or financial accommodations thereunder or commitments therefor (the "Financings") were to the other party hereto and (ii) to the extent that such Incorporated Provisions are conditioned on or relate to the existence of such Financings or the Government Entity having any obligations in connection therewith, all references to such Financings or obligations were to the obligations of the Government Entity under this Agreement. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions without the prior written consent of the other party hereto shall have no force and effect with respect to this Agreement. Any amendment, supplement or modification for which such consent is obtained shall be part of the Incorporated Provisions for purposes of this Agreement.

(e) **Notice of Incipient Illegality.** If an Incipient Illegality occurs, the Government Entity will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Incipient Illegality and will also give such other information about that Incipient Illegality as the other party may reasonably require."

(d) **Jurisdiction.** Section 11(b) of this Agreement is hereby amended to read in its entirety as follows:

"(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement ('Proceedings'), each party irrevocably:

(i) submits, to the fullest extent permitted by applicable law, to the non-exclusive jurisdiction of each of the courts of the State of New York, the United States District Court located in the Borough of Manhattan in New
York City, the courts of the State of California and the United States District Court, Southern District of California; and

(ii) waives, to the fullest extent permitted by applicable law, (1) any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, (2) any claim that such Proceedings have been brought in an inconvenient forum and (3) the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction."

(e) **Definitions.** Section 12 of this Agreement is hereby amended to add the following definitions in their appropriate alphabetical order:

"'Covered Indenture' has the meaning specified in the Schedule."

"'Covered Indenture Incorporation Date' has the meaning specified in the Schedule."

"'Government Entity' has the meaning specified in the Schedule."

"'Incipient Illegality' means (a) the enactment by any legislative body with competent jurisdiction over a government entity of legislation which, if adopted as law, would render unlawful (i) the performance by such government entity of any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or the compliance by such government entity with any other material provision of this Agreement relating to such Transaction or (ii) the performance by a government entity or a Credit Support Provider of such government entity of any contingent or other obligation which the government entity (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction, (b) any assertion in any proceeding, forum or action by a government entity, in respect of such government entity or in respect of any entity located or organized under the laws of the state in which such government entity is located to the effect that performance under this Agreement or similar agreements is unlawful or (c) the occurrence with respect to a government entity or any Credit Support Provider of such government entity of any event that constitutes an Illegality."

**PART 5: Other Provisions**

(a) **Set-off.** Any amount (the "Early Termination Amount") payable to one party (the Payee) by the other party (the Payer) under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party in the case where a Termination Event under Section 5(b)(ii) or (iii) has occurred, will, at the option of the party ("X") other than the Defaulting Party or the Affected Party (and without prior notice to the Defaulting Party or the Affected Party), be reduced by its set-off against any amount(s) (the "Other Agreement Amount") payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the currency, place of payment or booking office of the obligation) under any other agreement(s) between the Payee and the Payer or instrument(s) or undertaking(s) issued or executed by one party to, or in favor of, the other party (and the Other Agreement Amount will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this Part 5(a). Notwithstanding the foregoing, Party A may only set-
off amounts owed by Party B to Party A under this Agreement against amounts owed by Party A
to Party B under (i) this Agreement and (ii) any other agreement or account in which the
payments or deposits by Party B to Party A are payable from the same source of funds as the
payments from Party B to Party A are to be paid under this Agreement in accordance with the
Covered Indenture.

For this purpose, either the Early Termination Amount or the Other Agreement Amount (or the
relevant portion of such amounts) may be converted by X into the currency in which the other is
denominated at the rate of exchange at which such party would be able, acting in a reasonable
manner and in good faith, to purchase the relevant amount of such currency.

If an obligation is unascertained, X may in good faith estimate that obligation and set-off in
respect of the estimate, subject to the relevant party accounting to the other when the obligation is
ascertained.

Nothing in this Part 5(a) shall be effective to create a charge or other security interest. This Part
5(a) shall be without prejudice and in addition to any right of set-off, combination of accounts,
lien or other right to which any party is at any time otherwise entitled (whether by operation of
law, contract or otherwise).

(b) **Delivery of Confirmations.** For each Transaction entered into hereunder, Party A shall promptly
send to Party B a Confirmation via facsimile transmission. Party B agrees to respond to such
Confirmation within two (2) Local Business Days, either confirming agreement thereto or
requesting a correction of any error(s) contained therein. Failure by Party A to send a
Confirmation or of Party B to respond within such period shall not affect the validity or
enforceability of such Transaction. Absent manifest error, there shall be a presumption that the
terms contained in such Confirmation are the terms of the Transaction.

(c) **Bankruptcy.** Section 5(a)(vii)(3) of this Agreement is hereby amended by the substitution of the
following therefor:

“(3) sends a notice convening a meeting to propose a voluntary arrangement of creditors,
or any class thereof, or makes a general assignment, arrangement or composition with or
for the benefit of its creditors, or any class thereof;”

(d) **Notice by Facsimile Transmission.** Section 10(a) is hereby amended by deleting the parenthetical
"(except that a notice or other communication under Section 5 or 6 may not be given by facsimile
transmission or electronic messaging system)".

(e) **Recording of Conversations.** Each party to this Agreement acknowledges and agrees to the tape
recording of conversations between trading and marketing personnel of the parties to this
Agreement whether by one or other or both of the parties or their agents, and that any such tape
recordings may be submitted in evidence in any proceedings relating to the Agreement.

(f) **Cross Default.** Section 5(a)(vi) of this Agreement is hereby amended by the following:
(i) with respect to any Specified Indebtedness that is not capable of being declared due and payable as a result of the occurrence or existence of a default, event of default or other similar condition or event (however described) under the agreement or instrument relating to such Specified Indebtedness, the words “which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable” shall be deleted from clause (1) of such Section 5(a)(vi) and the words “and the bondholders or trustee are permitted to exercise any remedies under the agreements and instruments” shall be added in its place.

(ii) adding the following after the semicolon at the end thereof: "provided, however, that notwithstanding the foregoing (but subject to any provision to the contrary contained in any such agreement or instrument), an Event of Default shall not occur under either (1) or (2) above if the default, event of default or other similar condition or event referred to in (1) or the failure to pay referred to in (2) is caused not (even in part) by the unavailability of funds but is caused solely due to a technical or administrative error which has been remedied within three Local Business Days after notice of such failure is given to the party."

(g) Section 3(a) of this Agreement is amended by (i) deleting the word "and" at the end of clause (iv); (ii) deleting the period at the end of clause (v) and inserting therein "; and " ; and (iii) by inserting the following additional representation:

“(vi) **Eligible Contract Participant.** Each party represents to the other party (which representation will be deemed to be repeated by each party on each date on which a Transaction is entered into) that it is an "eligible contract participant" as defined in Section 1a(12) of the U.S. Commodity Exchange Act, 7 U.S.C. Section 1a(12).”

(h) **Additional Representations.** Section 3 is revised so as to add the following subsection (g) at the end thereof:

“(g) **Relationship Between Parties.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

(i) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(ii) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.
(iii) **Status of Parties.** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.”

(i) **Waiver of Right to Trial by Jury.** EACH PARTY HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

(j) **USA PATRIOT Act Notice.** Party A hereby notifies Party B that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies Party B, which information includes the name and address of Party B and other information that will allow Party A to identify Party B in accordance with the Act.

(k) **Additional Covenant of Party B.** Party B hereby covenants that it shall not terminate any Transaction hereunder unless it has funds immediately available to pay any and all termination payments owed by it upon such termination.

(l) **Security and Source of Payment of Party B’s Obligations.** Notwithstanding any other provision of this Master Agreement, the Schedule, or Confirmation, Party B’s obligations under this Agreement and each Transaction hereunder will be payable on parity with the Bonds, or in the event the Bonds are not issued, the Notes.

Party B's obligation to make payments upon the termination of the Transaction will be payable subordinate to the Notes.

For purposes of this Part 5(l), capitalized terms used but not defined in this Agreement shall have the meanings ascribed to them in the Covered Indenture.

[Part 6 – RESERVED for Insurer Provisions]

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

---

1 This provision is included as a means of compliance with the notice requirements contained in the regulations under the USA PATRIOT Act.
IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized officers as of the date hereof.

BANK OF AMERICA, N.A.                             SAN DIEGO REGIONAL TRANSPORTATION COMMISSION

By: __________________________________________   By: _________________________________
    Name: Roger H. Heintzelman     Name:
    Title: Senior Vice President   Title:
SCHEDULE
to the
ISDA MASTER AGREEMENT
dated as of
[______________ __], 2005

between

GOLDMAN SACHS MITSUI MARINE DERIVATIVE PRODUCTS, L.P.,
a limited partnership organized under the laws of the State of Delaware
(“Party A”),

and

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION,
a commission organized under the laws of the State of California
(“Party B”).


(a) “Specified Entity”

(i) means, in relation to Party A, Not Applicable for the purpose of Sections 5(a)(v), 5(a)(vi), 5(a)(vii) and 5(b)(ii); and

(ii) means, in relation to Party B, all Affiliates of Party B for the purpose of Sections 5(a)(v), 5(a)(vi), 5(a)(vii) and 5(b)(ii).

(b) “Specified Transaction”. The term “Specified Transaction” in Section 12 of the Agreement is amended in its entirety as follows:

“Specified Transaction” means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) (i) which is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, commodity spot transaction, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, weather swap, weather derivative, weather option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, or forward purchase or sale of a security, commodity or
other financial instrument or interest (including any option with respect to any of these transactions) or (ii) which is a type of transaction that is similar to any transaction referred to in clause (i) that is currently, or in the future becomes, recurrently entered into the financial markets (including terms and conditions incorporated by reference in such agreement) and that is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, or economic indices or measures of economic risk or value, (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this agreement or the relevant confirmation.

(c) The “Cross Default” provisions of Section 5(a)(vi) will apply to Party A and will apply to Party B, provided that:

(i) with respect to any Specified Indebtedness that is capable of being declared due and payable as a result of the occurrence or existence of a default, event of default or other similar condition or event (however described) under the agreement or instrument relating to such Specified Indebtedness, the phrase “or becoming capable at such time of being declared” shall be deleted from clause (1) of such Section 5(a)(vi);

(ii) with respect to any Specified Indebtedness that is not capable of being declared due and payable as a result of the occurrence or existence of a default, event of default or other similar condition or event (however described) under the agreement or instrument relating to such Specified Indebtedness, the words “which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable” shall be deleted from clause (1) of such Section 5(a)(vi) and the words “and the bondholders or trustee are permitted to exercise any remedies under the agreements and instruments” shall be added in its place; and

(iii) the following language shall be added to the end thereof: “Notwithstanding the foregoing, a default under subsection (2) hereof shall not constitute an Event of Default if (i) the default was caused solely by error or omission of an administrative or operational nature; (ii) funds were available to enable the party to make the payment when due; and (iii) the payment is made within two Local Business Days of such party’s receipt of written notice of its failure to pay.”

“Specified Indebtedness” will have the meaning specified in Section 12 of the Agreement; provided however, with respect to Party B, shall be limited to indebtedness payable from Revenues and, as applicable, 2008 Revenues.

“Threshold Amount” means (A) in relation to Party A, U.S.$100,000,000 (or its equivalent in another currency) and (B) in relation to Party B, U.S.$10,000,000 (or its equivalent in another currency).
(d) Section 5(b)(ii) is hereby amended by deleting it in its entirety and replacing it with the following:

**Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges into, or transfers all or substantially all its assets (or, in the case of Party B, all or substantially all of the project, program or other enterprise from which the funds specified in Section 4(f) are derived in whole or in part) to (or, without limiting the foregoing, with respect to Party B, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, Party B or any Credit Support Provider of Party B or any applicable Specified Entity of Party B generally, or with respect to the project, program or other enterprise from which the funds specified in Section 4(f) are derived in whole or in part), another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of X, such Credit Support Provider, or such Specified Entity (as the case may be) or any resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider, or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(e) The “Credit Event Upon Merger” provisions of Section 5(b)(ii) as amended will apply to Party A and will apply to Party B.

(f) The “Automatic Early Termination” provision of Section 6(a) will not apply to Party A and will not apply to Party B; provided, however, where the Event of Default is specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or to the extent analogous thereto, (8) and is governed by a system of law which does not permit termination to take place upon or after the occurrence of the relevant Event of Default in accordance with the terms of this Agreement, then the Automatic Early Termination provisions of Section 6(a) will apply to Party A and Party B.

In addition to, and notwithstanding anything to the contrary in the preceding sentence, if an Early Termination Date occurs under Section 6(a) as a result of Automatic Early Termination, the Defaulting Party hereby agrees to reimburse the Non-defaulting Party upon three days written notice against all loss or damage that the Non-defaulting Party may sustain or incur (including in relation to terminating, liquidating, obtaining or reestablishing any hedge or related position to the extent not already taken into account in the calculation performed under Section 6(e)) in respect of each Transaction as a result of movements in relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data between the Early Termination Date and the Local Business Day upon which the Non-defaulting Party first becomes aware that the Early Termination Date has occurred under Section 6(a) provided however, that if the Non-defaulting Party determines that any such movements have actually resulted in a net, after tax, gain for the Non-defaulting Party then the Non-defaulting Party agrees to pay to the Defaulting Party the sum of such gain, subject to any rights the Non-defaulting party may have under the Agreement or otherwise.
(g) **Payments on Early Termination.** For the purpose of Section 6(e):

(i) Loss will apply.

(ii) The Second Method will apply.

(h) The parties agree to amend the following subsections of Section 5(a) as follows:

(i) clause (i): in the third line of this clause, delete the word “third” and insert the word “first;”

(ii) clause (ii): in the fifth line of this clause, delete the word “thirtieth” and insert the word “fifth;”

(iii) clause (vii)(4): delete, following the word “liquidation” in line 9, the clause beginning with “and, in the case of” and ending with the word “thereof” in line 13; clause (vii)(6): add to the end thereof the following: “or, in the case of Party B, (A) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (B) there shall be declared or introduced or proposed for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it;”; and clause (vii)(7): delete, following the word “assets” in line 19, the clause beginning with “and such secured party” and ending with the word “thereafter” in line 21, to eliminate the 30-day grace period; and

(iv) clause (viii): add, following the word “entity” in line 3 of the introductory paragraph: “or, with respect to Party B, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, Party B or any Credit Support Provider of Party B generally, or with respect to the funds specified in Section 4(f) or the project, program or other enterprise from which such funds are derived in whole or in part);” and add the following new clause (viii)(3): “In the case of Party B, the sources of payment for the obligations of Party B as set forth in Section 4(f) are no longer available for the satisfaction of such resulting, surviving, transferee or successor entity’s obligations to the other party hereto."

(i) **Additional Termination Event** will apply. It will constitute an Additional Termination Event hereunder upon the occurrence of any of the following events:

(i) With respect to Party A, if Party A’s counterparty risk or financial program rating, as applicable, is withdrawn, suspended or reduced below “BBB” in the case of S&P or below “Baa2” in the case of Moody’s; or
(ii) With respect to Party B, if Party B’s long-term unsecured, unenhanced, unsubordinated debt rating is withdrawn, suspended or reduced below “BBB” in the case of S&P or below “Baa2” in the case of Moody’s.

For the purpose of the Termination Event set forth in (i) above, the Affected Party shall be Party A and for the purpose of the Termination Event set forth in (ii) above, the Affected Party shall be Party B. For the purpose of each of the Termination Events set forth above, all Transactions shall be Affected Transactions.

(j) **Early Termination.** Notwithstanding anything to the contrary in Section 6(a) or Section 6(b), the parties agree that, except with respect to Transactions (if any) that are subject to Automatic Early Termination under Section 6(a), the Non-defaulting Party or the party that is not the Affected Party (in a case where a Termination Event under Section 5(b)(ii), or an Additional Termination Event for which there is a single Affected Party, has occurred) is not required to terminate the Transactions on a single day, but rather may terminate the Transactions over a commercially reasonable period of time (not to exceed ten days) (the “Early Termination Period”). The last day of the Early Termination Period shall be the Early Termination Date for purposes of Section 6; provided, however, that interest shall accrue on the Transactions terminated during the Early Termination Period prior to the Early Termination Date at the Non-default Rate.

**Part 2. Agreement to Deliver Documents**

(a) The documents to be delivered are:

<table>
<thead>
<tr>
<th>Party required to deliver</th>
<th>Form/Document/Certificate</th>
<th>Date by which to be delivered</th>
<th>Covered by Section 3(d) Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Party A and Party B</td>
<td>Evidence of authority of signatories, and with respect to Party A, a Power of Attorney</td>
<td>Upon or promptly following execution of this Agreement</td>
<td>Yes</td>
</tr>
<tr>
<td>Party A and Party B</td>
<td>Any Credit Support Document specified in Part 3(c) herein</td>
<td>Upon execution of this Agreement</td>
<td>No</td>
</tr>
<tr>
<td>Party A</td>
<td>Most recently prepared annual balance sheet of Party A</td>
<td>Promptly following reasonable demand by Party B</td>
<td>Yes</td>
</tr>
<tr>
<td>Party B</td>
<td>Most recent annual audited and quarterly financial statements of the party</td>
<td>Promptly following reasonable demand by Party A</td>
<td>Yes</td>
</tr>
<tr>
<td>Party required to deliver</td>
<td>Form/Document/Certificate</td>
<td>Date by which to be delivered</td>
<td>Covered by Section 3(d) Representation</td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------------------------</td>
<td>-------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Party B</td>
<td>Legal opinion with respect to Party B in form and substance acceptable to Party A</td>
<td>Upon execution of this Agreement and upon execution of any Confirmation</td>
<td>No</td>
</tr>
<tr>
<td>Party A</td>
<td>Legal opinion with respect to Party A in form and substance acceptable to Party B</td>
<td>Upon execution of this Agreement and upon execution of any Confirmation</td>
<td>No</td>
</tr>
<tr>
<td>Party B</td>
<td>Certified resolutions of Party B’s board of directors or other governing body authorizing this Agreement and the Transactions contemplated hereby and authorizing a specified person or persons to execute and deliver (as appropriate) on its behalf this Agreement, the exhibits, supplements, and attachments hereto, the documents incorporated by reference herein, and the Confirmations hereunder.</td>
<td>At execution of this Agreement and, in the case of amendments, promptly following the time each such amendment is made</td>
<td>Yes</td>
</tr>
<tr>
<td>Party B</td>
<td>Swap Policy</td>
<td>Upon execution of this Agreement and upon execution of any Confirmation</td>
<td>Yes</td>
</tr>
<tr>
<td>Party B</td>
<td>Evidence that this Agreement and any Transaction hereunder complies with Party B’s Swap Policy</td>
<td>Upon execution of this Agreement and upon execution of any Confirmation</td>
<td>Yes</td>
</tr>
<tr>
<td>Party B</td>
<td>Subordinate Indenture</td>
<td>Upon execution of this Agreement</td>
<td></td>
</tr>
<tr>
<td>Party B</td>
<td>2008 Indenture and any documents and opinions required to be delivered thereunder in connection with Party B’s payment obligations hereunder</td>
<td>On the Effective Date of the initial Transaction hereunder</td>
<td>Yes</td>
</tr>
<tr>
<td>Party required to deliver</td>
<td>Form/Document/Certificate</td>
<td>Date by which to be delivered</td>
<td>Covered by Section 3(d) Representation</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------------------------</td>
<td>------------------------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>Party B</td>
<td>An opinion of counsel to Party B, in form and substance acceptable to Party A, (i) as to the enforceability of the 2008 Indenture and (ii) confirming the security and source of payments for Party B’s obligations hereunder as set forth in Section 4(f)(ii) of the Agreement</td>
<td>On the Effective Date of the initial Transaction hereunder</td>
<td>No</td>
</tr>
</tbody>
</table>

**Part 3. Miscellaneous**

(a) **Addresses for Notices.** For the purpose of Section 10(a):

(i) **Address for notices or communications to Party A:**

   Address: 85 Broad Street  
   New York, New York 10004  
   Attention: Swap Administration  
   Telephone: 212-902-1000  
   Facsimile: 212-902-5692

(ii) **Address for notices or communications to Party B:**

   Address: [PLEASE PROVIDE]  
   Attention:  
   Telephone:  
   Facsimile: 

(b) **Calculation Agent.** The Calculation Agent is Party A, unless Party A is a Defaulting Party, in which case Party B, or its agent, which shall be reasonably acceptable to Party A, shall be the Calculation Agent.

(c) **Credit Support Document.** Any guaranty or other form of credit support provided on behalf of Party B at any time shall constitute a Credit Support Document with respect to the obligations of Party B. Details of any other Credit Support Document, each of which is incorporated by reference in, and made part of, this Agreement and each Confirmation (unless provided otherwise in a Confirmation) as if set forth in full in this Agreement or such Confirmation:

(ii) Guaranty dated as of December 20, 2000 between Mitsui Marine and Goldman Group in favor of Party B as beneficiary thereof shall constitute a Credit Support Document with respect to the obligations of Party A.

(iii) Credit Support Annex attached hereto and dated the date hereof between Party A and Party B shall constitute a Credit Support Document with respect to the obligations of Party A.

(d) **Credit Support Provider.**

Credit Support Provider means in relation to Party A, not applicable.

Credit Support Provider means in relation to Party B, any party that at any time provides a guaranty or other form of credit support on behalf of Party B.

