TRANSPORTATION COMMITTEE AGENDA

Friday, January 18, 2008
9 a.m. to 12 noon
SANDAG Board Room
401 B Street, 7th Floor
San Diego

AGENDA HIGHLIGHTS

• TransNet PLAN OF FINANCE UPDATE AND DRAFT BOND DOCUMENTS

• INTERSTATE 15 FASTRAK® STATUS UPDATE AND REVENUE CONTRIBUTIONS

• UPDATE ON SHORT-TERM AIRPORT PLANNING AND TRANSIT ISSUES

PLEASE TURN OFF CELL PHONES DURING THE MEETING

YOU CAN LISTEN TO THE TRANSPORTATION COMMITTEE 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 Transportation Committee on any item at the time the Committee 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 Committee staff. 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 Transportation Committee 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 Transportation Committee 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.
<table>
<thead>
<tr>
<th>ITEM #</th>
<th>RECOMMENDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>+1.</td>
<td>APPROVE</td>
</tr>
<tr>
<td>2.</td>
<td>PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS</td>
</tr>
<tr>
<td>+3.</td>
<td>APPROVE</td>
</tr>
<tr>
<td>+4.</td>
<td>APPROVE</td>
</tr>
<tr>
<td>+5.</td>
<td>INFORMATION</td>
</tr>
</tbody>
</table>

**+1. APPROVAL OF DECEMBER 14, 2007, MEETING MINUTES**

APPROVE

**+2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS**

Members of the public will have the opportunity to address the Transportation Committee on any issue within the jurisdiction of the Committee. Speakers are limited to three minutes each and shall reserve time by completing a “Request to Speak” form and giving it to the Clerk prior to speaking. Committee members also may provide information and announcements under this agenda item.

**CONSENT ITEMS (3 through 6)**

**+3. GUIDING PRINCIPLES AND OBJECTIVES FOR DEVELOPMENT OF FY 2009 TRANSIT OPERATING BUDGETS (Tim Watson)**

Pursuant to Senate Bill 1703, the Transportation Committee is asked to approve guiding principles and objectives for the transit operators for use in preparing the FY 2009 transit operating budgets and the projections for FY 2010 through FY 2013.

**+4. SOCIAL SERVICES TRANSPORTATION ADVISORY COMMITTEE MEMBERSHIP AND STRUCTURE (Danielle Kochman)**

The Transportation Committee is asked to reappoint three members of the Social Services Transportation Advisory Committee (SSTAC) and approve changes to the membership and charter that would have SSTAC assume the additional responsibility providing input regarding the development of the Coordinated Public Transit Human Services Transportation Plan.

**+5. CALIFORNIA STATEWIDE HIGH-SPEED PASSENGER RAIL SYSTEM QUARTERLY UPDATE (Linda Culp)**

The California High-Speed Rail Authority (CHSRA) is the state agency responsible for planning, constructing, and operating a high-speed train system serving California’s major metropolitan areas. The proposed system stretches over 800 miles and would connect San Diego, Los Angeles, the Central Valley, San Francisco, and Sacramento using a state-of-the-art, electrified system capable of speeds in excess of 200 miles per hour. SANDAG continues to monitor the work on the CHSRA. This report is the regular quarterly update to the Transportation Committee.
Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency Board Meeting Report (Linda Culp)

The Los Angeles-San Diego-San Luis Obispo Rail Corridor (LOSSAN) Agency seeks to increase ridership, revenue, capacity, reliability, and safety on the coastal rail line from San Diego to Los Angeles to San Luis Obispo. Known as Amtrak's Pacific Surfliner corridor, it is the second busiest intercity passenger rail corridor nationwide and Amtrak’s fastest growing. The report summarizes the actions from the LOSSAN Board of Directors at its December 12, 2007, meeting.

Chairman's Reports (7 through 8)

7. State Route 905 Status Update (Chairman Jim Madaffer, Pedro Orso-Delgado, Caltrans)

Chairman Jim Madaffer and Pedro Orso-Delgado, Caltrans District Director, will provide the monthly update of what was discussed by the State Route 905 strike team.

8. Goods Movement Funding Efforts and the Trade Corridor Infrastructure Fund Application Process (Chairman Jim Madaffer, Gary Gallegos)

Many activities have taken place regarding goods movement funding on a statewide basis. These include the Trade Corridor Infrastructure Fund (TCIF) applications submitted by SANDAG on January 17, 2008, and SANDAG participation in the Southern California Multi-County Goods Movement Plan. The Transportation Committee will be updated on the status of these activities.