(e) **Governing Law.** Section 11(a) is hereby replaced with the following:

“(a) **Governing Law.** This Agreement and each Transaction entered into hereunder will be governed by, and construed and enforced in accordance with, the law of the State of New York without reference to its choice of law doctrine; provided, however, that the power and authority of Party B to enter into this Agreement and each Transaction will be governed by the law of the State of California without reference to its choice of law doctrine.”

(f) **Jurisdiction.** Section 11(b) is hereby replaced with the following:

“(i) submits, to the fullest extent permitted by applicable law, to the exclusive jurisdiction of the United States District Courts located in the Borough of Manhattan in New York City and the Southern District of California; and

(ii) waives, to the fullest extent permitted by applicable law, (1) any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, (2) any claim that such Proceedings have been brought in an inconvenient forum and (3) the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.”

(g) **Netting of Payments.** Subparagraph (ii) of Section 2(c) will not apply to Transactions. Notwithstanding anything to the contrary in Section 2(c), unless otherwise expressly agreed by the parties, the netting provided for in Section 2(c) will not apply separately to any pairings of branches or Offices through which the parties make and receive payments or deliveries.

(a) **Accuracy of Specified Information.** Section 3(d) is hereby amended by adding in the third line thereof after the word “respect” and before the period, the phrase “or, in the case of audited or unaudited financial statements, a fair presentation of the financial condition of the relevant person.”

(b) **Scope of Agreement.** Any transaction outstanding between the parties at the date this Agreement comes into force or entered into by the parties at or after the date this Agreement comes into force that is an FX Transaction or a Currency Option Transaction as defined in the 1998 FX and Currency Option Definitions (the “FX Definitions”), as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), the Emerging Markets Traders Association, and the Foreign Exchange Committee, unless otherwise specified in the relevant confirmation, will constitute a “Transaction” for the purposes of this Agreement and will be deemed to incorporate the FX Definitions.

(c) **Obligations: General Conditions.** Section 2(a)(iii) is hereby amended by: (i) deleting in the second line thereof the word “or” and replacing it with a comma and (ii) inserting in the second line thereof after the words “Potential Event of Default” the words “, or Incipient Illegality”.

(d) **Powers.** Section 3(a)(ii) is hereby amended by: (i) inserting in the first line thereof after the word “power” the words “(in the case of Party B, pursuant to the Authorizing Law)”;(ii) deleting in the fifth line thereof after the word “party” the word “and” and replacing it with “, it”; (iii) inserting in the fifth line thereof after the word “action” the words “and has made all necessary determinations and findings”; and (iv) adding in the fifth line thereof after the word “performance” and before the semicolon the words “, the individual(s) executing and delivering this Agreement and any other documentation (including any Credit Support Document) relating to this Agreement to which it is a party or that it is required to deliver are duly empowered and authorized to do so, and it has duly executed and delivered this Agreement and any Credit Support Document to which it is a party”.

(e) **Additional Basic Representations.** The parties agree to amend Section 3 by adding new Sections 3(e), (f), (g), (h) and (i) as follows:

“(e) **Eligible Contract Participant.** It is an “eligible contract participant” as defined in the U.S. Commodity Exchange Act.

(f) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that.
Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(g) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(h) **Status of Parties.** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.

(i) **Termination Payments.** Each party acknowledges that, pursuant to the terms of this Agreement (including, without limitation, Section 6(e) hereof), it may owe a payment to the other party upon the designation of an Early Termination Date hereunder, even in the event such Early Termination Date is the result of an Event of Default with respect to such other party.”

(f) **Additional Representations of Party B.** Party B hereby further represents to Party A (which representations will be deemed to be repeated by Party B at all times until the termination of this Agreement) that:

(i) **Non-Speculation.** This Agreement has been, and each Transaction has been and will be entered into not for purpose of speculation but solely in connection with the financing activities of Party B, including without limitation converting interest on all or a portion of certain of Party B’s debt from a fixed rate to a floating rate, or from a floating rate to a fixed rate, or from one floating rate to a different floating rate, reducing the cost of borrowing on its outstanding debt by optimizing the relative amounts of fixed and floating rate obligations or the risk of variations in its debt service costs, and by increasing the predictability of cash flow from earnings on invested funds and thereby improving Party B’s ability to manage its funds and revenues.

(ii) **No Immunity.** It is not entitled to claim immunity, and to the fullest extent permitted by applicable law irrevocably waives, on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) immunity from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject to in any suit, action or proceedings relating to this Agreement in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.

(iii) **Legal Investment.** This Agreement and each Transaction hereunder do not constitute any kind of investment by Party B that is proscribed by any constitution, charter, law, rule, regulation, government code, constituent or
governing instrument, resolution, guideline, ordinance, order, writ, judgment, decree, charge, or ruling to which Party B (or any of its officials in their respective capacities as such) or its property is subject.

(iv) **Assets of Party B.** No Affiliate or other person, firm, corporation, entity or association may liquidate, borrow, encumber or otherwise utilize the assets (including without limitation the assets identified in Section 4(f)) of Party B. Party B has taken all steps necessary or advisable to create and perfect the pledge and security interest in the assets identified in Section 4(f), and such pledge and security interest have been validly created and perfected.

(v) **Organization.** Party B is a state or political subdivision thereof, or an instrumentality, agency or department of either of the foregoing.

(vii) **Valid Purpose.** The execution and delivery by Party B of this Agreement, each Confirmation and any other documentation relating hereto, and the performance by Party B of its obligations hereunder and thereunder, are in furtherance, and not in violation, of the public purposes for which Party B is organized pursuant to the laws of the state in which Party B is organized.

(viii) **Nature of Obligations.** The obligations of Party B to make payments to Party A under this Agreement and each Transaction (a) are not subject to appropriation or similar action and (b) do not (1) constitute any kind of indebtedness of Party B or (2) create any kind of lien on or security interest in any property or revenues of Party B which, in either case (1) or (2), is proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment, decree, charge, or ruling to which Party B (or any of its officials in their respective capacities as such) or its property is subject.

(g) **Transfer.** The following amendments are hereby made to Section 7:

(i) In the third line, insert the words “which consent will not be arbitrarily withheld or delayed,” immediately before the word “except”; and

(ii) in clause (a), insert the words “or reorganization, incorporation, reincorporation, or reconstitution into or as,” immediately before the word “another.”

(h) **Consent to Recording.** Each party consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties, with or without the use of a warning tone, and their Affiliates in connection with this Agreement or any potential Transaction.

(i) **Additional Agreements.** (i) The introductory clause of Section 4 of this Agreement is hereby amended to read in its entirety as follows:--

“Each party agrees with the other (and, in the case of Sections 4(d) and (e), Party B agrees with the other party) that, so long as either
party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:"

(ii) Section 4 of this Agreement is hereby amended by adding the following Sections (d), (e) and (f) thereto:

“(d) Compliance with Covered Document. Party B will observe, perform and fulfill each covenant, term, and provision in the Covered Document applicable to Party B in effect on the date hereof, as any of those covenants, terms, and provisions may be amended, supplemented or modified for the purposes of this Agreement with the prior written consent of the other party hereto (the “Incorporated Provisions”), with the effect, among other things, and without limiting the generality of the foregoing, that such other party hereto will have the benefit of each of the Incorporated Provisions (including without limitation, covenants, right to consent to certain actions subject to consent under the Covered Document and delivery of financial statements and other notices and information). In the event the Covered Document ceases to be in effect for any reason, including, without limitation, defeasance of the Bonds, prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued in connection with the Covered Document) will remain in full force and effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of Party B under this Agreement and all obligations of Party B have been fully satisfied. The Incorporated Provisions are hereby incorporated by reference and made a part of this Agreement to the same extent as if such provisions were set forth herein. For purposes of this Agreement, the Incorporated Provisions shall be construed as though (i) all references therein to any party making loans, extensions of credit or financial accommodations thereunder or commitments therefor (the “Financings”) were to the other party hereto and (ii) to the extent that such Incorporated Provisions are conditioned on or related to the existence of such Financings or Party B having any obligations in connection therewith, all references to such Financings or obligations were to the obligations of Party B under this Agreement. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions without the prior written consent of Party A shall have no force and effect with respect to this Agreement. Any amendment, supplement or modification for which such consent is obtained shall be part of the Incorporated Provisions for purposes of this Agreement.
(e) **Notice of Incipient Illegality.** If an Incipient Illegality occurs, Party B will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Incipient Illegality and will also give such other information about that Incipient Illegality as the other party may reasonably require.

(f) **Source of Payments.** (i) Prior to the Effective Date, all amounts (including any termination payment) shall be payable from Revenues on a basis immediately subordinate to the payment of Senior Lien Debt and Notes. As security for its obligation to pay all such amounts, Party B hereby grants to Party A a lien and charge on Revenues, which shall be subordinate only to the lien thereon in favor of Senior Lien Debt and Notes.

(ii) On and after the Effective Date of the initial Transaction hereunder, the obligation of Party B to make scheduled payments hereunder shall be secured by a lien on and payable from 2008 Revenues on parity with 2008 Bonds, and the obligation of Party B to make any payment (including a termination payment) other than a scheduled payment hereunder shall be secured by a lien on and payable from 2008 Revenues on a basis immediately subordinate to the 2008 Bonds. On or before the Effective Date of the initial Transaction Party B agrees to deliver the 2008 Indenture, which shall provide for the Source of Payments described in this Section 4(f)(ii) in a manner acceptable to Party A. Party B shall not pledge or grant a security interest in any of its revenues or other assets to secure its obligations under any interest rate swap or other derivative transaction without Party A’s prior written consent unless a parity pledge or security interest is granted to Party A to secure Party B’s obligations under this Agreement.

(j) **Definitions.** Section 12 is hereby amended by inserting the following definitions in alphabetical order:

“2008 Act” means [__________].

“2008 Bonds” means any unsubordinated bonds, notes, certificates or other indebtedness or securities issued on or about the Effective Date of the initial Transaction hereunder and payable from the 2008 Revenues.

“2008 Indenture” means an indenture of trust, bond resolution, or similar instrument executed by Party B in connection with the issuance of the 2008 Bonds.

“2008 Revenues” means (i) all amounts available for distribution to Party B on account of the retail transactions and use tax imposed in the County of San Diego pursuant to the 2008 Act after deducting amounts payable by Party B to the State Board of Equalization for costs and expenses for its services in connection with the collection of such tax, (ii)
all interest, profits and other income received from the investment of amounts described in clause (i), and (iii) any additional revenues or assets of Party B that are made available for the payment of the 2008 Bonds.

“Authorizing Law” means Sections 5920 to 5923, Government Code of California.

“Bonds” means any bonds, notes, certificates or other indebtedness or securities issued under a Covered Document.

“Covered Document” means the Subordinate Indenture; provided, however, that “Covered Document” shall mean the 2008 Indenture, as amended and supplemented from time to time, upon delivery of the same to Party A.

“Incipient Illegality” means (a) the enactment by any legislative body with competent jurisdiction over Party B of legislation which, if adopted as law, would render unlawful (i) the performance by Party B of any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or the compliance by Party B with any other material provisions of this Agreement relating to such Transaction or (ii) the performance by Party B or a Credit Support Provider of Party B of any contingent or other obligation which Party B (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction, (b) any assertion in any proceeding, forum or action by Party B, in respect of Party B or in respect of any entity organized under the laws of the state in which Party B is located to the effect that performance under this Agreement or similar agreements is unlawful or (c) the occurrence with respect to Party B or any Credit Support Provider of Party B of any event that constitutes an Illegality.

“Moody’s” means Moody's Investors Service, Inc. including any official successor to Moody’s.

“Notes” shall have the meaning set forth in the Subordinate Indenture.

“S&P” means Standard & Poor's Credit Market Services, a division of McGraw-Hill, Inc., including any official successor to S&P.

“Revenues” shall have the meaning set forth in the Subordinate Indenture.

“Senior Lien Debt” shall have the meaning set forth in the Subordinate Indenture.

“Subordinate Indenture” means the Amended and Restated Subordinate Indenture between San Diego Regional Transportation Commission and U.S. Bank National Association, as Trustee, dated November 1, 2005.

(k) **WAIVER OF TRIAL BY JURY.** EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY PROCEEDING.
IN WITNESS WHEREOF, the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

GOLDMAN SACHS MITSUI MARINE DERIVATIVE PRODUCTS, L.P.
By: GSMMDPGP, Inc.
    General Partner

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

Name: ____________________________
Title: ____________________________
Date: ____________________________

Name: ____________________________
Title: ____________________________
Date: ____________________________
U.S. MUNICIPAL COUNTERPARTY SCHEDULE
AMENDMENTS

to the

Master Agreement

(Local Currency—Single Jurisdiction)


(a) Events of Default.

(i) Bankruptcy. Clause (6) of Section 5(a)(vii) of this Agreement is hereby amended to read in its entirety as follows:—

“(6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets or (B) in the case of a Government Entity, any Credit Support Provider of such Government Entity or any applicable Specified Entity of such Government Entity, (I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared or introduced or proposed for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it;”.

(ii) Merger Without Assumption. Section 5(a)(viii) of this Agreement is hereby amended to read in its entirety as follows:—

“(viii) Merger Without Assumption. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, without limiting the foregoing, if such party is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, such party or any Credit Support Provider of such party) and, at the time of such consolidation, amalgamation, merger, transfer or succession:—

(1) the resulting, surviving, transeree or successor entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or
(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving, transferee or successor entity of its obligations under this Agreement.”

(b) **Termination Events.** Section 5(b)(ii) of this Agreement is hereby amended to read in its entirety as follows:—

“(ii) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, without limiting the foregoing, if X is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, X, any Credit Support Provider of X or any Specified Entity of X) and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving, transferee or successor entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or”.

**Part II. Other Provisions.**

(a) **Obligations.** Section 2(a)(iii) of this Agreement is hereby amended to read in its entirety as follows:—

“(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default, Potential Event of Default or Incipient Illegality with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.”

(b) **Representations.**

(i) The introductory clause of Section 3 of this Agreement is hereby amended to read in its entirety as follows:—

“Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(a) and 3(e), at all times until the termination of this Agreement) that:—”.

(ii) Section 3(a)(ii) of this Agreement is hereby amended to read in its entirety as follows:—

“(ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver
and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action and made all necessary determinations and findings to authorize such execution, delivery and performance;”.

(iii) Section 3(b) of this Agreement is hereby amended to read in its entirety as follows:—

“(b)  **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Incipient Illegality (in the case of a Government Entity) or Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.”

(iv) Section 3 of this Agreement is hereby amended by adding the following subsection “(e)” thereto, which subsection shall apply only to the Government Entity:—

“(e)  **Non-Speculation.** This Agreement has been, and each Transaction hereunder will be (and, if applicable, has been), entered into for purposes of managing its borrowings or investments and not for purposes of speculation.”

(v) Section 3 of this Agreement is hereby amended by adding the following subsection “(f)” thereto:—

“(f)  **No Immunity.** It is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject to in any Proceedings (as defined in Section 11(b)) in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.”

(c)  **Agreements.**

(i) The introductory clause of Section 4 of this Agreement is hereby amended to read in its entirety as follows:—

“Each party agrees with the other (or, in the case of Section 4(d), (e) and (f), the Government Entity agrees with the other party) that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—”.

(ii) Section 4 of this Agreement is hereby amended by adding the following subsections “(d)” and “(e)” thereto:—
“(d) **Compliance with Covered Indenture.** The Government Entity will observe, perform and fulfill each provision in the Covered Indenture applicable to such Government Entity in effect on the Covered Indenture Incorporation Date, as any of those provisions may be amended, supplemented or modified for purposes of this Agreement with the prior written consent of the other party hereto (the “Incorporated Provisions”), with the effect that such other party hereto will have the benefit of each of the Incorporated Provisions (including without limitation, covenants, right to consent to certain actions subject to consent under the Covered Indenture and delivery of financial statements and other notices and information). In the event the Covered Indenture ceases to be in effect prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued under the Covered Indenture) will remain in full force and effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of the Government Entity under this Agreement and any obligations of the Government Entity or any Credit Support Provider of the Government Entity under a Credit Support Document have been fully satisfied. The Incorporated Provisions are hereby incorporated by reference and made a part of this Agreement to the same extent as if such provisions were set forth herein. For purposes of this Agreement, the Incorporated Provisions shall be construed as though (i) all references therein to any party making loans, extensions of credit or financial accommodations thereunder or commitments therefor (the “Financings”) were to the other party hereto and (ii) the extent that such Incorporated Provisions are conditioned on or relate to the existence of such Financings or the Government Entity having any obligations in connection therewith, all references to such Financings or obligations were to the obligations of the Government Entity under this Agreement. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions without the prior written consent of the other party hereto shall have no force and effect with respect to this Agreement. Any amendment, supplement or modification for which such consent is obtained shall be part of the Incorporated Provisions for purposes of this Agreement.

(e) **Notice of Incipient Illegality.** If an Incipient Illegality occurs, the Government Entity will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Incipient Illegality and will also give such other information about that Incipient Illegality as the other party may reasonably require.”

(d) **Jurisdiction.** Section 11(b) of this Agreement is hereby amended to read in its entirety as follows:—

“(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement (“Proceedings”), each party irrevocably:—

(i) submits, to the fullest extent permitted by applicable law, to the non-exclusive jurisdiction of each of the courts of the State of New York, the United States District Court located in the Borough of Manhattan in New York City, the courts of the State of California and the United States District Court, Southern District of California; and
(ii) waives, to the fullest extent permitted by applicable law, (1) any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, (2) any claim that such Proceedings have been brought in an inconvenient forum and (3) the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.”

(e) **Governing Law.** This Agreement, and each written agreement relating hereto, will, unless otherwise expressly provided, be governed by and construed in accordance with the laws of the State of New York, without reference to choice of law doctrine, except that the capacity, power or authority of the Governmental Entity to enter into this Master Agreement and any Transaction shall be governed by and construed in accordance with the laws of the State of California.

(f) **Definitions.** Section 12 of this Agreement is hereby amended to add the following definitions in their appropriate alphabetical order:—

“`Covered Indenture’ has the meaning specified in the Schedule.”

“`Covered Indenture Incorporation Date’ has the meaning specified in the Schedule.”

“`Government Entity’ means Counterparty.”

“`Incipient Illegality’ means (a) the enactment by any legislative body with competent jurisdiction over a Government Entity of legislation which, if adopted as law, would render unlawful (i) the performance by such Government Entity of any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or the compliance by such Government Entity with any other material provision of this Agreement relating to such Transaction or (ii) the performance by a Government Entity or a Credit Support Provider of such Government Entity of any contingent or other obligation which the Government Entity (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction, (b) any assertion in any proceeding, forum or action by a Government Entity, in respect of such Government Entity or in respect of any entity located or organized under the laws of the state in which such Government Entity is located to the effect that performance under this Agreement or similar agreements is unlawful or (c) the occurrence with respect to a Government Entity or any Credit Support Provider of such Government Entity of any event that constitutes an Illegality.”
U.S. MUNICIPAL COUNTERPARTY SCHEDULE

to the

Master Agreement

(Local Currency—Single Jurisdiction)

dated as of November [__], 2005

between

Merrill Lynch Capital Services, Inc. (“MLCS”)

and

San Diego Regional Transportation Commission (“Counterparty”)

Part III. Termination Provisions.

(a) “Specified Entity” means in relation to Counterparty for the purpose of:—

Section 5(a)(v) (Default under Specified Transaction), Not Applicable.

Section 5(a)(vi) (Cross Default), Not Applicable.

Section 5(a)(vii) (Bankruptcy), Not Applicable.

Section 5(b)(ii) (Credit Event Upon Merger), Not Applicable.

and in relation to MLCS for the purpose of:—

Section 5(a)(v) (Default under Specified Transaction), Not Applicable.

Section 5(a)(vi) (Cross Default), Not Applicable.

Section 5(a)(vii) (Bankruptcy), Not Applicable.

Section 5(b)(ii) (Credit Event Upon Merger), Not Applicable.

(b) “Specified Transaction” will have the meaning specified in Section 12 of this Agreement.

(c) The “Cross Default” provisions of Section 5(a)(vi) will apply to both MLCS and Counterparty.

If such provisions apply:—
“Specified Indebtedness” with respect to MLCS, will have the meaning specified in Section 12 of this Agreement, but with respect to Counterparty, shall mean obligations or indebtedness issued pursuant to the Covered Indenture.

“Threshold Amount” with respect to MLCS, $100,000,000 and in the case of Counterparty, $10,000,000.

(d) The “Credit Event Upon Merger” provisions of Section 5(b)(ii) will apply to MLCS and Counterparty. Section 5(b)(ii) of this Agreement shall be amended to read as follows: “Credit Event Upon Merger” means that a Designated Event (as defined below) occurs with respect to a party, any Credit Support Provider of such party, or any Specified Entity of such party and such action does not constitute an event described in Section 5(a)(viii) but, in the reasonable opinion of the other party, the creditworthiness of the successor, surviving or transferee entity, taking into account any applicable Credit Support Document (except any applicable Credit Support Annex or other agreement providing for the pledge of collateral or any similar agreement) (in which case the party or its successor or transferee, as appropriate, will be the Affected Party) is materially weaker than that of its predecessor, immediately prior to the occurrence of the Designated Event. For purposes hereof, a Designated Event means that after the Trade Date of any Transaction:

(i) the party, any Credit Support Provider of the party or any Specified Entity of the party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or any substantial part of the assets comprising the business of that party) to, or reorganizes, incorporates, reincorporates or reconstitutes into or as, another entity, or another entity consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganizes, incorporates, reincorporates, reconstitutes into or as, such party; or

(ii) any person or entity acquires directly or indirectly the beneficial ownership of equity securities having the power to elect a majority of the board of directors of the party, any Credit Support Provider of the party or any applicable Specified Entity of the party; or

(iii) the party, any Credit Support Provider of the party, or any applicable Specified Entity of the party enters into any agreement providing for any of the foregoing.

(e) The “Automatic Early Termination” provision of Section 6(a) will not apply to MLCS or Counterparty.

(f) Payments on Early Termination. For the purpose of Section 6(e) of this Agreement:—

(i) Market Quotation will apply.

(ii) The Second Method will apply.

(g) Additional Termination Event. Additional Termination Event will apply. The following shall constitute Additional Termination Events:—
(i) (A) The rating of the long-term, unenhanced debt (not taking into account any third party credit enhancement) of Counterparty issued pursuant to the Covered Indenture is withdrawn, suspended or falls below (1) Baa2 as determined by Moody’s Investor’s Service (“Moody’s”), (2) BBB as determined by Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc. (“S&P”) or (3) BBB as determined by Fitch, Inc. (“Fitch”) or (B) Counterparty fails to have any rated long-term, unenhanced debt issued pursuant to the Covered Indenture (not taking into account any third party credit enhancement). For the purpose of the foregoing Termination Event, Counterparty shall be the Affected Party.

(ii) (A) The rating of the long-term, unsecured, unenhanced senior debt (not taking into account any third party credit enhancement) of ML & Co. is withdrawn, suspended or falls below (1) Baa2 as determined by Moody’s, (2) BBB as determined by S&P or (3) BBB as determined by Fitch or (B) ML & Co. fails to have any rated long-term, unsecured, unenhanced senior debt (not taking into account any third party credit enhancement). For the purpose of the foregoing Termination Event, MLCS shall be the Affected Party.

(h) **Delivery of Collateral.** MLCS shall deliver collateral in respect of each Transaction hereunder (unless otherwise specified in a Confirmation in relation to the relevant Transaction) substantially in the manner and in the amount specified in the ISDA Credit Support Annex set forth in Exhibit F hereto and incorporated by reference herein.

**Part IV. Agreement to Deliver Documents.**

For the purpose of Section 4(a) of this Agreement, each party agrees to deliver the following documents, as applicable:

<table>
<thead>
<tr>
<th>Party required to deliver document</th>
<th>Form/Document/Certificate</th>
<th>Date by which to be delivered</th>
<th>Covered by Section 3(d) Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLCS</td>
<td>Guarantee of ML &amp; Co. substantially in the form of Exhibit A to this Schedule</td>
<td>Upon execution of this Agreement</td>
<td>No</td>
</tr>
<tr>
<td>MLCS</td>
<td>Opinion of MLCS counsel substantially in the form of Exhibit B to this Schedule</td>
<td>Promptly after execution of this Agreement and, with respect to each Transaction, promptly after execution of such Transaction</td>
<td>No</td>
</tr>
<tr>
<td>MLCS</td>
<td>Opinion of ML &amp; Co. counsel substantially in the form of Exhibit C to this Schedule</td>
<td>Promptly after execution of this Agreement</td>
<td>No</td>
</tr>
<tr>
<td>Counterparty</td>
<td>Opinion of Counterparty counsel substantially in the form of Exhibit D to this Schedule</td>
<td>Promptly after execution of this Agreement and, with respect to each Transaction, promptly after execution of such Transaction</td>
<td>No</td>
</tr>
<tr>
<td>--------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>-----</td>
</tr>
<tr>
<td>Counterparty</td>
<td>A certified copy of the resolution or resolutions (or the equivalent thereof) of the governing body of Counterparty, certified by an appropriate official of Counterparty, pursuant to which Counterparty is authorized to enter into this Agreement and each Transaction, substantially in the form of Exhibit E to this Schedule.</td>
<td>Prior to the execution of this Agreement and, with respect to each Transaction, prior to the execution of such Transaction</td>
<td>No</td>
</tr>
<tr>
<td>Counterparty</td>
<td>Credit Support Document</td>
<td>Upon execution of this Agreement and</td>
<td>No</td>
</tr>
<tr>
<td>Counterparty</td>
<td>A copy of the statutory or regulatory authority pursuant to which Counterparty is authorized to enter into this Agreement and each Transaction.</td>
<td>Prior to the execution of this Agreement and, with respect to each Transaction, prior to the execution of such Transaction.</td>
<td>Yes</td>
</tr>
<tr>
<td>Counterparty</td>
<td>An incumbency certificate with respect to the signatory of this Agreement.</td>
<td>Prior to execution of this Agreement and, with respect to each Transaction, prior to the execution of such Transaction.</td>
<td>Yes</td>
</tr>
<tr>
<td>Counterparty</td>
<td>Executed copy of the Covered Indenture</td>
<td>Upon execution of this Agreement and at least ten (10) Business Days prior to any amendment, supplement or modification thereof.</td>
<td>No</td>
</tr>
</tbody>
</table>
Each party agrees to deliver documents or certificates confirming any such document or certificate at such times prior to the execution of any Transaction as shall be requested by the other party.

Part V. Amendments.

This Agreement is hereby amended in the manner set forth in the “U.S. Municipal Counterparty Schedule, Amendments to the Master Agreement (Local Currency-Single Jurisdiction)” attached to this Schedule, which provisions are incorporated herein by reference and shall be deemed to be a part of this Agreement as if set forth herein in their entirety.

Part VI. Security and Source of Payment of Counterparty Obligations.

Section 4 of this Agreement is hereby amended by adding the following subsection “(f)” thereto:

“(f) As security for Counterparty’s obligations to make regularly scheduled payments to MLCS under this Agreement with respect to each Transaction hereunder (the “Parity Amounts”), Counterparty hereby pledges to MLCS, and grants a lien on Revenues, on parity with the lien thereon to secure the payment of principal and interest on the Notes. Counterparty covenants that the Parity Amounts shall constitute Parity Debt. As security for Counterparty’s obligations to make payments to MLCS upon the early termination of this Agreement with respect to each Transaction hereunder (the “Subordinate Amounts”), Counterparty hereby pledges to MLCS and grants a lien on Revenues, subject to the provisions of the Indenture, on a basis directly subordinate to the lien thereon to secure the payment of principal and interest on the Notes.

Counterparty hereby covenants that it will not, without the prior written consent of MLCS, create or permit to be created or cause the creation of any pledge of, lien on or charge upon Revenues which is both (1) superior to or on parity with the obligation of Counterparty to pay the Subordinate Amounts under this Agreement and (2) subordinate to the obligation of Counterparty to pay the Parity Amounts to MLCS under this Agreement.” [To be discussed].

Capitalized terms used herein shall have the meanings specified in the Covered Indenture.”

Part VII. Miscellaneous.

Addresses for Notices. For the purpose of Section 10(a) of this Agreement:

Address for notices or communications to MLCS:

Address: 4 World Financial Center, New York, New York 10080
Attention: Swap Group, World Financial Center

Facsimile No.: (212) 449-9856 Telephone No.: (212) 449-2734

Address for notices or communications to Counterparty:—

Address: [Please provide.] ........................................................................................................

Attention: [Please provide.] ........................................................................................................

Facsimile No.: [Please provide.]........... Telephone No.: [Please provide.] ............... 

(h) **Account Details.**

Account for Payments to MLCS:

Deutsche Bank Trust Company Americas  
New York, NY  
ABA: 021-001-033  
A/C #: 00-811-874  
Ref: Merrill Lynch Capital Services, Inc.  
Attn: Muni Swaps

Account for Payments to Counterparty: [Please provide.]

(i) **Calculation Agent.** The Calculation Agent is MLCS, provided that, if an Event of Default has occurred and is continuing with respect to MLCS as the Defaulting Party, the Calculation Agent shall be an agent of Counterparty, reasonably acceptable to MLCS.

(j) **Credit Support Document.** Details of any Credit Support Document:—

“Credit Support Document” shall mean, with respect to MLCS, the Guarantee of ML & Co. and the Credit Support Annex between MLCS and Counterparty attached hereto as Exhibit F and incorporated by reference herein, and, with respect to Counterparty, Not applicable.

(k) **Credit Support Provider.**

“Credit Support Provider” means, in relation to MLCS, ML & Co.

“Credit Support Provider” means, in relation to Counterparty, Not Applicable.

Netting of Payments. Subparagraph (ii) of Section 2(c) of this Agreement will not apply to the Transactions executed under this Agreement in each case starting from the date of this Schedule.

(l) “Affiliate” will have the meaning specified in Section 12 of this Agreement.
(m) “Covered Indenture” means the Amended and Restated Subordinate Indenture, dated as of November 1, 2005 between Counterparty and U.S. Bank National Association as Trustee, as amended and supplemented prior to the date hereof in accordance with the terms thereof and as amended and supplemented following the date hereof in accordance with the terms hereof and thereof.

(n) “Covered Indenture Incorporation Date” means the date of this Schedule.

(o) For the purpose of Section 4(a) of this Agreement, each party agrees to deliver the following documents as applicable:

(i) Each party agrees to furnish to the other party, as soon as available and in any event within 120 days (or as soon as practicable after becoming publicly available) after the end of each of its fiscal years, a copy of the annual report of the party (or, in the case of MLCS, ML & Co.) containing audited consolidated financial statements for such fiscal year certified by independent certified public accountants and prepared in accordance with accounting principles that are generally accepted in the United States.

(ii) Each party agrees to furnish to the other party, as soon as available and in any event within 60 days (or as soon as practicable after becoming publicly available) after the end of each of its fiscal quarters, unaudited consolidated financial statements of the party (or, in the case of MLCS, ML & Co.) for such quarter prepared in accordance with accounting principles that are generally accepted in the United States and on a basis consistent with that of the annual financial statements of the party (or, in the case of MLCS, ML & Co.).

(p) This Agreement is hereby amended by adding the following Section “13” hereto:—

“13. Relationship Between Parties

Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):—

(a) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. It has not received from the other party any assurance or guarantee as to the expected results of that Transaction.

(b) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and
understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(c) **Status of Parties.** The other party is not acting as a fiduciary for or as an advisor to it in respect of that Transaction.”

(q) **Financial Statements.** Section 3(d) is hereby amended by adding in the third line thereof after the word “respect” and before the period:

“or, in the case of financial statements, a fair presentation of the financial condition of the relevant party”.

(r) **Additional Representations.** For purposes of Section 3, the following shall be added, immediately following paragraph (e) thereto:

“(f) It is an “eligible contract participant” within the meaning of the United States Commodity Exchange Act.”

(s) **Transfer.** Notwithstanding the provisions of Section 7, MLCS may assign its rights and delegate its obligations under any Transaction, in whole or in part, to any affiliate (an “Assignee”) of ML & Co., effective (the “Effective Date”) upon delivery to Counterparty of both (a) an executed acceptance and assumption by the Assignee of the transferred obligations of MLCS under the Transaction(s) (the “Transferred Obligations”); and (b) an executed guarantee of ML & Co., of the Transferred Obligations, substantially in the form of Exhibit A hereto. On the Effective Date (a) MLCS shall be released from all obligations and liabilities arising under the Transferred Obligations; and (b) the Transferred Obligations shall cease to be Transaction(s) under this Agreement and shall be deemed to be Transaction(s) under the master agreement between Assignee and Counterparty, provided that, if at such time Assignee and Counterparty have not entered into a master agreement, Assignee and Counterparty shall be deemed to have entered into an ISDA form of Master Agreement (Local Currency-Single Jurisdiction) with the Schedule attached hereto.

(t) **Method of Notice.** Section 10(a)(ii) of the Master Agreement is hereby deleted in its entirety.

(u) **Consent to Recording.** The parties agree that each may electronically record all telephonic conversations between marketing and trading personnel in connection with this Agreement.

(v) **Waiver of Jury Trial.** To the fullest extent permitted by applicable law, each party hereby irrevocably waives any and all right to trial by jury with respect to any legal proceeding arising out of or relating to this Agreement or any Transaction contemplated hereunder.
This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:

**Paragraph 1. Interpretation**

(a) **Definitions and Inconsistency.** Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) **Secured Party and Pledgor.** All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; provided, however, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

**Paragraph 2. Security Interest**

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.
Paragraph 3. Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "Delivery Amount" applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "Return Amount" applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

exceeds

(ii) the Credit Support Amount.

"Credit Support Amount" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; provided, however, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3(a) and 5 and of the Secured Party under Paragraphs 3(b), 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).
(d) **Substitutions.**

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"); provided that the Secured Party only will be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

**Paragraph 5. Dispute Resolution**

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the Valuation Agent (if the Valuation Agent is not the Disputing Party) and the other party (if the Valuation Agent is not that other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; provided that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

**Paragraph 6. Holding and Using Posted Collateral**

(a) **Care of Posted Collateral.** Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by
applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) **Eligibility to Hold Posted Collateral; Custodians.**

(i) **General.** Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a “Custodian”) to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) **Failure to Satisfy Conditions.** If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) **Liability.** The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) **Use of Posted Collateral.** Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) **Distributions and Interest Amount.**

(i) **Distributions.** Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) **Interest Amount.** Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.
Paragraph 7. Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

(i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;

(ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or

(iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8. Certain Rights and Remedies

(a) Secured Party's Rights and Remedies. If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

(i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;

(iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required by applicable law, free from any claim or right of any nature whatsoever of the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required by law and cannot be waived.

(b) Pledgor's Rights and Remedies. If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

(i) the Pledgor may exercise all rights and remedies available to a pledgor under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;
(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) **Deficiencies and Excess Proceeds.** The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) **Final Returns.** When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

**Paragraph 9. Representations**

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral Transferred to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under relevant law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

**Paragraph 10. Expenses**

(a) **General.** Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.

(b) **Posted Credit Support.** The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph
6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).

(c) **Liquidation/Application of Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

**Paragraph 11. Miscellaneous**

(a) **Default Interest.** A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obligated to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) **Further Assurances.** Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

(c) **Further Protection.** The Pledgor promptly will give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).

(d) **Good Faith and Commercially Reasonable Manner.** Performance of all obligations under this Annex including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(e) **Demands and Notices.** All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.

(f) **Specifications of Certain Matters.** Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

**Paragraph 12. Definitions**

As used in this Annex:--

"**Cash**" means the lawful currency of the United States of America.

"**Credit Support Amount**" has the meaning specified in Paragraph 3.

"**Custodian**" has the meaning specified in Paragraphs 6(b)(i) and 13.

"**Delivery Amount**" has the meaning specified in Paragraph 3(a).

"**Disputing Party**" has the meaning specified in Paragraph 5.

"**Distributions**" means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured...
Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

"Eligible Collateral" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Eligible Credit Support" means Eligible Collateral and Other Eligible Support.

"Exposure" means, for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; provided that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

"Independent Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Interest Amount" means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

\[
\begin{align*}
(x) & \quad \text{the amount of that Cash on that day; multiplied by} \\
(y) & \quad \text{the Interest Rate in effect for that day; divided by} \\
(z) & \quad 360.
\end{align*}
\]

"Interest Period" means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

"Interest Rate" means the rate specified in Paragraph 13.

"Local Business Day", unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

"Minimum Transfer Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Notification Time" has the meaning specified in Paragraph 13.

"Obligations" means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

"Other Eligible Support" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Other Posted Support" means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

"Pledgor" means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).
"Posted Collateral" means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

"Posted Credit Support" means Posted Collateral and Other Posted Support.

"Recalculation Date" means the Valuation Date that gives rise to the dispute under Paragraph 5; provided, however, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the "Recalculation Date" means the most recent Valuation Date under Paragraph 3.

"Resolution Time" has the meaning specified in Paragraph 13.

"Return Amount" has the meaning specified in Paragraph 3(b).

"Secured Party" means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

"Specified Condition" means, with respect to a party, any event specified as such for that party in Paragraph 13.

"Substitute Credit Support" has the meaning specified in Paragraph 4(d)(i).

"Substitution Date" has the meaning specified in Paragraph 4(d)(ii).

"Threshold" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Transfer" means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

"Valuation Agent" has the meaning specified in Paragraph 13.

"Valuation Date" means each date specified in or otherwise determined pursuant to Paragraph 13.

"Valuation Percentage" means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

"Valuation Time" has the meaning specified in Paragraph 13.

"Value" means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:
(i) Eligible Collateral or Posted Collateral that is:

(A) Cash, the amount thereof; and

(B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;

(ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and

(iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.
Paragraph 13. Elections and Variables

(a) Security Interest for "Obligations". The term "Obligations" as used in this Annex includes no additional obligations with respect to Party A or Party B.

(b) Credit Support Obligations.

(i) "Delivery Amount", "Return Amount" and "Credit Support Amount" will have the meanings specified in Paragraphs 3(a), 3(b) and 3, respectively.

(ii) Eligible Collateral shall consist of those assets identified by the ICAD codes listed below, as they are defined in the Collateral Asset Definitions. Percentage shown is the Valuation Percentage applicable to the indicated combination of ICAD and Remaining Maturity.

<table>
<thead>
<tr>
<th>ICAD Code</th>
<th>Remaining Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>One (1) year or</td>
</tr>
<tr>
<td></td>
<td>and including</td>
</tr>
<tr>
<td></td>
<td>five (5) years</td>
</tr>
<tr>
<td></td>
<td>More than one</td>
</tr>
<tr>
<td></td>
<td>year up to</td>
</tr>
<tr>
<td></td>
<td>and including</td>
</tr>
<tr>
<td></td>
<td>ten (10) years</td>
</tr>
<tr>
<td></td>
<td>More than ten</td>
</tr>
<tr>
<td>US-CASH</td>
<td>100%</td>
</tr>
<tr>
<td>US-TBILL</td>
<td>99%</td>
</tr>
<tr>
<td>US-TNOTE</td>
<td>99%</td>
</tr>
<tr>
<td>US-TBOND</td>
<td>99%</td>
</tr>
<tr>
<td>US-GNMA</td>
<td>95%</td>
</tr>
<tr>
<td>US-FNMA</td>
<td>95%</td>
</tr>
<tr>
<td>US-FHLMC</td>
<td>95%</td>
</tr>
<tr>
<td>US-FHLB</td>
<td>95%</td>
</tr>
<tr>
<td>US-FHLBNC</td>
<td>95%</td>
</tr>
<tr>
<td>US-FHLBNCND</td>
<td>95%</td>
</tr>
<tr>
<td>US-NCAD</td>
<td>95%</td>
</tr>
<tr>
<td>US-NCADN</td>
<td>95%</td>
</tr>
<tr>
<td>US-GNMA</td>
<td>95%</td>
</tr>
<tr>
<td>US-FNMAB</td>
<td>95%</td>
</tr>
<tr>
<td>US-FHLMCB</td>
<td>95%</td>
</tr>
</tbody>
</table>

(iii) There shall be no "Other Eligible Support" for Party A for purposes of this Annex.

(iv) Thresholds.

(A) "Independent Amount" means with respect to Party A: Not Applicable. "Independent Amount" means with respect to Party B: Not Applicable.

(B) "Threshold" means, on any day, with respect to Party B as Pledgor, not applicable; and with respect to Party A as Pledgor, the amount set forth under the caption "Threshold" below opposite the unenhanced rating classification assigned to that party's long-term unsecured, unsubordinated indebtedness or long-term deposits, as applicable, by the Rating Agencies on that day, as determined pursuant to terms of this provision (such party's "Credit Rating"). Where more than one Rating Agency rates a party's long-term unsecured unsubordinated...
indebtedness or long-term deposits and the ratings are split, the Threshold will be based on the lower of the two ratings. Where only one Rating Agency rates a party's long-term unsecured unsubordinated indebtedness or long-term deposits, the Threshold will be based on the rating of that Rating Agency. If at any time (1) no Rating Agency rates, on an unenhanced basis, a party's long-term unsecured unsubordinated indebtedness or long-term deposits, as applicable, or (2) an Event of Default has occurred and is continuing with respect to a party, the Threshold for that party shall be zero. "Rating Agencies" means Moody's and S&P.

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>Threshold by S&amp;P</th>
<th>Threshold by Moody's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infinite</td>
<td>AAA</td>
<td>Aaa</td>
</tr>
<tr>
<td>$40,000,000</td>
<td>AA+ to AA-</td>
<td>Aa1 to Aa3</td>
</tr>
<tr>
<td>$15,000,000</td>
<td>A+ to A-</td>
<td>A1 to A3</td>
</tr>
<tr>
<td>Zero $0</td>
<td>at or below BBB+</td>
<td>at or below Baa1</td>
</tr>
</tbody>
</table>

(C) "Minimum Transfer Amount" means with respect to Party A: $1,000,000 at the AA level, and $100,000 at A3/A- and below.

(D) "Minimum Transfer Amount" means with respect to Party B: $1,000,000 at the AA level, and $100,000 at A3/A- and below.

provided, that if an Event of Default has occurred and is continuing with respect to a party, the Minimum Transfer Amount with respect to such party shall be zero.

(D) Rounding. The Delivery Amount will be rounded up and the Return Amount will be rounded down to the nearest integral multiple of $10,000.00, respectively.