Reports (9 through 16)

9. 2008 State Transportation Improvement Program (José A. Nuncio)

The 2008 State Transportation Improvement Program (STIP) covers the period between FY 2009 to 2013. The California Transportation Commission (CTC) has released regional targets based on assumptions included in the adopted 2008 Fund Estimate. This report presents these targets and a recommendation to program the funds. The Transportation Committee is asked to recommend that the Board of Directors approve the 2008 STIP.
SAN DIEGO SMART PARKING PILOT PROJECT (Alex Estrella)  

SAN DieGo, Caltrans, and the North County Transit District are working on a joint pilot project in coordination with University of California, Berkeley, Partners for Advance Transit and Highways to assess the application of smart parking technology to collect parking management data, provide real-time parking information, and examine innovative parking pricing methods. The Smart Parking Pilot Project would be funded through state and federal grants. The Transportation Committee is asked to recommend that the Board of Directors approve amending the FY 2008 Overall Work Program (OWP) Budget to add OWP Work Element No. 6000800 for completion of the Smart Parking Pilot project.

TransNet PLAN OF FINANCE UPDATE AND DRAFT BOND DOCUMENTS (Charles “Muggs” Stoll; Renée Wasmund)

A. TransNet PLAN OF FINANCE (POF) UPDATE (Charles “Muggs” Stoll)  

The TransNet Plan of Finance (POF) has been updated and presented to the Independent Taxpayers Oversight Committee in addition to the Transportation Committee for information. Staff has responded to input received by developing three alternative scenarios for the POF Update, which are included in this item. The Transportation Committee is asked to recommend approval of a POF Update scenario to the SANDAG Board of Directors in support of the upcoming $600 million bond issuance for the TransNet Program.

B. TransNet DRAFT BOND DOCUMENTS UPDATE (Renée Wasmund)  

In accordance with the approval of the interest rate swaps approved by the Board of Directors in December 2005, preparations are underway for a planned $600 million bond issuance in April 2008, commencing with the start of collections for the TransNet sales tax extension. Staff, the financial advisor, and bond counsel will update the Transportation Committee on the current process, provide a review of the draft bond documents, and describe the current market conditions surrounding the pending transaction.

FY 2009 FEDERAL TRANSPORTATION APPROPRIATIONS PROPOSALS (Victoria Stackwick)

Each year, SANDAG provides the Congressional delegation with the region’s list of high priority transportation projects for consideration during the annual appropriations process. In October 2007, the Transportation Committee approved the criteria for selecting projects for consideration in the FY 2009 federal transportation appropriations process. Staff has worked with Caltrans, the transit agencies, and local jurisdictions to develop the FY 2009 priorities. The Transportation Committee is asked to recommend to the Board of Directors the list of projects for submittal to the San Diego Congressional delegation in the FY 2009 federal transportation appropriations cycle.
+13. NEW FREEDOM PROGRAM EVALUATION CRITERIA (Dan Levy) APPROVE

In December the Transportation Committee requested staff to report back on the criteria to be used for evaluating the federal Jobs Access and Reverse Commute and New Freedom Program grant applications. The report reviews the existing criteria in light of how the evaluation process was conducted in the fall of 2007 and makes recommendations for changes. The Transportation Committee is asked to approve the recommended changes to the New Freedom Grant Program evaluation criteria for the spring 2008 New Freedom Competitive Process.

+14. INTERSTATE 15 FasTrak® STATUS UPDATE AND REVENUE CONTRIBUTIONS (Samuel Johnson) RECOMMEND

The implementation of the new FasTrak account and transponder fee changes took effect on May 1, 2007. This report follows up on the Transportation Committee's direction to report back on the status of the FasTrak program following the first six months of the implementation of the new fee program. The Transportation Committee also is asked to recommend Board of Directors approval for the revenue contribution agreements with Caltrans and the Metropolitan Transit System concerning FasTrak.

+15. UPDATE ON SHORT-TERM AIRPORT PLANNING AND TRANSIT ISSUES (Miriam Kirshner) INFORMATION

This follow-up item reports on the Revised Draft Environmental Impact Report for the Airport Master Plan released in October 2007. This item also reports on the Airport Authority’s efforts to plan for improved transit access to the airport.

+16. SPRINTER PROJECT STATUS REPORT AND SANDAG INDEPENDENT ASSESSMENT* (Jim Linthicum) INFORMATION

This item provides a monthly status report on the SPRINTER rail project, including discussion of implementation and effectiveness of project cost control measures. SANDAG staff will summarize recent progress on the project.