(c) Valuation and Timing.

(i) "Valuation Agent" means, for the purposes of Paragraphs 3 and 5, the party making the demand under Paragraph 3, and, for the purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable.

(ii) "Valuation Date" means: Each and every Local Business Day commencing on the first such date following the date hereof.

(iii) "Valuation Time" means:

[ ] the close of business in the city of the Valuation Agent on the Valuation Date or date of calculation, as applicable;

[X] the close of business on the Local Business Day before the Valuation Date or date of calculation, as applicable;

provided that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) "Notification Time" means 1:00 p.m., New York time, on a Local Business Day.
(d) Conditions Precedent and Secured Party's Rights and Remedies. The following Termination Event(s) will be a "Specified Condition" for each party (that party being the Affected Party if the Termination Event occurs with respect to that party) for purposes of Paragraphs 4(a), 6(c), 8(a) and 8(b): Illegality, Force Majeure Event, Tax Event, Tax Event Upon Merger, Credit Event Upon Merger and Additional Termination Event.

(e) Substitution.

(i) "Substitution Date" means the Local Business Day in New York on which the Secured Party is able to confirm irrevocable receipt of the Substitute Credit Support, provided that (x) such receipt is confirmed before 3:00 p.m. (New York time) on such Local Business Day in New York and (y) the Secured Party has received, before 1:00 p.m. (New York time) on the immediately preceding Local Business Day in New York, the notice of substitution described in Paragraph 4(d)(i).

(ii) Consent. The Pledgor is not required to obtain the Secured Party's consent for any substitution pursuant to Paragraph 4(d).

(f) Dispute Resolution.

(i) "Resolution Time" means 1:00 p.m., New York time, on the Local Business Day following the date on which a notice is given that gives rise to a dispute under Paragraph 5.

(ii) Value. For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support will be calculated as follows: for Cash, the U.S. dollar value thereof, and for each item of Eligible Collateral (except for Cash), an amount in U.S. dollars equal to the product of (i) either (A) the bid price for such security quoted on such day by a principal market-maker for such security selected in good faith by the Secured Party or (B) the most recent publicly available bid price for such security as reported by a quotation service or in a medium selected in good faith and in a commercially reasonable manner by Secured Party, multiplied by (ii) the percentage figure listed in Paragraph 13(b)(ii) hereof with respect to such security.

(iii) Alternative. The provisions of Paragraph 5 will apply.

(g) Holding and Using Posted Collateral.

(i) Eligibility to Hold Posted Collateral; Custodians. Party B and its Custodian, will be entitled to hold Posted Collateral, as applicable, pursuant to Paragraph 6(b); provided that the following conditions applicable to each party are satisfied:

(A) Party B, as the Secured Party, is not a Defaulting Party.

(B) Party B hereby covenants and agrees that it will cause all Posted Collateral received from the other party to be entered in one or more accounts (each, a "Collateral Account") with a domestic office of a commercial bank, trust company or financial institution organized under the laws of the United States (or any state or a political subdivision thereof) having assets of at least $10 billion and a long term debt or deposit rating of at least (i) Baa2 from Moody's and (ii) BBB from S&P (a "Qualified Institution"), each of which accounts may include property of other parties but will bear a title indicating the Secured Party's interest in said account and the Posted Collateral in
such account. In addition the Secured Party may direct the Pledgor to transfer or deliver Eligible Collateral directly into the Secured Party's Collateral Account(s). If otherwise qualified, the Secured Party may act as such Qualified Institution and the Secured Party may move the Collateral Accounts from one Qualified Institution to another upon reasonable notice to the Pledgor. The Secured Party shall cause statements concerning the Posted Collateral transferred or delivered by the Pledgor to be sent to the Pledgor on request, which may not be made more frequently than once in each calendar month.

Initially the Custodian, for Party B is:— [_____________________.]

(ii) Use of Posted Collateral. The provisions of Paragraph 6(c) will not apply to Party B.

(h) Distributions and Interest Amount.

(i) The “Interest Rate”, with respect to Eligible Collateral in the form of Cash, for any day, will be the rate opposite the caption “Federal funds (effective)” for such day as published by the Federal Reserve Publication H.15 (519) or any successor publication as published by the Board of Governors of the Federal Reserve System.

(ii) The "Transfer of Interest Amount" will be made within 3 Local Business Days after the last Local Business Day of each calendar month.

(iii) Alternative Interest Amount. The provisions of Paragraph 6(d)(ii) will apply.

(iv) Paragraph 12 is hereby amended by replacing the definition of "Interest Period" with the following:

"'Interest Period' means the period from (and including) the first day of each calendar month to (and including) the last day of each calendar month."

(i) Additional Representations. None.

(j) Other Eligible Support and Other Posted Support. Not Applicable.

(k) Demands and Notices. All demands, specifications and notices made by a party to this Annex will be made to the following:

Party A: Bank of America, N.A.
Sears Tower
233 South Wacker Drive, Suite 2800
Chicago, Illinois 60606-6306

Telephone No.: (312) 234-3030
Facsimile: (312) 234-2731

Party B: (Please provide if not same as in Schedule)

(l) Addresses for Transfers.
Part A:  
Cash/Interest Payments: (USD Only) 
Bank of America, New York 
ABA 026009593 
Account # 6550-619389 
F/O Bank of America, Charlotte-Collateral 

Eligible Collateral (other than cash): 
BK AMERICA NC/INV 
ABA# 053 000 196 

Party B:  
Please provide, to avoid operational delays: 

Cash: 

Eligible Collateral (other than cash): 

(m) Other Provisions. 

(i) This Credit Support Annex is a Security Agreement under the New York UCC. 

(ii) Paragraph 1(b) of this Annex is amended by deleting it and restating it in full as follows: 

"(b) Secured Party and Pledgor. All references in this Annex to the "Secured Party" mean Party B, and all references in this Annex to the "Pledgor" mean Party A; provided, however, that if Other Posted Support is held by Party B, all references herein to the Secured Party with respect to that Other Posted Support will be to Party B as the beneficiary thereof and will not subject that support or Party B as the beneficiary thereof to provisions of law generally relating to security interests and secured parties."

(iii) Paragraph 2 of this Annex is amended by deleting the first sentence thereof and restating that sentence in full as follows: 

"Party A, as the Pledgor, hereby pledges to Party B, as the Secured Party, as security for the Pledgor's Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder."

(iv) Only Party A makes the representations contained in Paragraph 9 of this Annex. 

(v) Paragraph 12 of this Annex is amended by deleting the definitions of “Pledgor” and “Secured Party” and replacing them with the following: 

“ ‘Secured Party’ means Party B.  
‘Pledgor’ means Party A.”
The definitions and provisions contained in the Collateral Asset Definitions First Edition - 2003 (the “Collateral Asset Definitions”), as published by the International Swaps and Derivatives Association, Inc., (“ISDA”) are incorporated into this Annex. In the event of any inconsistency between any of the following, the first listed shall prevail (i) this Annex, (ii) the Agreement and (iii) the Collateral Asset Definitions.

Paragraph 12 is hereby amended by adding, in alphabetical order, the following:

"Moody’s" means Moody’s Investor Services, Inc., or any successor to the rating business of such entity."

"S&P" means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor to the rating business of such entity."

IN WITNESS WHEREOF, the parties have executed this Annex by their duly authorized officers as of the date hereof.

BANK OF AMERICA, N.A. 

By: .................................................
Name: Roger H. Heintzelman
Title: Senior Vice President
Date: 

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: .................................................
Name: 
Title: 
Date:
CREDIT SUPPORT ANNEX

to the Schedule to the
ISDA MASTER AGREEMENT
dated as of [              ], 2005
between
GOLDMAN SACHS MITSUI MARINE DERIVATIVE PRODUCTS, L.P. (“Party A”) and SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION (“Party B”)

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:—

Paragraph 1. Interpretation

(a) Definitions and Inconsistency. Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) Secured Party and Pledgor. All references in this Annex to the “Secured Party” will be to either party when acting in that capacity and all corresponding references to the “Pledgor” will be to the other party when acting in that capacity; provided, however, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

Paragraph 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.
Paragraph 3. Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor’s Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the “**Delivery Amount**” applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds Secured Party’s Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the “**Return Amount**” applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party exceeds

(ii) the Credit Support Amount.

“**Credit Support Amount**” means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party’s Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor’s Threshold; provided, however, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).
(d) **Substitutions.**

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the “Substitute Credit Support”); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the “Substitution Date”); *provided* that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

**Paragraph 5. Dispute Resolution**

If a party (a “Disputing Party”) disputes (I) the Valuation Agent’s calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; *provided* that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent’s original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.
Paragraph 6. Holding and Using Posted Collateral

(a) Care of Posted Collateral. Without limiting the Secured Party’s rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) Eligibility to Hold Posted Collateral; Custodians.

(i) General. Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a “Custodian”) to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor’s obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) Failure to Satisfy Conditions. If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) Liability. The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) Use of Posted Collateral. Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) Distributions and Interest Amount.

(i) Distributions. Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).
(ii) Interest Amount. Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

Paragraph 7. Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

(i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;

(ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or

(iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8. Certain Rights and Remedies

(a) Secured Party’s Rights and Remedies. If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

(i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;

(iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.
Pledgor’s Rights and Remedies. If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

(i) the Pledgor may exercise all rights and remedies available to a Pledgor under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

Deficiencies and Excess Proceeds. The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

Final Returns. When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

Paragraph 9. Representations

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.
Paragraph 10. Expenses

(a) **General.** Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.

(b) **Posted Credit Support.** The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party’s rights under Paragraph 6(c).

(c) **Liquidation/Application of Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

Paragraph 11. Miscellaneous

(a) **Default Interest.** A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obliged to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that the Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) **Further Assurances.** Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

(c) **Further Protection.** The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party’s rights under Paragraph 6(c).

(d) **Good Faith and Commercially Reasonable Manner.** Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(e) **Demands and Notices.** All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.

(f) **Specifications of Certain Matters.** Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.
Paragraph 12. Definitions

As used in this Annex:—

“Cash” means the lawful currency of the United States of America.

“Credit Support Amount” has the meaning specified in Paragraph 3.

“Custodian” has the meaning specified in Paragraphs 6(b)(i) and 13.

“Delivery Amount” has the meaning specified in Paragraph 3(a).

“Disputing Party” has the meaning specified in Paragraph 5.

“Distributions” means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

“Eligible Collateral” means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

“Eligible Credit Support” means Eligible Collateral and Other Eligible Support.

“Exposure” means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; provided that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of “Market Quotation”).

“Independent Amount” means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

“Interest Amount” means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

\[
\begin{align*}
(x) & \text{ the amount of Cash on that day; multiplied by} \\
(y) & \text{ the Interest Rate in effect for that day; divided by} \\
(2) & 360.
\end{align*}
\]

“Interest Period” means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

“Interest Rate” means the rate specified in Paragraph 13.

“Local Business Day”, unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.
“Minimum Transfer Amount” means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

“Notification Time” has the meaning specified in Paragraph 13.

“Obligations” means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

“Other Eligible Support” means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

“Other Posted Support” means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

“Pledgor” means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

“Posted Collateral” means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

“Posted Credit Support” means Posted Collateral and Other Posted Support.

“Recalculation Date” means the Valuation Date that gives rise to the dispute under Paragraph 5; provided, however, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the “Recalculation Date” means the most recent Valuation Date under Paragraph 3.

“Resolution Time” has the meaning specified in Paragraph 13.

“Return Amount” has the meaning specified in Paragraph 3(b).

“Secured Party” means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

“Specified Condition” means, with respect to a party, any event specified as such for that party in Paragraph 13.

“Substitute Credit Support” has the meaning specified in Paragraph 4(d)(i).

“Substitution Date” has the meaning specified in Paragraph 4(d)(ii).

“Threshold” means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

“Transfer” means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.
“Valuation Agent” has the meaning specified in Paragraph 13.

“Valuation Date” means each date specified in or otherwise determined pursuant to Paragraph 13.

“Valuation Percentage” means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

“Valuation Time” has the meaning specified in Paragraph 13.

“Value” means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

(i) Eligible Collateral or Posted Collateral that is:

(A) Cash, the amount thereof; and

(B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;

(ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and

(iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.
CREDIT SUPPORT ANNEX

to the Schedule to the

Master Agreement

dated as of [______ ___], 2005

between

Goldman Sachs
Mitsui Marine Derivative
Products, L.P.
(“Party A”)

and
San Diego County Regional
Transportation Commission
(“Party B”)

Paragraph 13. Elections and Variables

(a) Security Interest for “Obligations”. The term “Obligations” as used in this Annex includes the following additional obligations:

With respect to Party A: Not Applicable.

With respect to Party B: Not Applicable.

(b) Credit Support Obligations.

(i) Delivery Amount, Return Amount and Credit Support Amount.

(A) “Delivery Amount” has the meaning specified in Paragraph 3(a).

(B) “Return Amount” has the meaning specified in Paragraph 3(b).

(C) “Credit Support Amount” has the meaning specified in Paragraph 3, except that if an Independent Amount is specified for a party, the Credit Support Amount for such party shall never be less than the Independent Amount.

(ii) Eligible Collateral. The following items will qualify as “Eligible Collateral” for the party specified:

<table>
<thead>
<tr>
<th>Party A</th>
<th>Party B</th>
<th>Valuation Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>[X]</td>
<td>[X]</td>
</tr>
</tbody>
</table>
(B) negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of not more than one year ("Treasury Bills")

(C) negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than one year but not more than 10 years ("Treasury Notes")

(D) negotiable debt obligations issued by the U.S Treasury Department having a remaining original maturity of more than 10 years ("Treasury Bonds")

(E) negotiable debt obligations which are issued and/or guaranteed as to both principal and Interest by the Federal Home Loan Mortgage Corporation ("FHLMC"), the Federal National Mortgage Association ("FNMA"), or the Government National Mortgage Association ("GNMA"), including mortgage-backed securities and REMICs (collectively, "Agency Securities"), but excluding interest only securities, principal only securities and residual interests.

(iii) **Other Eligible Support.** The following items will qualify as “Other Eligible Support” for the party specified: Any other type of collateral acceptable to the Secured Party in its sole discretion.

(iv) **Thresholds.**

(A) "**Independent Amount**" means with respect to Party A: None, unless otherwise specified in a Confirmation.
“Independent Amount” means with respect to Party B: None, unless otherwise specified in a Confirmation.

(B) “Threshold” means with respect to Party A: See Table I attached hereto.

(C) “Minimum Transfer Amount” means with respect to Party A and Party B: See Table I attached hereto.

(D) **Rounding.** The Delivery Amount and Return Amount will be rounded up and down, respectively, to the nearest integral multiple of $10,000.

(c) **Valuation and Timing.**

(i) “Valuation Agent” means, for purposes of Paragraphs 3 and 5, the party making the demand under Paragraph 3; for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable; and for purposes of Paragraph 4(d), the Secured Party for purposes of calculating the Value in connection with substitutions.

(ii) “Valuation Date” means each New York Business Day.

(iii) “Valuation Time” means the close of business in the city of the Valuation Agent on the Local Business Day before the Valuation Date or date of calculation, as applicable; provided that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) “Notification Time” means no later than 1:00 p.m., New York time, on a Local Business Day; provided, however, that the Valuation Agent will only give notice of its calculations to a party upon request by such party.

(d) **Conditions Precedent and Secured Party’s Rights and Remedies.** The following Termination Event(s) will be a “Specified Condition” for the party specified (that party being the Affected Party if the Termination Event occurs with respect to that party): With respect to Party A and Party B, Credit Event Upon Merger, Additional Termination Event and Illegality.

(e) **Substitution.**

(i) “Substitution Date” has the meaning specified in Paragraph 4(d)(ii).

(ii) **Consent.** The Pledgor is not required to obtain the Secured Party's consent for any substitutions pursuant to Paragraph 4(d).

(f) **Dispute Resolution.**
(i) “Resolution Time” means 1:00 p.m., New York time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5.

(ii) “Value”. For the purpose of Paragraph 5(i)(C) and 5(ii), the Value of Posted Credit Support will be calculated as follows:

(A) The Value of Cash will be the face amount thereof, multiplied by the applicable Valuation Percentage.

(B) With respect to any Treasury Bills, Treasury Notes, Treasury Bonds, Agency Securities (referred to herein as “Securities”), the sum of (I) (x) the mean of the high bid and low asked prices quoted on such date by any principal market maker for such Securities chosen by the Disputing Party, or (y) if no quotations are available from a principal market maker on such date, the mean of such high bid and low asked prices as of the day, next preceding such date, on which such quotations were available, plus (II) the accrued interest on such Securities (except to the extent Transferred to a party pursuant to any applicable provision of this Agreement or included in the applicable price referred to in (I) of this clause (B)) as of such date, multiplied by the applicable Valuation Percentage.

(iii) “Alternative”. The provisions of Paragraph 5 will apply.

(g) **Holding and Using Posted Collateral.**

(i) **Eligibility to Hold Posted Collateral; Custodians.** Party A and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b), provided that the following conditions applicable to it are satisfied:

(A) Party A is not a Defaulting Party.

(B) No Specified Condition has occurred and is continuing with respect to Party A.

(C) Posted Collateral is held only in the United States.\(^1\)

Initially, the Custodian for Party A is Goldman Sachs & Co. via an account held in The Bank of New York.

Party B and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b), provided that the following conditions applicable to it are satisfied:

(A) Party B is not a Defaulting Party.

\(^1\) The Counterparty must agree to hold Collateral only in the United States.
(B) No Specified Condition has occurred and is continuing with respect to Party B.

(C) Posted Collateral is held only in the United States.

Initially, the Custodian for Party B is ____________.

(ii) **Use of Posted Collateral.** The provisions of Paragraph 6(c) will apply to Party A and Party B.

(h) **Distributions and Interest Amount.**

(i) **Interest Rate.** The “Interest Rate” will be the Federal Funds (Effective) rate published in N.Y. Federal Reserve Statistical Release H.15(519) for that day.

(ii) **Transfer of Interest Amount.** The Transfer of the Interest Amount will be made on the first Local Business Day of each calendar month (in respect of amounts accrued to the end of the previous calendar month) and on any Local Business Day when the cash collateral is returned in its entirety.

(iii) **Alternative to Interest Amount.** Not Applicable.

(i) **Other Eligible Support and Other Posted Support.**

(i) **“Value”** with respect to Other Eligible Support and Other Posted Support means: Not Applicable.

(ii) **“Transfer”** with respect to Other Eligible Support and Other Posted Support means: Not Applicable.

(j) **Demands and Notices.**

All demands, specifications and notices under this Annex will be made pursuant to the Notices Section of this Agreement, unless otherwise specified here:

With respect to Party A: 85 Broad Street
New York, New York 10004
Tel.: (212) 902-1944
Fax: (212) 902-0996
Attn: Swap Operations
E-mail: ficc-swaps-collateral@ny.email.gs.com

With respect to Party B: ________________________________
__________________________
__________________________

(k) **Addresses for Transfers.**

Party A: To be specified by Party A in writing.
Party B:

(i) **Other Provisions:**

   (i) Paragraph 7 Subparagraph (i) **Events of Default** is hereby amended by changing the words in the third line thereof “two Local Business Days” to “one Local Business Day”.

   (ii) **Agreement as to Single Secured Party and Pledgor.** Party A and Party B agree that, notwithstanding anything to the contrary in the recital to this Annex, Paragraph 1(b) or Paragraph 2 or the definitions in Paragraph 12, (a) the term “Secured Party” as used in this Annex means only Party B, (b) the term “Pledgor” as used in this Annex means only Party A, (c) only Party A makes the pledge and grant in Paragraph 2, the acknowledgment in the final sentence of Paragraph 8(a) and the representations in Paragraph 9 and (d) only Party A will be required to make Transfers of Eligible Credit Support hereunder.
IN WITNESS WHEREOF the parties have executed this Annex on the respective dates specified below with effect from the date specified on the first page of this document.

GOLDMAN SACHS MITSUI MARINE DERIVATIVE PRODUCTS, L.P.

By: GSMMDPGP, Inc.,
    General Partner

By: ________________________________
    Name:
    Title:
    Date:

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: ________________________________
    Name:
    Title:
    Date:
TABLE I: PARTY A THRESHOLDS

“Threshold” means with respect to Party A, the amount determined on the basis of the lower of the Long Term Debt Ratings in the Table set forth below; provided, however, that if (i) a party has no Long Term Debt Ratings or (ii) an Event of Default has occurred and is continuing with respect to such party, such party’s Threshold shall be zero.

“Minimum Transfer Amount” means with respect to Party A and Party B, the amount determined on the basis of the lower of the Long Term Debt Ratings in the Table set forth below; provided, however, that if an Event of Default has occurred and is continuing with respect to a party, the Minimum Transfer Amount with respect to such party shall be zero.