17. UPCOMING MEETINGS INFORMATION

The next meeting of the Transportation Committee is scheduled for Friday, February 15, 2008, at 9 a.m. The Transportation Committee will meet once in February due to the SANDAG Board Retreat.

18. ADJOURNMENT

+ next to an agenda item indicates an attachment
* next to an agenda item indicates a San Diego Regional Transportation Commission item
TRANSPORTATION COMMITTEE DISCUSSION AND ACTIONS
MEETING OF DECEMBER 14, 2007

The meeting of the Transportation Committee was called to order by Chair Jim Madaffer (City of San Diego) at 9:05 a.m. See the attached attendance sheet for Transportation Committee member attendance.

1. APPROVAL OF MEETING MINUTES

Action: Upon a motion by Mayor Lori Holt Pfeiler (North County Inland) and a second by Deputy Mayor Dave Druker (North County Coastal), the Transportation Committee approved the minutes from the November 16, 2007, meeting.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

Sandy Shapery, a member of the recently disbanded Regional Planning Stakeholders Working Group (SWG) expressed his appreciation to the committee for the opportunity to participate on the SWG.

Mayor Art Madrid (East County) asked the Chair if it would be possible to convene a Stakeholders Working Group II at some future time.

Chair Madaffer stated that it is a possibility with the renewal process every four years to convene a Stakeholders Working Group II to assist with the next four year update of the Regional Transportation Plan.

Mayor Jim Desmond (San Diego County Regional Airport Authority [the Authority]) stated that the Authority had received several requests to extend the Environmental Impact Report (EIR) comment period and the Board made the decision to extend the deadline to February 4, 2008.

Mayor Pfeiler commented that she attended an event by the San Diego Architectural Foundation where she accepted the Grand Orchid award on behalf of SANDAG. The Grand Orchid was awarded for the San Diego State University transit station and Aztec Green. The project was the east line trolley extension, which was the final link of the green line connecting to the orange and blue lines. She stated that at the same event, the Grand Onion award was given for the Interstate 5/Interstate 805 (I-5/I-805) merge project.
Councilmember Phil Monroe (South County) noted that the Grand Orchid was received for a project that improved transit while the Grand Onion was given for a highway project that basically put more cars on the road.

**CONSENT ITEMS**

3. **FY 2007 TRANSPORTATION DEVELOPMENT ACT AUDIT STATUS**

The TDA audits for most of the claimants are complete. However, there are a few claimants that may need extensions as the audits may not be completed within 180 days of fiscal year end. The Transportation Committee is asked to approve of the extensions that have been requested by the City and County of San Diego.

4. **TRIBAL TRANSIT FEASIBILITY DRAFT REPORT**

SANDAG received a transit planning grant from Caltrans to conduct a feasibility study for implementing transit service in one or two key transportation corridors between selected tribal reservations and cities and/or urbanized community planning areas in the unincorporated area of San Diego County. SANDAG and the Reservation Transportation Authority (RTA) partnered to examine traditional public transit services, as well as the potential for nontraditional services that could be funded by private sources and/or public-private partnerships and be integrated in services coordinated by the Coordinated Public Transportation and Human Services Transportation Plan (Coordinated Plan). The Interagency Technical Working Group on Tribal Transportation Issues served as the project advisory group. On November 30, 2007, the Borders Committee recommended that the SANDAG Board of Directors accept this report. The report was presented to the Transportation Committee for information.

**Action:** Upon a motion by Chairman Ed Gallo, (North County Transit District [NCTD]) and a second by Chair Pro Tem Bob Emery, (Metropolitan Transit System [MTS]) the Transportation Committee approved Consent Items 3 through 4.

**CHAIR’S REPORTS**

5. **STATE ROUTE 905 STATUS UPDATE**

Chairman Madaffer introduced the item and Pedro Orso-Delgado provided the monthly update of discussion by the State Route 905 (SR 905) strike team. He stated that Caltrans opened bids yesterday for Portion 1A of the SR 905 project. The engineer’s estimated cost for the project was $78.9 million and Caltrans received five bids with the lowest one coming in at $61.8 million. Caltrans will move the savings back into the project to be used for Portion 1B. The lawsuits for property acquisition were scheduled for trial in October but due to the wildfires some of the dates were pushed out to the first quarter of 2008. We expect resolution of the current trial this month. Caltrans is moving forward with Portion 1B of the project with the goal of going out to bid by March 2009.
Chair Madaffer stated that it is important to note that the bids are coming in much better than the engineering estimates and that we are receiving a larger number of bids. This savings will allow us to use fewer TransNet dollars.