<table>
<thead>
<tr>
<th>S&amp;P</th>
<th>Moody’s</th>
<th>Threshold</th>
<th>Minimum Transfer Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>Aaa</td>
<td>Infinite</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>AA+ to AA-</td>
<td>Aa1 to Aa3</td>
<td>$40,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>A+ to A-</td>
<td>A1 to A3</td>
<td>$15,000,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>BBB- or below</td>
<td>Baa3 or below</td>
<td>$0</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

As used above:

“Long Term Debt Ratings” means the rating assigned by either S&P or Moody’s to the counterparty risk or financial program of Party A.
This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:

**Paragraph 1. Interpretation**

(a) **Definitions and Inconsistency.** Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) **Secured Party and Pledgor.** All references in this Annex to the “Secured Party” will be to either party when acting in that capacity and all corresponding references to the Pledgor will be to the other party when acting in that capacity; provided, however, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

**Paragraph 2. Security Interest**

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

**Paragraph 3. Credit Support Obligations**
(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor’s Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the “Delivery Amount” applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds Secured Party’s Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the “Return Amount” applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party exceeds

(ii) the Credit Support Amount.

“Credit Support Amount” means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party’s Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor’s Threshold; provided, however, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

**Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions**

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification
(d) **Substitutions.**

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the “Substitute Credit Support”); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the “Substitution Date”); provided that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

**Paragraph 5. Dispute Resolution**

If a party (a “Disputing Party”) disputes (I) the Valuation Agent’s calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; provided that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent’s original calculations will be used for that Transaction (or Swap Transaction);

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business
Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

**Paragraph 6. Holding and Using Posted Collateral**

(a) **Care of Posted Collateral.** Without limiting the Secured Party’s rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) **Eligibility to Hold Posted Collateral; Custodians.**

(i) **General.** Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a “Custodian”) to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor’s obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) **Failure to Satisfy Conditions.** If the Secured Party or its Custodian fails to satisfy conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) **Liability.** The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) **Use of Posted Collateral.** Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) **Distributions and Interest Amount.**
(i) **Distributions.** Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) **Interest Amount.** Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

**Paragraph 7. Events of Default**

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

(i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;

(ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or

(iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

**Paragraph 8. Certain Rights and Remedies**

(a) **Secured Party’s Rights and Remedies.** If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

(i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;

(iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under
applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) **Pledgor’s Rights and Remedies.** If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

(i) the Pledgor may exercise all rights and remedies available to a Pledgor under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) **Deficiencies and Excess Proceeds.** The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) **Final Returns.** When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

**Paragraph 9. Representations**

Each party represents to the other party (which representation will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:
(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

Paragraph 10. Expenses

(a) **General.** Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.

(b) **Posted Credit Support.** The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party’s rights under Paragraph 6(c).

(c) **Liquidation/Application of Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

Paragraph 11. Miscellaneous

(a) **Default Interest.** A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obliged to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that the Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) **Further Assurances.** Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest
Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

(c) **Further Protection.** The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party’s rights under Paragraph 6(c).

(d) **Good Faith and Commercially Reasonable Manner.** Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(e) **Demands and Notices.** All demands and notices given by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.

(f) **Specifications of Certain Matters.** Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

**Paragraph 12. Definitions**

As used in this Annex:—

“Cash” means the lawful currency of the United States of America.

“Credit Support Amount” has the meaning specified in Paragraph 3.

“Custodian” has the meaning specified in Paragraphs 6(b)(i) and 13.

“Delivery Amount” has the meaning specified in Paragraph 3(a).

“Disputing Party” has the meaning specified in Paragraph 5.

“Distributions” means, with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

“Eligible Collateral” means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

“Eligible Credit Support” means Eligible Collateral and Other Eligible Support.

“Exposure” means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; provided that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of “Market Quotation”).

“Independent Amount” means, with respect to party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.
“Interest Amount” means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

\[(x) \quad \text{the amount of Cash on that day; multiplied by} \]
\[(y) \quad \text{the Interest Rate in effect for that day; divided by} \]
\[(z) \quad 360. \]

“Interest Period” means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

“Interest Rate” means the rate specified in Paragraph 13.

“Local Business Day,” unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

“Minimum Transfer Amount” means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

“Notification Time” has the meaning specified in Paragraph 13.

“Obligations” means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

“Other Eligible Support” means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

“Other Posted Support” means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

“Pledgor” means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

“Posted Collateral” means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

“Posted Credit Support” means Posted Collateral and Other Posted Support.

“Recalculation Date” means the Valuation Date that gives rise to the dispute under Paragraph 5; provided, however, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the “Recalculation Date” means the most recent Valuation Date under Paragraph 3.

“Resolution Time” has the meaning specified in Paragraph 13.

“Return Amount” has the meaning specified in Paragraph 3(b).

“Secured Party” means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.
“Specified Condition” means, with respect to a party, any event specified as such for that party in Paragraph 13.

“Substitute Credit Support” has the meaning specified in Paragraph 4(d)(i).

“Substitution Date” has the meaning specified in Paragraph 4(d)(ii).

“Threshold” means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

“Transfer” means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered in book-entry, the giving of written instruments to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

“Valuation Agent” has the meaning specified in Paragraph 13.

“Valuation Date” means each date specified in or otherwise determined pursuant to Paragraph 13.

“Valuation Percentage” means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

“Valuation Time” has the meaning specified in Paragraph 13.

“Value” means for any Valuation Date or other date for which Value is calculated, and subject to Paragraph 5 in the case of a dispute, with respect to:

(i) Eligible Collateral or Posted Collateral that is:

   (A) Cash, the amount thereof; and

   (B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;

(ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and

(iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.
Paragraph 13. Elections and Variables

(a) Security Interest for “Obligations”. The term “Obligations” as used in this Annex includes the following additional obligations: Not Applicable.

(b) Credit Support Obligations.

(i) Delivery Amount, Return Amount and Credit Support Amount.

(A) “Delivery Amount” has the meaning specified in Paragraph 3(a).

(B) “Return Amount” has the meaning specified in Paragraph 3(b).

(C) “Credit Support Amount” has the meaning specified in Paragraph 3.

(ii) Eligible Collateral. The following items will qualify as “Eligible Collateral”:

<table>
<thead>
<tr>
<th></th>
<th>Valuation Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Cash</td>
<td>100%</td>
</tr>
<tr>
<td>(B) negotiable debt obligations issued by the U.S. Treasury Department having a remaining term to maturity of not more than one year;</td>
<td>99%</td>
</tr>
<tr>
<td>(C) negotiable debt obligations issued by the U.S. Treasury Department having a remaining term to maturity of more than one year but not more than ten years;</td>
<td>98%</td>
</tr>
<tr>
<td>(D) negotiable debt obligations issued by the U.S. Treasury Department having a remaining term to maturity of more than ten years;</td>
<td>95%</td>
</tr>
<tr>
<td>(E) single-class mortgage participation certificates (“FHLMC Certificates”) in book-entry form backed by single-family residential mortgage loans, the full and timely payment of interest at the applicable certificate rate and the ultimate collection of principal of which are guaranteed by the Federal Home Loan Mortgage Corporation (excluding Real Estate Mortgage Investment Conduit (“REMIC”) or other multi-class pass-through certificates, pass-through certificates backed by adjustable</td>
<td>95%</td>
</tr>
</tbody>
</table>
rate mortgages and securities paying interest or principal only);  

(F) single-class mortgage pass-through certificates (“FNMA Certificates”) in book-entry form backed by single-family residential mortgage loans, the full and timely payment of interest at the applicable certificate rate and the ultimate collection of principal of which are guaranteed by the Federal National Mortgage Association (excluding REMIC or other multi-class pass-through certificates, pass-through certificates backed by adjustable rate mortgages and securities paying interest or principal only);  

(G) single-class fully modified pass-through certificates (“GNMA Certificates”) in book-entry form backed by single-family residential mortgage loans, the full and timely payment of principal and interest of which is guaranteed by the Government National Mortgage Association (excluding REMIC or other multi-class pass-through certificates, pass-through certificates backed by adjustable rate mortgages and securities paying interest or principal only);  

<table>
<thead>
<tr>
<th>S&amp;P Rating</th>
<th>Moody’s Rating</th>
<th>Threshold</th>
<th>Minimum Transfer Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(iii) Other Eligible Support. There shall be no “Other Eligible Support” for either MLCS or Counterparty.

(iv) Thresholds.

(A) “Independent Amount” means, for Counterparty, with respect to each Transaction, zero (unless a different amount is specified in the Confirmation of that Transaction as that party’s Independent Amount).

(B) “Threshold” means the amounts set forth below determined on the basis of at least two ratings assigned by S&P, Moody’s or Fitch to the long term, unsecured, unenhanced senior debt of Merrill Lynch & Co., Inc. (“ML & Co.”) in the case of MLCS.

(C) “Minimum Transfer Amount” means the amounts set forth below determined on the basis of at least two ratings assigned by S&P, Moody’s or Fitch to the long-term, unsecured unenhanced senior debt of ML& Co., in the case of MLCS.
(D) "Rounding". The Delivery Amount and the Return Amount will be rounded up and down respectively to the nearest integral multiple of US $10,000.

(c) Valuation and Timing.

(i) “Valuation Agent” means, for purposes of Paragraph 3 and 5, the party making the demand under Paragraph 3; for the purpose of Paragraph 4(d)(ii), the Secured Party receiving the Substitute Credit Support; and for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable.

(ii) “Valuation Date” means (a) each Friday of the relevant calendar month (or if such day is not a Local Business Day then the immediately preceding Local Business Day) and (b) each other such Local Business Day designated as a Valuation Date by notice given by one party to the other no later than the Notification Time on the Local Business Day before the Valuation Date so designated.

(iii) “Valuation Time” means the close of business in the city of the Valuation Agent on the Local Business Day preceding the Valuation Date or date of calculation, as applicable; provided that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) “Notification Time” means by 10:00 a.m., New York time, on a Local Business Day.

(d) Conditions Precedent and Secured Party’s Rights and Remedies. For purposes of Paragraph 8(a), each Termination Event will constitute a Specified Condition with respect to a Pledgor, if the Pledgor fails to pay when due any amount payable by it in connection with an Early Termination Date designated in connection with that Termination Event. For all other purposes of this Annex, each Termination Event specified below with respect to a party will be a “Specified Condition” for that party.

- Credit Event Upon Merger: [X]
- Additional Termination Events (if any): [X]

(e) Substitution.

(i) “Substitution Date” has the meaning specified in Paragraph 4(d)(ii).

(ii) “Consent.” The Pledgor may substitute Eligible Credit Support pursuant to Paragraph 4(d) without consent from the Secured Party.

(f) Dispute Resolution.
(i) **Resolution Time** means 1:00 p.m., New York Time, on the first Local Business Day following the date on which notice of the dispute is given under Paragraph 5.

(ii) **Value.** For the purpose of Paragraph 5(i)(C) and 5(ii), the Value of Eligible Collateral other than Cash will be calculated as follows:

the sum of (i) (x) the arithmetic mean of the closing bid prices quoted on the relevant date of three nationally recognized principal market makers (which may include an affiliate of MLCS) for such security chosen by the Valuation Agent multiplied by the applicable Valuation Percentage or (y) if no quotations are available from such principal market makers on the relevant date, the arithmetic mean of the closing bid prices on the next preceding date multiplied by the applicable Valuation Percentage plus (ii) the accrued interest on such security (except to the extent Transferred to a party pursuant to any applicable provision of this Agreement or included in the applicable price referred to in (i) of this clause) as of such date.

(iii) **Alternative.** Not Applicable.

(g) **Holding and Using Posted Collateral.**

(i) **Eligibility to Hold Posted Collateral; Custodians.** As long as the conditions set forth in clause (1) below are satisfied, MLCS shall be entitled to hold Posted Collateral pursuant to Paragraph 6(b). As long as the condition set forth in clause (2) below are satisfied, any Custodian for MLCS shall be entitled to hold Posted Collateral pursuant to Paragraph 6(b).

1. MLCS: (a) The long-term unsecured debt ratings of ML & Co. are at least BBB+ (in the case of S&P) and Baa1 (in the case of Moody’s) and (b) MLCS is not a Defaulting Party.

2. The Custodian: The Custodian is either: (a) a wholly owned, direct or indirect, Affiliate of ML & Co. or (b) a bank or trust company located in the State of New York having total assets of at least US $10,000,000,000.

Initially, the Custodian for MLCS is: Merrill Lynch, Pierce Fenner & Smith, Inc.

As long as the conditions set forth in clause (1) below are satisfied, Counterparty shall be entitled to hold Posted Collateral pursuant to paragraph 6(b). As long as the conditions set forth in clause (2) below are satisfied, any Custodian for Counterparty shall be entitled to hold Posted Collateral pursuant to Paragraph 6(b).

1. Counterparty: (a) The long-term unsecured debt ratings of Counterparty are at least BBB+ (in the case of S&P) and Baa1 (in the case of Moody’s) and (b) Counterparty is not a Defaulting Party.

2. The Custodian: The Custodian is a bank or trust company located in the State of New York having total assets of at least US $10,000,000,000.

Initially, the Custodian for Counterparty is: ___________________________
(ii) “Use of Posted Collateral” The provisions of Paragraph 6(c) will apply to MLCS and Counterparty.

(h) Distributions and Interest Amount.

(i) “Interest Rate.” The Interest Rate will be the rate per annum equal to the overnight Federal Funds Rate for each day cash is held by the Secured Party as reported in Federal Reserve Publication H.15-519.

(ii) “Transfer of Interest Amount.” The Transfer of the Interest Amount will be made on the first Local Business Day of each calendar month and on any Local Business Day that Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b).

(iii) “Alternative to Interest Amount.” Not Applicable.

(i) Additional Representation(s). Not Applicable.

(j) “Other Eligible Support and Other Posted Support.”

(i) “Value” with respect to Other Eligible Support and Other Posted Support means: Not Applicable.

(ii) “Transfer” with respect to Other Eligible Support and Other Posted Support means: Not Applicable.

(k) Demands and Notices. All demands, specifications and notices made by a party to this Annex will be made pursuant to the Notices Section of this Agreement.


(m) Other Provisions.

(i) Posted Collateral. The definition of Posted Collateral shall also include any and all accounts in which Cash Collateral is held.

(ii) Additions to Paragraph 3. The following subparagraph (c) is hereby added to Paragraph 3 of this Annex:

(c) No offset. On any Valuation Date, if either (i) each party is required to make a Transfer under Paragraph 3(a) or (ii) each party is required to make a Transfer under Paragraph 3(b), then the amounts of those obligations will not offset each other.

(n) Agreement as to Single Secured Party and Pledgor. Party A and Party B agree that a) the term “Secured Party” as used in this Annex means only Party B, (b) the term “Pledgor” as used in this Annex means only Party A, (c) only Party A makes the pledge and grant in Paragraph 2, the acknowledgment in the final sentence of Paragraph 8(a) and the representations in Paragraph 9 and (d) only Party A will be required to make Transfers of Eligible Credit Support hereunder.
To: SAN DIEGO REGIONAL TRANSPORTATION COMMISSION
ADDRESS

Attn: Telephone: Fax:

From: Bank of America, N.A.
233 South Wacker Drive - Suite 2800
Chicago, Illinois 60606

Department: Swaps Operations
Telephone: (+1) 312 234 2732
Fax: (+1) 866 255 1444

Date: TBD

Our Reference No: TBD
Reference Name: William Sicks
Internal Tracking No: 13467788

Dear Sir/Madam,

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between SAN DIEGO REGIONAL TRANSPORTATION COMMISSION and Bank of America, N.A. (each a "party" and together "the parties") on the Trade Date specified below (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below (the "Agreement").

The definitions and provisions contained in the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., (the "Definitions") are incorporated into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of November ___ 2005, as amended and supplemented from time to time, between the parties. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

In this Confirmation "Party A" means Bank of America, N.A. and "Party B" means SAN DIEGO REGIONAL TRANSPORTATION COMMISSION.

General Terms:

The terms of the particular Transaction to which this Confirmation relates are as follows:

Notional Amount: As per Schedule A attached hereto.

Trade Date: TBD

Effective Date: 1st April 2008

Termination Date: 1st April 2038
**Fixed Amounts:**

Fixed Rate Payer: Party B

Payment Dates: The 1st of each April and October, commencing on 1st October 2008 and ending on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention

Period End Dates: The 1st of each April and October, commencing on 1st October 2008 and ending on the Termination Date. No adjustment.

Fixed Rate: TBD

Fixed Rate Day Count Fraction: 30/360

**Floating Amounts:**

Floating Rate Payer: Party A

Payment Dates: The 1st of each Month, commencing on 1st May 2008 and ending on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention

Floating Rate for initial Calculation Period: TBD

Floating Rate Option: USD-LIBOR-BBA

Floating Rate: A rate, expressed as a percentage, equal to 65 per cent of the Relevant Rate for a Reset Date

Designated Maturity: 1 Month

Spread: None

Floating Rate Day Count Fraction: Actual/360

Reset Dates: First day of each Calculation Period

Business Days: New York

Calculation Agent: Party A

**Recording of Conversations:**

Each party to this Transaction acknowledges and agrees to the tape recording of conversations between the parties to this Transaction whether by one or other or both of the parties or their agents, and that any such tape recordings may be submitted in evidence in any Proceedings relating to the Agreement and/or this Transaction.
Account Details:

As advised under separate cover with reference to this Confirmation, each party shall provide appropriate payment instructions to the other party in writing and such instructions shall be deemed to be incorporated into this Confirmation.

Offices:

The Office of Party A for this transaction is: Charlotte - NC, United States

The Office of Party B for this Transaction is: TBD

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by returning via telex a copy of this Confirmation to the attention of Global FX and Derivative Operations (fax no. +1 866 255 1444). Failure by Party B to respond to this Confirmation within 2 Local Business Days, either confirming agreement hereto or requesting a correction of any error(s) herein, shall not affect the validity or enforceability of this Transaction. Absent manifest error, there shall be a presumption that the terms contained herein are the terms of the Transaction.

Accepted and confirmed as of the date first written:

Bank of America, N.A.       SAN DIEGO REGIONAL TRANSPORTATION COMMISSION

<<DRAFT>>

Authorised Signatory       By:
Name:                        Name:
Title:                      Title:

Our Reference Number:      TBD
Internal Tracking No: 13467788
## SCHEDULE A

<table>
<thead>
<tr>
<th>From and including*</th>
<th>To and excluding*</th>
<th>Notional Amount*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date</td>
<td>April 1, 2009</td>
<td>200,000,000</td>
</tr>
<tr>
<td>April 1, 2009</td>
<td>April 1, 2010</td>
<td>196,285,000</td>
</tr>
<tr>
<td>April 1, 2010</td>
<td>April 1, 2011</td>
<td>192,430,000</td>
</tr>
<tr>
<td>April 1, 2011</td>
<td>April 1, 2012</td>
<td>188,435,000</td>
</tr>
<tr>
<td>April 1, 2012</td>
<td>April 1, 2013</td>
<td>184,290,000</td>
</tr>
<tr>
<td>April 1, 2013</td>
<td>April 1, 2014</td>
<td>179,985,000</td>
</tr>
<tr>
<td>April 1, 2014</td>
<td>April 1, 2015</td>
<td>175,520,000</td>
</tr>
<tr>
<td>April 1, 2015</td>
<td>April 1, 2016</td>
<td>170,885,000</td>
</tr>
<tr>
<td>April 1, 2016</td>
<td>April 1, 2017</td>
<td>166,075,000</td>
</tr>
<tr>
<td>April 1, 2017</td>
<td>April 1, 2018</td>
<td>161,090,000</td>
</tr>
<tr>
<td>April 1, 2018</td>
<td>April 1, 2019</td>
<td>155,915,000</td>
</tr>
<tr>
<td>April 1, 2019</td>
<td>April 1, 2020</td>
<td>150,550,000</td>
</tr>
<tr>
<td>April 1, 2020</td>
<td>April 1, 2021</td>
<td>144,980,000</td>
</tr>
<tr>
<td>April 1, 2021</td>
<td>April 1, 2022</td>
<td>139,200,000</td>
</tr>
<tr>
<td>April 1, 2022</td>
<td>April 1, 2023</td>
<td>133,205,000</td>
</tr>
<tr>
<td>April 1, 2023</td>
<td>April 1, 2024</td>
<td>126,985,000</td>
</tr>
<tr>
<td>April 1, 2024</td>
<td>April 1, 2025</td>
<td>120,525,000</td>
</tr>
<tr>
<td>April 1, 2025</td>
<td>April 1, 2026</td>
<td>113,825,000</td>
</tr>
<tr>
<td>April 1, 2026</td>
<td>April 1, 2027</td>
<td>106,875,000</td>
</tr>
<tr>
<td>April 1, 2027</td>
<td>April 1, 2028</td>
<td>99,660,000</td>
</tr>
<tr>
<td>April 1, 2028</td>
<td>April 1, 2029</td>
<td>92,175,000</td>
</tr>
<tr>
<td>April 1, 2029</td>
<td>April 1, 2030</td>
<td>84,410,000</td>
</tr>
<tr>
<td>April 1, 2030</td>
<td>April 1, 2031</td>
<td>76,355,000</td>
</tr>
<tr>
<td>April 1, 2031</td>
<td>April 1, 2032</td>
<td>68,000,000</td>
</tr>
<tr>
<td>April 1, 2032</td>
<td>April 1, 2033</td>
<td>59,325,000</td>
</tr>
<tr>
<td>April 1, 2033</td>
<td>April 1, 2034</td>
<td>50,325,000</td>
</tr>
<tr>
<td>April 1, 2034</td>
<td>April 1, 2035</td>
<td>40,990,000</td>
</tr>
<tr>
<td>April 1, 2035</td>
<td>April 1, 2036</td>
<td>31,300,000</td>
</tr>
<tr>
<td>April 1, 2036</td>
<td>April 1, 2037</td>
<td>21,250,000</td>
</tr>
<tr>
<td>April 1, 2037</td>
<td>Termination Date</td>
<td>10,820,000</td>
</tr>
</tbody>
</table>
CONFIRMATION

DATE: November [30], 2005

TO: San Diego County Regional Transportation Commission
Telephone No.: (619) 699-1926
Facsimile No.: (619) 699-4890
Attention: Craig Scott, TransNet Program Manager

FROM: Goldman Sachs Mitsui Marine Derivative Products, L.P.

SUBJECT: Forward Swap Transaction

OUR REF NO: [ ]

The purpose of this communication is to set forth the terms and conditions of the above referenced transaction entered into on the Trade Date specified below (the "Transaction") between Goldman Sachs Mitsui Marine Derivative Products, L.P. ("GSMMDP") and San Diego County Regional Transportation Commission ("Counterparty"). This communication constitutes a "Confirmation" as referred to in the Swap Agreement specified below.

1. This Confirmation is subject to, and incorporates, the 2000 ISDA Definitions (the "Definitions"), published by the International Swaps and Derivatives Association, Inc. This Confirmation supplements, forms a part of and is subject to the ISDA Master Agreement dated as of [November __, 2005] as amended and supplemented from time to time (the "Swap Agreement") between GSMMDP and Counterparty. All provisions contained in, or incorporated by reference to, the Swap Agreement shall govern this Confirmation except as expressly modified below. In the event of any inconsistency between this Confirmation, the Definitions, or the Swap Agreement, as the case may be, this Confirmation will control for purposes of the Transaction to which this Confirmation relates.

2. The terms of the Transaction to which this Confirmation relates are as follows:

Notional Amount: USD 200,000,000.00 (subject to adjustment in accordance with the Schedule set forth under “Additional Provisions" below)

Trade Date: November [30], 2005

Effective Date: April 1, 2008

Termination Date: April 1, 2038
Floating I Amounts for the Calculation Periods from and including the Effective Date to but excluding April 1, 2018:

Floating Rate I Payer: GSMMDP

Floating Rate I Payer Payment Dates: Monthly, on the 1st day of each month, commencing on May 1, 2008 and ending on April 1, 2018, subject to adjustment in accordance with the Following Business Day Convention

Floating Rate I: 1 month USD-LIBOR x 65%

Where:

1 month USD-LIBOR = USD-LIBOR-BBA with a Designated Maturity of 1 Month

Floating Rate I Reset Dates: The first day of each Calculation Period

Floating Rate I Day Count Fraction: Actual/360

Floating Rate I Period End Dates: No Adjustment

Floating II Amounts for the Calculation Periods from and including April 1, 2018 to but excluding the Termination Date:

Floating Rate II Payer: GSMMDP

Floating Rate II Payer Payment Dates: Monthly, on the 1st day of each month, commencing on May 1, 2018 and ending on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention

Floating Rate II Option: USD-BMA Municipal Swap Index

Floating Rate II Day Count Fraction: Actual/Actual

Floating Rate II Period End Dates: No Adjustment

Fixed Amounts:

Fixed Rate Payer: Counterparty

Fixed Rate Payer Payment Dates: Semiannually, on each April 1 and October 1, commencing on October 1, 2008 and ending on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention
**Fixed Rate:** [TBD]%

**Fixed Rate Day Count Fraction:** 30/360

**Fixed Rate Period End Dates:** No Adjustment

**Business Days:** New York

**Calculation Agent:** GSMMDP

### 3. Additional Provisions:

#### Schedule for the Floating Rate and Fixed Rate Calculation Period

<table>
<thead>
<tr>
<th>From and including:</th>
<th>To but excluding:</th>
<th>The applicable USD Notional Amount shall be:</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1, 2008</td>
<td>April 1, 2009</td>
<td>200,000,000.00</td>
</tr>
<tr>
<td>April 1, 2009</td>
<td>April 1, 2010</td>
<td>196,290,000.00</td>
</tr>
<tr>
<td>April 1, 2010</td>
<td>April 1, 2011</td>
<td>192,440,000.00</td>
</tr>
<tr>
<td>April 1, 2011</td>
<td>April 1, 2012</td>
<td>188,440,000.00</td>
</tr>
<tr>
<td>April 1, 2012</td>
<td>April 1, 2013</td>
<td>184,290,000.00</td>
</tr>
<tr>
<td>April 1, 2013</td>
<td>April 1, 2014</td>
<td>179,990,000.00</td>
</tr>
<tr>
<td>April 1, 2014</td>
<td>April 1, 2015</td>
<td>175,525,000.00</td>
</tr>
<tr>
<td>April 1, 2015</td>
<td>April 1, 2016</td>
<td>170,895,000.00</td>
</tr>
<tr>
<td>April 1, 2016</td>
<td>April 1, 2017</td>
<td>166,090,000.00</td>
</tr>
<tr>
<td>April 1, 2017</td>
<td>April 1, 2018</td>
<td>161,100,000.00</td>
</tr>
<tr>
<td>April 1, 2018</td>
<td>April 1, 2019</td>
<td>155,925,000.00</td>
</tr>
<tr>
<td>April 1, 2019</td>
<td>April 1, 2020</td>
<td>150,555,000.00</td>
</tr>
<tr>
<td>April 1, 2020</td>
<td>April 1, 2021</td>
<td>144,980,000.00</td>
</tr>
<tr>
<td>April 1, 2021</td>
<td>April 1, 2022</td>
<td>139,200,000.00</td>
</tr>
<tr>
<td>April 1, 2022</td>
<td>April 1, 2023</td>
<td>133,200,000.00</td>
</tr>
<tr>
<td>April 1, 2023</td>
<td>April 1, 2024</td>
<td>126,975,000.00</td>
</tr>
<tr>
<td>April 1, 2024</td>
<td>April 1, 2025</td>
<td>120,520,000.00</td>
</tr>
<tr>
<td>April 1, 2025</td>
<td>April 1, 2026</td>
<td>113,820,000.00</td>
</tr>
<tr>
<td>April 1, 2026</td>
<td>April 1, 2027</td>
<td>106,865,000.00</td>
</tr>
<tr>
<td>April 1, 2027</td>
<td>April 1, 2028</td>
<td>99,655,000.00</td>
</tr>
<tr>
<td>April 1, 2028</td>
<td>April 1, 2029</td>
<td>92,170,000.00</td>
</tr>
<tr>
<td>April 1, 2029</td>
<td>April 1, 2030</td>
<td>84,410,000.00</td>
</tr>
<tr>
<td>April 1, 2030</td>
<td>April 1, 2031</td>
<td>76,355,000.00</td>
</tr>
<tr>
<td>April 1, 2031</td>
<td>April 1, 2032</td>
<td>67,995,000.00</td>
</tr>
<tr>
<td>April 1, 2032</td>
<td>April 1, 2033</td>
<td>59,325,000.00</td>
</tr>
<tr>
<td>April 1, 2033</td>
<td>April 1, 2034</td>
<td>50,325,000.00</td>
</tr>
<tr>
<td>April 1, 2034</td>
<td>April 1, 2035</td>
<td>40,985,000.00</td>
</tr>
<tr>
<td>April 1, 2035</td>
<td>April 1, 2036</td>
<td>31,300,000.00</td>
</tr>
<tr>
<td>April 1, 2036</td>
<td>April 1, 2037</td>
<td>21,250,000.00</td>
</tr>
<tr>
<td>April 1, 2037</td>
<td>April 1, 2038</td>
<td>10,820,000.00</td>
</tr>
</tbody>
</table>

**Not subject to adjustment**

### 4. Other Provisions:
Option to Terminate in Whole or in Part with Cash Settlement

In connection with this Transaction, Counterparty shall have the Option to early terminate, cancel and cash settle this Transaction, in whole or in part, effective on any Business Day after the Trade Date (the “Optional Termination Date”). This Option may be exercised by written, telex or facsimile notice delivered to GSMMDP no later than five (5) Business Days prior to the Optional Termination Date (the “Notification Date”), which notice shall only be effective upon actual receipt by GSMMDP and shall be irrevocable. Following any such early termination and cancellation and payment of the Cash Settlement Amount as calculated below, the parties shall be relieved of all further payment obligations hereunder except for payment of all accrued but yet unpaid amounts calculated to but excluding the Optional Termination Date (unless otherwise included in the Cash Settlement Amount as calculated below).

Notwithstanding anything to the contrary contained herein, Counterparty will not exercise this Option if, in connection with such exercise, a Cash Settlement Amount would be payable by Counterparty to GSMMDP unless Counterparty provides evidence reasonably satisfactory to GSMMDP that: (i) such Cash Settlement Amount will be made by Counterparty on or before the second Business Day immediately following the Optional Termination Date, and (ii) such Cash Settlement Amount will not cause Counterparty to be in violation of, or in default of, any material obligation under any Covered Document or any other material agreement of Counterparty.

GSMMDP will determine a U.S. Dollar value for the terminated portion of this Transaction (the “Cash Settlement Amount”) in accordance with Section 6(e)(ii)(1) (Loss applies) of the Swap Agreement, where Counterparty is the sole Affected Party and this Transaction is the sole Affected Transaction. If such Cash Settlement Amount is not mutually acceptable to GSMMDP and Counterparty, GSMMDP shall determine a Cash Settlement Amount with respect to this Transaction in accordance with Section 6(e)(ii)(1) (Market Quotation applies) of the Swap Agreement, where (A) Counterparty is the sole Affected Party and this Transaction is the sole Affected Transaction, (B) the Reference Market-makers providing quotations are acceptable to both GSMMDP and Counterparty, and (C) each Reference Market-maker certifies in writing that such Reference Market-maker is prepared to take an assignment of this Transaction based on their quotation. In the event that an amount cannot be determined in accordance with Section 6(e)(ii)(1) (Market Quotation applies), the Cash Settlement Amount shall be the amount determined by the Calculation Agent in accordance with Section 6(e)(ii)(1) (Loss applies).

5. Credit Support Documents:


6. Offices:

(a) The Office of GSMMDP for this Transaction is 85 Broad Street, New York, New York, 10004.

(b) The Office of Counterparty for this Transaction is [please provide].

__________________________________________________________
7. Counterparty hereby agrees (a) to check this Confirmation (Reference No.: [ ])) carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing correctly sets forth the terms of the agreement between GSMMDP and Counterparty with respect to the particular Transaction to which this Confirmation relates, by manually signing this Confirmation and providing the other information requested herein and immediately returning an executed copy to Swap Administration, facsimile No. 212-902-5692.

Very truly yours,

GOLDMAN SACHS MITSUI MARINE DERIVATIVE PRODUCTS, L.P.

By: GSMMDPGP, Inc.,
General Partner

By: ________________
Name: 
Title: 

Agreed and Accepted By:
San Diego County Regional Transportation Commission

By: ________________
Name: 
Title: 

Counterparty Reference Number: [Please Provide]
Ladies and Gentlemen:

The purpose of this letter agreement is to confirm the terms and conditions of the transaction (the "Transaction") entered into between Merrill Lynch Capital Services, Inc. ("MLCS") and San Diego County Regional Transportation Commission ("Counterparty") on the Trade Date specified below. This letter agreement constitutes a "Confirmation" as defined in the Master Agreement specified below.

The definitions and provisions contained in the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., the "Definitions") are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation shall supplement, form a part of, and be subject to, the Master Agreement, dated as of November [___], 2005 (the "Agreement"), between MLCS and Counterparty. All provisions contained in such Master Agreement will govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

   Notional Amount: $[200,000,000], reducing on the dates and in the amounts set forth in Annex I hereto.
   
   Trade Date: November [___], 2005
   
   Effective Date: November [___], 2005. The Effective Date for the initial Calculation Period shall be [April 1, 2008.]
   
   Termination Date: [April 1, 2038]
FIXED AMOUNTS:

Fixed Rate Payer: Counterparty

Fixed Rate Payer Payment Dates: Semiannually on the first (1st) day of April and October, commencing on October 1, 2008 and terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Fixed Rate Payer Period End Dates: Semiannually on the first (1st) day of April and October, commencing on October 1, 2008 and terminating on the Termination Date. No Adjustment shall apply to Period End Dates.

Fixed Rate: [___]%

Fixed Rate Day Count Fraction: 30/360

FLOATING AMOUNTS:

Floating Rate Payer: MLCS

Floating Rate Payer Payment Dates: Monthly on the first (1st) calendar day of each month, commencing on May 1, 2008 and terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate Payer Period End Dates: Monthly on the first (1st) calendar day of each month, commencing on May 1, 2008 and terminating on the Termination Date. No Adjustment shall apply to Period End Dates.

Floating Rate Option: From and including the Effective Date to and including April 1, 2018, Floating Rate Option A. From and excluding April 1, 2018 to the Effective Date, Floating Rate Option B.

Floating Rate Option A: 65% of USD-LIBOR-BBA

Floating Rate Option A Designated Maturity: One month

Floating Rate Option A Day Count Fraction: Actual/360

Floating Rate Option A Reset Date: The Effective Date and thereafter the first calendar day of each month, commencing on May 1, 2008. As specified in the Definitions, the rate for each Reset Date shall be the rate which appears on the Telerate Page 3750 as of 11:00 a.m., London time, on the day that is two London Banking Days preceding that Reset Date.

Floating Rate Option A Method of Averaging: Inapplicable

Floating Rate Option A Compounding: Inapplicable
Floating Rate Option A Business Days: New York
Floating Rate Option B: USD-BMA Municipal Swap Index
Floating Rate Option B Day Count Fraction: Actual/Actual
Floating Rate Option B Reset Date: [April 1, 2018 and weekly thereafter every Thursday (or any other day specified by The Bond Market Association), or if any Thursday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day.]
Floating Rate Option B Method of Averaging: Weighted
Floating Rate Option B Compounding: Inapplicable
Floating Rate Option B Business Days: New York

3. **Optional Market-Based Termination.** Counterparty may, on any Business Day (the “Optional Market Termination Date”), terminate and cash settle this Transaction, in whole or in part, by providing prior written notice to MLCS designating a day not earlier than the second Business Day following the day on which such notice is effective as the Optional Market Termination Date, provided however, that Counterparty first or concurrently provides evidence satisfactory to MLCS that Counterparty has sufficient funds available to pay any amount payable by it to MLCS in connection with such optional termination. The amount due with respect to any such termination shall be determined by MLCS in its sole discretion. If Counterparty disputes such amount, the amount due shall be determined by MLCS pursuant to Section 6 of the Master Agreement as if (a) the Optional Market Termination Date is the Early Termination Date, (b) Counterparty is the sole Affected Party (for all purposes other than the election to terminate), (c) this Transaction (or any portion hereof) is the sole Affected Transaction, and (d) Market Quotation and Second Method are selected for purposes of Payments on Early Termination. Notwithstanding anything herein to the contrary, the parties will be obligated to pay any accrued amounts that would otherwise be due on the Optional Market Termination Date.

4. **Payment Instructions.**

   To MLCS: Deutsche Bank Trust Company Americas
            New York, NY
            ABA: 021-001-033
            A/C #: 00-811-874
            Ref: Merrill Lynch Capital Services, Inc.
            Attn: Muni Swaps

   To Counterparty: [Please provide.]
Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us or by sending to us a letter substantially similar to this letter, which letter sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms.

Yours sincerely,

MERRILL LYNCH CAPITAL SERVICES, INC.

By: ________________________________
   Name: ________________________________
   Title: ________________________________

Confirmed as of the date first above written:

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: ________________________________
   Name: ________________________________
   Title: ________________________________
ANNEX I

to Confirmation, dated November [__], 2005,
between Merrill Lynch Capital Services, Inc.
and San Diego County Regional Transportation Commission

<table>
<thead>
<tr>
<th>From and including*</th>
<th>To and excluding*</th>
<th>Notional Amount*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date</td>
<td>April 1, 2009</td>
<td>200,000,000</td>
</tr>
<tr>
<td>April 1, 2009</td>
<td>April 1, 2010</td>
<td>196,285,000</td>
</tr>
<tr>
<td>April 1, 2010</td>
<td>April 1, 2011</td>
<td>192,430,000</td>
</tr>
<tr>
<td>April 1, 2011</td>
<td>April 1, 2012</td>
<td>188,435,000</td>
</tr>
<tr>
<td>April 1, 2012</td>
<td>April 1, 2013</td>
<td>184,290,000</td>
</tr>
<tr>
<td>April 1, 2013</td>
<td>April 1, 2014</td>
<td>179,985,000</td>
</tr>
<tr>
<td>April 1, 2014</td>
<td>April 1, 2015</td>
<td>175,520,000</td>
</tr>
<tr>
<td>April 1, 2015</td>
<td>April 1, 2016</td>
<td>170,885,000</td>
</tr>
<tr>
<td>April 1, 2016</td>
<td>April 1, 2017</td>
<td>166,075,000</td>
</tr>
<tr>
<td>April 1, 2017</td>
<td>April 1, 2018</td>
<td>161,090,000</td>
</tr>
<tr>
<td>April 1, 2018</td>
<td>April 1, 2019</td>
<td>155,915,000</td>
</tr>
<tr>
<td>April 1, 2019</td>
<td>April 1, 2020</td>
<td>150,550,000</td>
</tr>
<tr>
<td>April 1, 2020</td>
<td>April 1, 2021</td>
<td>144,980,000</td>
</tr>
<tr>
<td>April 1, 2021</td>
<td>April 1, 2022</td>
<td>139,200,000</td>
</tr>
<tr>
<td>April 1, 2022</td>
<td>April 1, 2023</td>
<td>133,205,000</td>
</tr>
<tr>
<td>April 1, 2023</td>
<td>April 1, 2024</td>
<td>126,985,000</td>
</tr>
<tr>
<td>April 1, 2024</td>
<td>April 1, 2025</td>
<td>120,525,000</td>
</tr>
<tr>
<td>April 1, 2025</td>
<td>April 1, 2026</td>
<td>113,825,000</td>
</tr>
<tr>
<td>April 1, 2026</td>
<td>April 1, 2027</td>
<td>106,875,000</td>
</tr>
<tr>
<td>April 1, 2027</td>
<td>April 1, 2028</td>
<td>99,660,000</td>
</tr>
<tr>
<td>April 1, 2028</td>
<td>April 1, 2029</td>
<td>92,175,000</td>
</tr>
<tr>
<td>April 1, 2029</td>
<td>April 1, 2030</td>
<td>84,410,000</td>
</tr>
<tr>
<td>April 1, 2030</td>
<td>April 1, 2031</td>
<td>76,355,000</td>
</tr>
<tr>
<td>April 1, 2031</td>
<td>April 1, 2032</td>
<td>68,000,000</td>
</tr>
<tr>
<td>April 1, 2032</td>
<td>April 1, 2033</td>
<td>59,325,000</td>
</tr>
<tr>
<td>April 1, 2033</td>
<td>April 1, 2034</td>
<td>50,325,000</td>
</tr>
<tr>
<td>April 1, 2034</td>
<td>April 1, 2035</td>
<td>40,990,000</td>
</tr>
<tr>
<td>April 1, 2035</td>
<td>April 1, 2036</td>
<td>31,300,000</td>
</tr>
<tr>
<td>April 1, 2036</td>
<td>April 1, 2037</td>
<td>21,250,000</td>
</tr>
<tr>
<td>April 1, 2037</td>
<td>Termination Date</td>
<td>10,820,000</td>
</tr>
</tbody>
</table>
AMENDMENTS TO TransNet POLICIES

Introduction

Amendments are proposed to TransNet-related policies, previously adopted by the SANDAG Board of Directors in its role as the San Diego County Regional Transportation Commission (RTC), in order to incorporate references to Ordinance 04-01, the extension of the original TransNet Ordinance known as Ordinance 87-1. Additional changes are recommended to these previous policies for clarification, and Policy No. 17, concerning fiscal and compliance audits, has been proposed as a new policy.

Recommendation

At its October 21, 2005, meeting, the Transportation Committee recommended that the Board of Directors approve the proposed amendments to the TransNet policies. The Board is asked to approve the proposed amendments to the TransNet policies in accordance with the recommendation of the Transportation Committee.

Discussion

Following enactment of the original TransNet Ordinance in 1987, the Board approved various policies to implement the provisions of the Ordinance. The provisions of TransNet Extension Ordinance 04-01 also need to be referenced in the TransNet policies in order to update them in preparation for implementation of the TransNet Extension. Attachment 1 shows the proposed TransNet policy amendments. Most of the proposed amendments are merely updates or clarifications to previously approved policies. Policy No. 17 is a newly proposed policy. The background for this proposed new policy is further discussed below.

Policy No. 17: Fiscal and Compliance Audits

The San Diego Transportation Improvement Program Ordinance and Expenditure Plans (Ordinances 87-1 and 04-01) specify certain requirements for the recipients of TransNet funds, including a requirement for an annual fiscal and compliance audit of each recipient of TransNet funds. The RTC is responsible for the administration of the TransNet program and allocation of funds. Sections 13 (87-1) and 14 (04-01) of the Ordinances authorize the RTC to establish “rules and take such other actions as may be necessary and appropriate to carry out its responsibilities.” The purpose of this proposed policy is to establish more detailed guidelines for the annual fiscal and compliance audit for those agencies in receipt of TransNet funds.

The current TransNet program, which continues through Fiscal Year 2008, provides funding for highway, transit, local street and road, and bicycle projects. The TransNet Extension provides...
funding for major corridors; transit (new rail operations, ongoing operations, and senior and disabled programs); local streets and roads and other local projects; environmental mitigation; and bicycle, pedestrian, and neighborhood safety programs.

Projects funded with TransNet are included as part of the Regional Transportation Improvement Program (RTIP), which is updated every two years. The RTC approves the RTIP including the TransNet Program of Projects (POP). The TransNet Ordinances include specific requirements for the use of TransNet funds. The annual fiscal and compliance audits serve as the verification that these requirements have been met for each recipient.

SANDAG contracts with an independent accounting firm to audit all agencies that receive TransNet funds on an annual basis. The audit certifies that the agencies have met the requirements of the TransNet Ordinance. The audit process is expected to be completed during the fiscal year following the end of the fiscal year being audited so that the results will be known prior to programming and allocation decisions for the subsequent fiscal year.

Section 8 of both the current and TransNet Extension Ordinances requires a Maintenance of Effort (MOE) compliance test. Revenues from TransNet are to supplement (not replace) existing local discretionary revenues being used for local transportation purposes. The Ordinances establish a base year in which to determine the required MOE level. As part of the annual audit process, each agency must demonstrate that it maintained the same level of local discretionary funds expended for street and road purposes as was expended during the MOE base year. The current TransNet program established the 1984-85 fiscal year as the base year. For the TransNet Extension, the base year is the average over fiscal years 2000-01, 2001-02, and 2002-03 (as reported in the State Controller’s Annual Report of Financial Transactions for Streets and Roads). For the TransNet Extension, the MOE will be subject to adjustment every three years, based on the Construction Cost Index developed by Caltrans. Compliance with the MOE is verified via the annual fiscal and compliance audit.

Over the past few years, the audit process has taken longer to complete. Some of the delays have been due to new or additional audit requirements and others have been due to schedule conflicts for audit field visits and related issues. Audits should be completed within six months, but no later than nine months after the end of the fiscal year. Without the audits, SANDAG is unable to verify that the agencies are in compliance with the TransNet Ordinance, including the MOE. The new proposed Policy No. 17 provides a more detailed timeline for completion of the annual audits, a requirement for suspending TransNet payments in cases where the fiscal audits are not completed in a timely manner, and additional details related to various adjustments to be made based on the annual audit findings.

GARY L. GALLEGOS  
Executive Director

Attachment: 1. TransNet Ordinance and Expenditure Plan Policies

Key Staff Contact: Craig Scott, (619) 699-1926, csc@sandag.org

No Budget Impact
TransNet ORDINANCE AND EXPENDITURE PLAN POLICIES

Policy #1: Procedure for Distribution of Revenues for Transportation Services for Seniors and the Disabled

Adoption Date: February 26, 1988 (Resolution RC88-2)

Amendment: Proposed for Repeal at November 18, 2005, Board Meeting. This policy was superseded by Policy No. 11.

Policy Text: The transportation sales tax revenues made available under Section 4(B)(1) of Ordinance 87-1 for improved transportation services for seniors and disabled persons shall be distributed to eligible service providers based 80 percent in proportion to the senior and disabled population for each provider’s service area and 20 percent in proportion to the geographic size of each service area.

Policy #2: Loan of Funds for Privately-Funded Projects

Adoption Date: April 22, 1988 (Resolution RC88-5)

Amendment: Proposed for Amendment at November 18, 2005, Board Meeting

Policy Text: The Commission may approve a loan of sales tax funds to a city or county from its formula-based share of local street and road funds to finance a project which is prohibited from receiving funding under Section 9 of Commission Ordinance 87-1 or Section 8 of Ordinance 04-01 if the following terms and conditions are met.

1. A finding is made by the Commission that absent private sector funding, the project would be an eligible street and road project.

2. The City or County agrees to enter into an agreement to repay the loan plus interest (at a rate determined by the Commission) prior to the termination of the sales tax in accordance with Section 3 of Commission Ordinance 87-1 or Section 3 of Ordinance 04-01.

3. That the City or County agrees to guarantee repayment of the loan if private developer funding is determined to be inadequate to repay the loan prior to termination of the sales tax.

Policy #3: Reimbursement of Local Funds to Advance Approved Projects

Adoption Date: May 27, 1988 (Resolution RC88-6)

Amendment: Proposed for Amendment at November 18, 2005, Board Meeting

Policy Text: A city or county may advance improvements on a project(s) which is included in the approved transportation sales tax program of projects with local agency funds (other than private developer funds as set forth in Section 9 of
Ordinance 87-1 or Section 8 of Ordinance 04-01) prior to sales tax funds being available and receive reimbursement including interest from sales tax funds if it is determined by the Commission that the following terms and conditions are met.

1. The project(s) is included in the approved transportation sales tax program of projects, and no other financing technique is found to be more desirable or cost effective to utilize in order to advance the improvement.

2. The city or county shall be reimbursed for the local funds expended as soon as sales tax funds become available, or on a schedule agreed to between the local agency and the Commission.

3. That no more than 30% of the funds will be used for maintenance projects if the funds are borrowed from TransNet revenues pursuant to Section 2(C)(1) of Ordinance 04-01.

**Policy #4: SR 78 Corridor Reserve Fund Allocation Policies**

**Adoption Date:** Originally Adopted May 26, 1989 (Resolution R-89-82)
Wording changed December 14, 1990 (Resolution RC91-10)

**Repealed:** Proposed for Amendment at November 18, 2005, Board Meeting

**Policy Text:** For purposes of allocating funds under Section 2(a)(3) in Ordinance 87-1

1. Only those projects designated as "funded" on the SR 78 Corridor project list approved on December 13, 1990 by the SR 78 Corridor Policy Committee are eligible to receive SR 78 Corridor Reserve Funds.

2. The list of SR 78 Corridor projects and their priority and funding eligibility may be revised by a majority vote of the SR 78 Corridor Policy Committee and the approval of the Board of Directors.

3. The basic contribution for a non-Caltrans project on the SR 78 Corridor Reserve funded list is 50 percent of the estimated right-of-way, engineering and construction costs. However, the total amount of Corridor Reserve Funds designated for projects within one jurisdiction may be allocated to vary from the basic 50 percent for any given project as long as the cumulative total for programmed projects at any point in time does not exceed 50 percent.

4. The basic contribution for a Caltrans project on the SR 78 Corridor Reserve funded list is 100 percent of the estimated right-of-way, engineering, and construction costs.

5. Contributions from the SR 78 Corridor Reserve Fund to any one jurisdiction cannot exceed 50 percent (100 percent for Caltrans) of the project cost estimates shown on the approved funded list of December 13, 1990. If actual project costs are less than estimated, a maximum
contribution of 50 percent (100 percent for Caltrans) of the new costs shall be in effect.

6. A project that for any reason is removed from the funded list can only be replaced by the next highest ranked unfunded project (or projects), regardless of jurisdiction and only if the funded list of projects does not exceed the total Corridor Reserve dollars available. As with other funded projects, Corridor Reserve funds can only be used to improve the replacement project(s) to minimal four-lane standards (six lanes at freeway interchanges).

*Added June 22, 1990*  (Resolution RC90-40):

7. SR 78 Corridor Reserve funds for right-of-way will not be encumbered until a project has environmental clearance and the first 25 percent of the total value of the right-of-way is acquired. When a total of 75 percent of the right-of-way has been acquired, the construction funds will be encumbered at the request of the agency.

*Added December 14, 1990*  (Resolution RC91-10):

8. All agencies submitting projects from the SR 78 Corridor Funded Project List for programming are encouraged to pursue matching funds from the State's SB 300 program.

*Added February 22, 1991*  (Resolution RC91-13):

9. Any new source of state highway funds for the San Diego Region should be considered for allocation to the TransNet SR 78 Corridor Reserve to offset local funds which were used for projects which are normally the responsibility of the State, such as freeway-freeway interchange improvements and ramp metering systems.

**Policy # 5: Use of Local Street and Road TransNet Funds for the Development of Transportation Demand Management Programs**

**Adoption Date:** August 25, 1989  (Resolution RC90-23)

**Amendment:** Proposed for Amendment at November 18, 2005, Board Meeting

**Policy Text:** The development and implementation of a Transportation Demand Management Program shall be an eligible use of Local Street and Road funds pursuant to Section 19(E) of the San Diego Transportation Improvement Program Ordinance and Expenditure Plan Ordinance 87-1 and Section 21(c) of Ordinance 04-01. Transportation Demand Management shall mean a comprehensive set of strategies designed to influence travel behavior with respect to mode, time, frequency, route, or distance in order to improve the efficiency and effectiveness of local streets and roads. Principal strategy measures involve, but are not limited to, ridesharing, alternative work hours, and parking management.
Policy # 6: Fund Accounting and Interest Allocation

Adoption Date: March 23, 1990 (Resolution RC90-35)

Amendment: Proposed for Amendment at November 18, 2005, Board Meeting

Policy Text: For the purposes of determining compliance with Section 12 of the Ordinance 87-1 and Section 13 of Ordinance 04-01, each agency shall maintain a separate fund (fund accounting) for TransNet revenues, if possible. Where the creation of a separate fund is not possible due to accounting methodology used by the agency, an alternative approach to maintaining separate accountability for TransNet revenue and expenditures must be developed and submitted to the Commission staff for concurrence. Interest earned on TransNet revenues received by the agency must be allocated to the TransNet fund and used only for projects approved by the Commission in the Program of Projects. For accounting purposes, the interest earnings shall be considered to be expended first. Further, the Ordinances allow the agencies to retain any unused TransNet funds. Interest accrued should be applied to each active project that carries an outstanding balance. The agency can determine the method of the interest distribution to be validated by the audit.

Policy # 7: Program of Projects Amendments

Adoption Date: March 23, 1990 (Resolution RC90-35)

Amendment: Proposed for Amendment at November 18, 2005, Board Meeting

Policy Text: A Program of Projects amendment shall be initiated when a local agency desires to add a new project to the approved Program of Projects, to drop an approved project in its entirety, or to change the TransNet funds programmed for a project by $50,000 (or 10% of total project, whichever is greater). The amendment must be approved by the Commission prior to the expenditure of funds on the new or amended projects.

Policy # 8: Determination of New Transit Services

Adoption Date: March 23, 1990 (Resolution RC90-35)

Amendment: Proposed for Amendment at November 18, 2005, Board Meeting

Policy Text: For the purpose of determining compliance with Section 4(B)(2)(c) of Ordinance 87-1, the level of service provided in FY 1988 shall be considered at the base level of service in existence prior to the availability of TransNet revenues which must be maintained through other funding sources. Compliance with the “new” service requirement shall be determined using the following procedure:

1. Determine the number of vehicle service miles operated during the fiscal year using TransNet revenues for any given operator by dividing the
TransNet revenues for operations by the total systemwide operating cost for that operator and multiplying the total vehicle service miles operated by the quotient.

2. Subtract the number of miles determined in Step 1 from the total system vehicle service miles operated during the year.

3. If the adjusted number of miles from step 2 is greater than or equal to they FY_1988 base level, then the compliance test is met.

34. The attached table of base statistics from FY_1988 (Attachment 1) will be used to determine compliance. These figures reflect all publicly-funded operators within the MTDB (MTS) and NSDCTDB (NCTD) service areas (Articles 4, 4.5, and 8) because TransNet revenues could potentially be used by the operatorsMTDB and NSDCTDB to fund service improvements on any of these systems.

Policy # 9: Use of TransNet Revenue for Bus Purchases

Adoption Date: March 23, 1990 (Resolution RC90-35)

Amendment: Proposed for Amendment at November 18, 2005, Board Meeting

Policy Text: TransNet revenues may be used to support the purchase of buses required to operate new services funded with TransNet revenues. The number of buses which can be purchased with TransNet revenues shall be determined using the following procedures.

1. Determine the number of annual new vehicle service miles service being operated in accordance with Policy Number 8 - Determination of New Transit Services.

2. Divide the number of new miles of service by the systemwide average annual vehicle services miles per bus for a given operator to determine the equivalent number of buses required to operate the new service. Round up to the nearest whole number of bus equivalents.

The TransNet revenues used for bus purchases shall come out of the revenues available under Section 4(B)(2)(c) of the TransNet-Ordinance. The use of TransNet revenues for bus purchases shall be used to the maximum extent possible as matching funds for available state and federal capital funds. If, at some point in the future, the number of buses purchased with TransNet revenues cannot be justified based on the number of new miles being operated with TransNet revenues, then a pro-rated reimbursement to the TransNet fund will be required based on the remaining useful life of the vehicles. TransNet revenues may not be used to support the purchase of replacement buses for the “existing” (FY_1988) level of service. Any buses purchases with TransNet revenues will remain under the ownership of MTDB (MTS) or NSDCTDB (NCTD) and be made available to the operator chosen to operate the new services.
Policy #10: Use of TransNet Revenues to Replace Reduced State and Federal Operating Support

Adoption Date: March 23, 1990 (Resolution RC90-35)

Amendment: Proposed for Amendment at November 18, 2005, Board Meeting

Policy Text: For purposes of determining compliance with Section 4(B)(2)(c) of the TransNet Ordinance 87-1, the maximum amount of TransNet funds that MTSD (MTS) or NSDCTDB (NCTD) are eligible to use to replace federal funds in a given year is equal to the FY 1987 base year levels of federal and state operating support ($6,113,307 for MTSD and $2,511,816 for NCTD) less the amount of state and federal operating support available in that year. The priority on the use of funds under this section is to provide new service improvements. MTSD and NCTD are encouraged to use other available revenues, such as Transportation Development Act (TDA) funds, to offset reductions in state and federal funds, if possible, and to use TransNet funds under these sections for new service improvements.

Policy #11: Use of TransNet Revenues for Transportation Services for Seniors and the Disabled

Adoption Date: March 23, 1990 (Resolution RC90-35)

Amendment: Proposed for Amendment at November 18, 2005, Board Meeting

Policy Text: The funds made available under Section 4(B)(1) of the TransNet-Ordinance 87-1 or Section 4(c)(1) of Ordinance 04-01 for improved transportation services for seniors and the disabled shall be used to augment the revenues made available under the Transportation Development Act (TDA) Article 4.5 program for the same purposes. These TransNet funds shall be allocated to eligible service providers using the fund distribution formula approved by the SANDAG Board of Directors for use in distributing the TDA Article 4.5 funds. For accounting purposes, following the expenditure of fare revenues and other local and other local operating revenues, the interest earnings on the TransNet and TDA funds shall be considered to be spent first, followed by the TransNet funds, then the TDA funds.

Policy #12: Use of TransNet Revenues for Accessibility Improvements

Adoption Date: March 23, 1990 (Resolution RC90-35)

Policy Text: In the development of TransNet-funded local street and road projects, local jurisdictions may include, within the street right-of-way, improvements to enhance accessibility to the transportation system, including, but not limited to, accessibility improvements to bus stop areas.
Policy #13: Investment Policy

Adoption Date: July 27, 1990 (Resolution RC91-2)

Amendment: Proposed for Repeal at November 18, 2005, Board Meeting

Policy Text: Note: This policy has been superseded by the Annual Investment Policy Update (see Resolution 2006-06 approved at the September 23, 2005, SANDAG Board of Directors meeting.

I. Introduction

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

The investment policies and practices of the San Diego County Regional Transportation Commission (the Commission) are based on state law and prudent money management. All funds will be invested in accordance with the Commission's Investment Policy and California Government Code Sections 53601, 53601.1, 53601.5, 53535 and 53635.5. The investment of bond proceeds will be further restricted by the provisions of relevant bond documents.

II. Scope

It is intended that this policy cover all funds and investment activities under the direction of the Commission.

III. Objectives

Investments of the Commission shall be undertaken in a manner that ensures the preservation of capital in the overall portfolio. The Commission seeks to attain market rates of return on its investments, consistent with the constraints imposed by its safety objective and cash flow considerations.

IV. Delegation of Authority

The management responsibility for the investment program is hereby delegated to the Director of Finance and Administration, who shall monitor and review all investments for consistency with this investment policy. No person may engage in an investment transaction except as provided under the limits of this policy. The Commission may delegate its investment decision-making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

V. Internal Controls

The Commission shall establish a set of internal controls by which shall be documented in writing. The internal controls will be reviewed by the Commission and with the independent auditor. The controls shall be designed to prevent employee error, misrepresentations by third parties, unanticipated changes in financial markets, or imprudent actions by officers or employees of the Commission.
VI. Permitted Investment Instruments

1. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. Obligations issued by Banks for Cooperatives, Federal Land Banks, Federal Intermediate Credit Banks, Federal Farm Credit Banks, Federal Home Loan Banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise, or such agencies or enterprises which may be created.

3. Repurchase Agreements used solely as short-term investments not to exceed 90 days.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in VI.1 and 2, will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the Commission’s custodian bank versus payment. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 103 percent of the total dollar value of the money invested by the Commission for the term of the investment unless the term of the investment is overnight, in which case the total of all collateral for the Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 100 percent of the total dollar value of the investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a regular basis.

Market value must be calculated each time there is a substitution of collateral.

The Commission or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The Commission may enter into Repurchase Agreements with: (1) primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York; and (2) California and non-California banking institutions having assets in excess of $1 billion and in the highest short-term rating category as provided by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation.

The Commission will have specific written agreements with each firm with which it enters into Repurchase Agreements.

Reverse repurchase agreements will not be offered without the prior specific consent of the Commission.

4. Banker’s Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation.

Purchases of Banker’s Acceptances may not exceed 270 days’ maturity or 40 percent of the Commission’s surplus money. No more than 10 percent of the Commission’s surplus funds may be invested in the Banker’s Acceptances of any one commercial bank.
5. Commercial paper rated in the highest short-term rating category, as provided by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation, provided that the issuing corporation is organized and operating within the United States, has total assets in excess of $500 million and has an “A” or higher rating for its long-term debt, if any, as provided by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation.

Purchases of eligible commercial paper may not exceed 180 days’ maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation.

Purchases of commercial paper may not exceed 15 percent of the Commission’s surplus money which may be invested. An additional 15 percent, or a total of 30 percent of the Commission’s surplus money, may be invested only if the dollar-weighted average of the entire amount does not exceed 31 days.

6. Medium-term corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium-term corporate notes shall be rated in a rating category “AA” or its equivalent or better by a nationally-recognized rating service.

Purchase of medium-term corporate notes may not exceed 30 percent of the agency’s surplus money.

7. Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation.

Purchase of negotiable certificates of deposit may not exceed 30 percent of the Commission’s surplus money.

8. State of California’s Local Agency Investment Fund

9. San Diego County Investment Pool

10. Insured savings account or money market account

11. The California Arbitrage Management Program

12. Shares of beneficial interest issued by diversified management companies, as defined in Section 23701m of the Revenue and Taxation Code, investing in the securities and obligations authorized by sections a through 1 of Government Code section 53601. To be eligible for investment pursuant to this subdivision, these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally-recognized ratings services; or (2) have an investment advisor registered with the Securities and Exchange Commission with not less than five years’ experience investing in securities and obligations authorized by Government Code Section 53601 and with assets under management in excess of $500,000,000.

The purchase price of shares shall not exceed 15 percent of the Commission’s surplus money.
VII. Maximum Security

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the Commission to meet all project obligations.

The maximum maturity will be no more than five years from purchase date to maturity date.

VIII. Reporting Requirements

Monthly investment reports shall be submitted to the Commission by the last business day after month end. The reports shall include, at a minimum, the following information for each individual investment:

- Description of investment instrument
- Interest rate or yield to maturity
- Purchase date
- Maturity date
- Purchase price
- Par value
- Current market value for securities with maturity greater than 12 months
- Discount or premium, if any
- Accrued interest paid at purchase, if any
- Accrued interest to date
- Portfolio average maturity
- Overall portfolio yield

IX. Safekeeping and Custody

The assets of the Commission shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities, such as repurchase agreements, shall be purchased using the delivery vs. payment procedure.

Policy #14: Capital Equipment Acquisition Loans to SANDAG

Adoption Date: November 16, 1990 (Resolution RC91-6)

Policy Text: The loan of unused administrative allocations from TransNet funds to SANDAG for the purpose of acquiring office and computer equipment is authorized when lower cost financing is not available. The repayment schedule shall be based upon funding authorized in the SANDAG-approved budget and will include interest at a rate equal to the interest earning rate of the San Diego County Pooled Money Fund.

Policy #15: Local Agency Hold Harmless Agreements

Adoption Date: October 25, 1992 (Resolution RC92-7)

Policy Text: Each local agency shall be required to hold harmless and defend the Commission against challenges related to local TransNet projects. This policy is
to be implemented by requiring that each local agency agree in its resolution approving its projects for TransNet funding to hold the Commission harmless.

Policy #16: Repayment of Commercial Paper Program Proceeds

Adoption Date: September 23, 2005

Amendment: Proposed for Amendment at November 18, 2005, Board Meeting

Policy Text: Each agency receiving proceeds from the TransNet Commercial Paper Program shall be responsible for its proportionate share of the ongoing interest and related administrative costs from the date the proceeds are received until the principal amount of the loan is fully repaid. Repayment of the principal amount shall commence within three years of the agency’s receipt of the proceeds and shall be completed within five years of the agency’s receipt of the proceeds. Repayment of the proceeds may be accomplished by rolling the outstanding amount into a long-term bond issue during the five year repayment period. In such cases, the agency would then be responsible for its proportionate share of the bond issuance costs and annual debt service costs. The repayment of debt, in all cases, is the first priority on the use of the agency’s share of annual TransNet revenues.

Policy #17: Fiscal and Compliance Audits

Adoption Date: Proposed for Adoption at November 18, 2005, Board Meeting

Policy Text:

I. Fiscal and Compliance Audit Procedures

The fiscal and compliance audit is an essential tool to determine that TransNet funds are being used for the intended purposes. The Commission has the fiduciary responsibility to ensure that the public funds are used in accordance with the TransNet Ordinance and Expenditure Plan. In order to complete the audits in a timely manner, SANDAG proposes the following:

A. July/August: SANDAG meets with the auditors to review the audits required for the year and provide all necessary documentation/information for the auditors to begin work.

B. September to November: Auditors schedule site visits. Recipient agencies must be ready and available to meet with the auditors and provide requested financial schedules and other information necessary for the completion of the audit.

C. November/December: Auditors issue draft reports to both SANDAG and the agencies. The agencies must be available to review and comment on the draft report in a timely manner. All outstanding issues should be resolved within four weeks.

D. December/January: Auditors issue the final reports. If there are outstanding issues, those should be resolved so that the audit is completed no later than March.

SANDAG Responsibility: SANDAG will provide all information necessary to complete the audit.
Agency Responsibility: All agencies must be ready for the site visit, provide requested information, and review and comment on the draft reports in a timely manner.

If the auditor is unable to complete the audit because an agency was not ready or did not provide the required information or reviews in a timely manner, then the agency will be deemed in non-compliance of the Ordinance. SANDAG will withhold future TransNet payments (except for required debt service payments) until the audit is completed.

The Ordinance states that the Commission:

[Shall not allocate any revenues...to any eligible local agency in any fiscal year until that local agency has certified to the Commission that it will include in its budget for that fiscal year an amount of local discretionary funding for street and roads purposes at least equal to the minimum maintenance of effort requirement. An annual independent audit shall be conducted to verify that the Maintenance of Effort requirements were met. Any local agency which does not meet its Maintenance of Effort requirement in any given year shall have its funding reduced in the following year by the amount by which the agency did not meet its required Maintenance of Effort level. Any local street and road revenues not allocated pursuant to the Maintenance of Effort requirement shall be redistributed to the remaining eligible agencies according to the formula described in [the Ordinance].

Although there are no specific MOE requirements for the highway, transit, or other discretionary programs, the verification of fund usage is essential. Therefore, the withholding of TransNet fund payments applies to all agencies that do not have a completed audit.

II. Exceptions

SANDAG acknowledges the existence of unforeseen circumstances which may prevent an audit from completion. Should situations warrant an extension, the agencies must submit a request for an extension to be considered by the SANDAG Transportation Committee, including an explanation of the situation and specific timelines for completion of the audit.

III. Audit Adjustments

Specific Project Funding/Discretionary Programs

This section applies to funding allocated for the specified projects under the Highway and Transit Programs under Ordinance 87-1, including funding allocated for bicycle facility improvements. Under the TransNet Extension (Ordinance 04-01), this section applies to the Major Corridor funding (Section 4(A) and (B) and the four discretionary programs: (1) Transit Senior program (section 4(C)(2); (2) Local Environmental Mitigation program Section 4(D)(2); (3) Local Smart Growth Incentive program (Section 4(D)(3); and (4) Bicycle, Pedestrian, and Neighborhood Safety Program (Section 2(E).

After the projects are completed and there are funds remaining, the agency is required to return the money to the program. After the fiscal audit determines that the project has been completed, SANDAG will transmit a letter to the agency to return the funds to SANDAG. The agency must remit the balance within 60 days of the letter. Should an agency fail to respond in a timely manner, all future TransNet payments (including funds from the other programs) to that agency will be suspended until the funds are returned.
Local Street and Road Formula Program (Section 4(C) of Ordinance 87-1 and Section 4(D)(1) of Ordinance 04-01) and Transit Funding (Section 4(B) of Ordinance 87-1 and Sections 4(C)(1), 4(C)(3), and 4(C)(4)) of Ordinance 04-01.

The audit identifies the status of each project funded with TransNet funds—i.e., completed projects, projects that have negative balances, inactive projects, and ongoing projects. The agencies are responsible to work with the auditors to make proper adjustments as follows:

Completed projects: once a project is identified as completed and there are TransNet funds remaining with that project, the agency is required to transfer the balance to another TransNet eligible project (any project included in the approved RTIP). The audit should make note to which project the funds will be transferred. Completed projects should no longer show in the following year’s audit.

Projects with negative balances: an ongoing project or a completed project may have expended all the TransNet funds but the agency decided to augment with other funds. In this case, the project should show zero balance for the amount of TransNet expended rather than showing a negative balance. If the project is completed, then it should no longer show in the following year’s audit. If the project is ongoing and the agency intends to backfill the project with the following year’s TransNet funds, then it should be noted in the audit. However, this practice is discouraged as it will throw off the MOE calculation.

Inactive projects: if a project has had no activity over a period of two audits, the agency must either close out the project or note when the project will be completed. These projects should no longer show in the following year’s audit. Any remaining TransNet funds must be transferred to another TransNet eligible project.

IV. Local Agency Balance Limitations

Based on the audit, an agency that maintains a balance of more than 30 percent of their annual apportionment (after debt service payments) must use the remaining balance to fund projects. SANDAG will defer payment until the unused balances fall below the 30 percent threshold.
### FY 1988 Base Year Statistics
*(for use in TransNet Ordinance Policy #8)*

#### Metropolitan Transit Development Board Area

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>Operator/Service</th>
<th>Vehicle Service Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 4.0</td>
<td>Chula Vista Transit</td>
<td>559,734</td>
</tr>
<tr>
<td></td>
<td>National City Transit</td>
<td>276,303</td>
</tr>
<tr>
<td></td>
<td>County Transit System:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Suburban Service</td>
<td>646,904</td>
</tr>
<tr>
<td></td>
<td>• Rural Bus</td>
<td>170,953</td>
</tr>
<tr>
<td></td>
<td>• Poway Fixed Route</td>
<td>313,425</td>
</tr>
<tr>
<td></td>
<td>San Diego Transit</td>
<td>10,473,323</td>
</tr>
<tr>
<td></td>
<td>San Diego Trolley</td>
<td>1,033,084</td>
</tr>
<tr>
<td></td>
<td>Strand Express Agency</td>
<td>400,738</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>13,874,464</strong></td>
</tr>
</tbody>
</table>

| Article 8   | County Transit System:  |                       |
|             | • Express Bus           | 189,276               |
|             | **Total**               | **189,276**           |

<table>
<thead>
<tr>
<th>Article 4.0 Dial-A-Ride</th>
<th>Operator/Service</th>
<th>Vehicle Service Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>El Cajon Express</td>
<td></td>
<td>308,331</td>
</tr>
<tr>
<td>La Mesa Dial-A-Ride</td>
<td></td>
<td>251,516</td>
</tr>
<tr>
<td>Lemon Grove Dial-A-Ride</td>
<td></td>
<td>62,090</td>
</tr>
<tr>
<td>County Transit System:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Poway Dial-A-Ride</td>
<td></td>
<td>23,030</td>
</tr>
<tr>
<td>• Poway Airporter</td>
<td></td>
<td>103,925</td>
</tr>
<tr>
<td>• Spring Valley Dial-A-Ride</td>
<td></td>
<td>73,298</td>
</tr>
<tr>
<td>San Diego Transit DART</td>
<td></td>
<td>309,370</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1,131,560</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 4.5</th>
<th>Operator/Service</th>
<th>Vehicle Service Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chula Vista Handytrans</td>
<td></td>
<td>128,807</td>
</tr>
<tr>
<td>County Transit System – WHEELS</td>
<td></td>
<td>219,906</td>
</tr>
<tr>
<td>National City Wheels</td>
<td></td>
<td>15,159</td>
</tr>
<tr>
<td>Poway Call-A-Ride</td>
<td></td>
<td>60,156</td>
</tr>
<tr>
<td>San Diego Dial-A-Ride</td>
<td></td>
<td>1,149,541</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1,573,623</strong></td>
</tr>
</tbody>
</table>

**MTDB (MTS) Area Total:** 16,768,923

#### North San Diego County Transit Development Board

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>Operator/Service</th>
<th>Vehicle Service Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 4.0</td>
<td>NCTD Fixed Route</td>
<td>7,651,408</td>
</tr>
<tr>
<td></td>
<td>NCTD FAST</td>
<td>126,744</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>7,778,152</strong></td>
</tr>
</tbody>
</table>

| Article 4.5 | NCTD Lifeline            | 386,680               |
|             | **Total**                 | **386,680**           |

**NSDCTDB (NCTD) Area Total:** 8,164,832

**REGIONAL TOTAL:** 24,933,755
**San Diego Region**

**MAP AREA**

**Early Action Projects**

**Tier 1 Projects**
1. SR 76 - Widening
2. SR 52 - New Freeway
3. Mid-Coast LRT (+ Super Loop)

**Tier 2 Projects**
4. I-15 Managed Lanes & BRT (North and South Extension)
5. SR 52 - HOV/Managed Lanes (Reversible)
6. I-5 North Coast Corridor - Environmental Effort
7. I-805 Corridor – Environmental Effort & BRT
Presentation to

SANDAG
BOARD OF DIRECTORS

November 18, 2005
- Expand Commercial Paper program to make $335 million in project funding available for Early Action Program (EAP).

- Develop financial planning model to evaluate plan of finance alternatives.

- Hedge cost of 2008 debt.
Financial Strategy Goals and Objectives

- Minimize funding costs for *TransNet* projects.

- Protect against potential upward interest rate movements prior to 2008.

- Capitalize on near historically low interest rate environment and flat yield curve.

- Mitigate SANDAG’s exposure to risk.
Execute three interest rate exchange agreements (SWAPS).

Lock-in cost of funds for 2008 issue at less than 4%.

Remove interest rate risk from approximately 50% of expected EAP program debt.

Save 79 basis points or more than $3.1 million annually, compared to traditional fixed rate bonds (approximately $93 million over life of the bonds).
An interest rate swap is a *contract* between two organizations to exchange cash flows over time. One cash flow is calculated using a *fixed* interest rate, while the other is calculated using a *variable* interest rate.

- Synthetic fixed rate debt (or fixed payer swap): SANDAG pays a fixed rate cash flow and receives a variable rate cash flow.

- Variable interest rate: A benchmark variable rate bond index like LIBOR (the London Interbank Offered Rate) or the BMA (Bond Market Association) Index.
Issue variable rate bonds in 2008.

Use 65% of LIBOR synthetic fixed rate swaps to convert the variable rate bonds to a fixed rate.

Result is a fixed rate cost of funds 0.79% lower than the cost of AAA insured natural fixed rate bonds.

---

**Proposed Swap Program**

<table>
<thead>
<tr>
<th>Swap Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200 million 65% of LIBOR Fixed Payer Swap</td>
<td>3.53% (estimate)</td>
</tr>
<tr>
<td>$400 million 65% of LIBOR Fixed Payer Swap, converting to BMA index after 10 years</td>
<td>3.92% (estimate)</td>
</tr>
<tr>
<td><strong>Blended Swap Rate</strong></td>
<td>3.79% (estimate)</td>
</tr>
<tr>
<td><strong>“All-in” Cost, including Bond Fees at .21%</strong></td>
<td>4.00% (estimate)</td>
</tr>
</tbody>
</table>

**Market Rates as of November 7th, 2005**
## Locking in the 2008 Cost of Funds

### Comparing Options

<table>
<thead>
<tr>
<th>Recommended Strategy*</th>
<th>Cost of Funds</th>
<th>Average Annual Debt Service on $600 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate Non-Callable Bonds</td>
<td>4.58%</td>
<td>$36.9 Million</td>
</tr>
<tr>
<td>Forward Delivery Bonds (to 2008)</td>
<td>5.16%</td>
<td>$39.4 Million</td>
</tr>
<tr>
<td>Average Cost of TransNet I Debt</td>
<td>5.60%</td>
<td>$40.4 Million</td>
</tr>
</tbody>
</table>

*Market Rates as of November 7th, 2005*
Over the last few months, the Bond Buyer Revenue Bond Index has remained near its lowest rates since inception in 1979.
The interest rate swap market is very large and well accepted; global volume exceeds $7 trillion.

The use of interest rate swaps by governments and non-profits has steadily increased. Transportation swap users include BATA, LA MTA, NY MTA, MARTA, Pennsylvania Turnpike Authority, NJ Turnpike Authority, Chicago Regional Transportation Authority, Santa Clara Valley Transportation Authority, and Contra Costa Transportation Authority (pending).

Swap statistics are estimated as independent data is not available.
Locking in the 2008 Cost of Funds
Key Observations on the Current Market

Historically low rates

- A great time to lock-in rates
- Surprisingly resilient bull market in bonds over extended time frame (1982-Present)

Flat yield curves

- Forward hedging costs are very inexpensive

Interest rate swaps provide significant savings

- Proposed structure costs 79 basis points less than traditional fixed rate bonds
- All-in financing costs of approximately 4%

Market Rates as of November 7th, 2005
Locking in Fixed Swap Rates on a Forward Basis

Mechanics

Fixed Payer Swaps

The interest rate swaps will be used to lock-in fixed rates for a variable rate issue that will be issued and converted to fixed rate in 2008.

- At the forward start date (2008), SANDAG will issue variable rate debt that will be swapped to fixed. The swaps will remain in place to provide a fixed rate financing cost.

- The proposed swaps can be executed at a low all-in cost (79 basis points below comparable fixed rate bonds) and will act as a hedge against rising rates.

- SANDAG Board approvals required in connection with both swaps and 2008 variable rate bonds.

<table>
<thead>
<tr>
<th>Today</th>
<th>2008</th>
<th>2038</th>
</tr>
</thead>
<tbody>
<tr>
<td>No cash flows, but market value fluctuates</td>
<td>Issue variable rate bonds. Fixed swap rates</td>
<td></td>
</tr>
<tr>
<td>Execute Swaps</td>
<td>Hedge the variable rate bonds</td>
<td></td>
</tr>
</tbody>
</table>
Risk of Not Proceeding With Swap Proposal

Locking in Current Swap Rates Will Provide Significantly Lower Debt Service Costs

Market Rates as of November 7th, 2005

Proposed Debt Service
- Fixed Rate Debt Service at Today's Rates
- Fixed Rate Debt Service + 100bps
Risks of Using SWAP Agreements

Financial Strategy Designed to Minimize the Following Risks:

- Counterparty Risk
- Basis Risk
- Tax Law Change Risk
- Market Access Risk
Risks and Considerations

Termination Risk

Termination Risk is the risk that a payment may be due if SANDAG terminates in a lower rate environment.

Mitigating factors include:

- SANDAG has strong reasons to borrow in 2008 and thus not terminate the swaps thereby risk a termination payment.
- Recent liquidity bids and ratings affirmations indicate strong market access.

Valuation for Proposed $600 million Swap Program

<table>
<thead>
<tr>
<th>Change in Taxable Rates</th>
<th>March 2006</th>
<th>March 2007</th>
<th>March 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>+100 basis points</td>
<td>33,375</td>
<td>33,919</td>
<td>33,625</td>
</tr>
<tr>
<td>+50 basis points</td>
<td>16,277</td>
<td>15,620</td>
<td>14,066</td>
</tr>
<tr>
<td>Rates the Same</td>
<td>(2,726)</td>
<td>(4,513)</td>
<td>(7,240)</td>
</tr>
<tr>
<td>-50 basis points</td>
<td>(23,860)</td>
<td>(26,691)</td>
<td>(30,488)</td>
</tr>
<tr>
<td>-100 basis points</td>
<td>(47,386)</td>
<td>(51,152)</td>
<td>(55,895)</td>
</tr>
</tbody>
</table>

The value of the swaps will be positive (negative) in higher (lower) interest rate environments. SANDAG will “breakeven” if rates in 2008 are only 17 basis points higher than today’s rates (includes forward premium + spread).
Why Does This Strategy Make Sense for SANDAG?

- Establishes cost of funds for approximately 50% of EAP debt at the lowest level ever achieved by SANDAG, 79 basis points lower than fixed rate bonds, 3.79% for 30 years.

- Rates are near historic lows, only 17 basis point rise to reach breakeven.

- Swap agreements become assets that gain in value as interest rates rise.

- Lower debt costs provide additional project delivery capacity.

- Risks are identified and mitigated.
Recommendation

- Approve Interest Rate Swap Policy (Attachment 2)
- Adopt Resolution RC 2005-02 authorizing:
  - Issuance of up to $600 million in bonds in 2008
  - Forward Interest Rate Swap Transaction in connection with bonds
  - Execution of required documents including:
    - Exhibit A – Master Agreements
    - Exhibit B – Schedule to the Master Agreements
    - Exhibit C – Credit Support Annexes
    - Exhibit D - Confirmation documents
TO: SANDAG Board of Directors  
FROM: San Diego Councilmember Jim Madaffer, Nominating Committee Chair  
SUBJECT: Nominations for 2006 SANDAG Board Officers

In October, Chairman Cafagna appointed a five-person Nominating Committee for SANDAG Board Officers. The Committee includes Carlsbad Mayor Pro Tem Matt Hall (North County Coastal), San Marcos Vice Mayor Pia Harris-Ebert (North County Inland), La Mesa Mayor Art Madrid (East County), Coronado Councilmember Phil Monroe (South County), and me.

The Nominating Committee met on November 16, 2005, to discuss potential candidates to serve as SANDAG’s Chair, First Vice Chair, and Second Vice Chair for calendar year 2006. We also discussed ways to better define and improve the annual nomination process. This memorandum includes our nominees for SANDAG Board Officers for 2006 as well as our recommendations for the future nomination process.

**2006 Board Officer Nominees**

The Nominating Committee respectfully recommends that Poway Mayor Mickey Cafagna and Lemon Grove Mayor Mary Sessom continue in their capacity as Chair and First Vice Chair, respectively, through December 2006.

For the position of Second Vice Chair, the Nominating Committee plans to conduct interviews of interested candidates on Friday, December 2, 2005, beginning at 10 a.m. at SANDAG. Board members who have expressed interest in the Second Vice Chair position include Del Mar Deputy Mayor Crystal Crawford, Encinitas Deputy Mayor Christy Guerin, and Escondido Mayor Lori Holt Pfeiler.

The Committee’s recommendation for Second Vice Chair would be provided to Board members in writing following the interviews and in advance of the December 16, 2005, SANDAG Board meeting. In accordance with SANDAG Bylaws, additional nominations for any office may be made by Board members at the December meeting.
Annual Nomination and Selection Process

During our deliberations regarding 2006 Board Officer nominees, the Committee discussed the appropriateness of the current nomination and selection process given the changes in recent years affecting SANDAG. With the passage of SB 1703 in 2003, SANDAG has significantly more responsibilities in the areas of transportation, planning, services to member agencies, as well as public safety. With the renewal of TransNet, SANDAG’s role as a leader in our region has become more important today than ever before. There is a clear need to provide definitive high quality, progressive Board leadership for our organization.

Background

During the past several decades, the Board Officer nomination and selection process typically followed a routine that allowed the Chair of the Board to serve for two one-year terms. Usually, after this two-year period, the Vice Chair would rotate into the Chair’s position for a subsequent two-year period. In addition, there was an unwritten rule that the Chair position would rotate among the various subregions (i.e., North County Coastal, North County Inland, East County, and South County) every two years, generally excluding the City of San Diego and the County of San Diego from consideration.

In 2004, several changes were made to the process. To increase the strength and breadth of the Board officer group, the position of Second Vice Chair was added last year. It was anticipated that this Second Vice Chair position could be an entry point for rotating up to Chair, though not necessarily. To better accommodate the November election schedule, we also changed the term of service from the fiscal year (July through June) to the calendar year (January through December).

Recommendations for Improving Upon the Process

During our meeting, the Nominating Committee members discussed several issues regarding the current nomination and selection process. Our discussion and recommendations are summarized as follows:

- While our past nomination and selection process served us well during early decades when regional issues were less complicated, given SANDAG’s enhanced role as a regional entity for San Diego County, the process should be updated and structured to formally screen the best regional leaders among our Board of Directors.

- We recommend restructuring the annual process to require anyone interested in serving as a Board Officer to submit an application form. As part of the application form, candidates would submit vision statements for SANDAG and list their qualifications. The Nominating Committee would review the application, interview interested candidates, and would submit its recommendations for the Chair, First Vice Chair, and Second Vice Chair positions in writing to the full Board in November of each year. Additional nominations for any office would continue to be allowed from the floor when the nominees are considered at the December Board meeting.
To accommodate the proposed process, we recommend that the Nominating Committee be established earlier in the year, such as in July. At that same time, a schedule could be set for the application submittal deadline, candidate interviews, and the timing for the written report from the Nominating Committee. The Board would continue to act on the Nominating Committee report in December of each year.

We also recommend that the next Nominating Committee include representatives from all subregions.

The Nominating Committee respectfully requests that the Board discuss the proposed changes to the annual nomination and selection process at the November 18, 2005, Board meeting, and give direction to the Executive Committee, which is scheduled to review our Bylaws at its next meeting on December 2.

KK/dd