Mr. Orso-Delgado stated that the trend seems to be that when we receive three or fewer bids, they tend to come in much higher than the engineering estimate, and when we receive five or more bids, they tend to come in much lower than the engineer estimate.

Mr. Gallegos reported that at the California Transportation Commission (CTC) meeting yesterday, that with the State budget concerns we were concerned about getting projects voted but the last phase of SR 52 was accelerated by Caltrans so we could get the CTC to consider the project in December. The CTC voted to invest $72 million dollars in the project. The Santa Margarita Bridge project was up for vote but was delayed because they wanted to swap funds. We did receive an iron clad agreement from the CTC and the Director of Transportation that when the project was ready, the CTC would vote to fund it.

REPORTS

10. MID-CITY INTERSTATE 15 BUS RAPID TRANSIT STATIONS STATUS REPORT

This item was taken first.

Councilmember Toni Atkins expressed her thanks to SANDAG for convening the ad hoc working group for this project. She stated that today’s report is a culmination of the many meetings of the working group with input from community members and elected representatives as well. She also expressed her thanks to Barrow Emerson, Senior Regional Planner for his participation. The efforts of this working group will help to complete a major infrastructure project, which will connect the region and provide more mobility options for the Mid-City area.

Mr. Emerson presented the item. Staff is commencing a design charrette process with the Mid-City community to develop alternatives for future Bus Rapid Transit stations along I-15 at El Cajon Boulevard and University Avenue. This process is necessary due to safety concerns brought up by Caltrans. Mr. Emerson reported on the ad hoc working group membership and charter, project schedule, and scope.

A 13-member Community Ad Hoc Working Group was created to serve in an advisory capacity to the Transportation Committee on the station redesign effort. The working group expects to meet twice a month between now and early summer 2008 when the station design alternatives are scheduled to be brought forth to the Transportation Committee for consideration. The ad hoc working group has reviewed the charter and schedule for working group meetings, and considered a range of performance criteria by which alternative station concepts will be evaluated. A number of design concepts for the transit stations will be developed to a level of detail necessary to measure costs, benefits, and impacts, and assess how well they achieve the performance criteria. Areas of analysis will include: capital and operating costs, civil/traffic/structural engineering, pedestrian access, and environmental impacts.
The process for the development of preferred alternatives will include the following steps: identification of performance evaluation criteria, creation of technical analysis scope of work, development of range of station design concepts, analysis of station design concepts against criteria, review of station design concepts at community open house, selection of preferred station design alternatives, and refinement of preferred station design capital cost estimates. Staff estimates that planning costs for this design charette process will be approximately $200,000 depending on the station design concepts that are evaluated. Funding for the design charette will be obtained through the I-15 BRT Capital Improvement Program budget. Capital funding of $22.3 million for the station facilities is provided in the TransNet Early Action Program.

Stephen Russell, City Heights Community Development Corporation, stated that he has accepted the position of chair of the working group and expressed his thanks to Mr. Delgado for coming to the meeting and stating that although Caltrans could not support the current project it was committed to working with the group to find an acceptable alternative. The members of the working group are very committed to the fulfillment of this project and to providing a safe, quality transit system to support the economic needs of the community. This committee is committed to upholding the principle of smart growth. Bus Route 960 is a perfect example of a transit facility that successfully connects our region to the job centers. He stated that the group looks forward to bringing forward an alternative as successful as Route 960.

Councilmember Monroe stated that the promise made to the voters of centerline BRT stations was finally buried during the working group meeting, which was a key step to moving the project forward. He expressed his thanks to the leadership of Councilmember Atkins, the working group, Mr. Emerson, and to Mr. Orso-Delgado for Caltrans' commitment to the project.

Chair Madaffer also expressed appreciation to Councilmember Atkins and the working group members and stated that he looks forward to hearing the options that the working group will bring forward. The SANDAG Board of Directors is committed to funding this project and bringing it to completion.

Action: Upon a motion by Deputy Mayor Druker and a second by Chair Madaffer, the Transportation Committee accepted the Mid-City I-15 BRT Status Report.

6. SPRINTERS PROJECT STATUS REPORT AND SANDAG INDEPENDENT ASSESSMENT

Jim Linthicum, Division Director, presented the item and provided a monthly status report on the SPRINTERS rail project, including discussion of implementation and effectiveness of project cost control measures, and recent progress on the project.

Mr. Linthicum stated that there has been significant progress. The signal system, radio systems, and communication systems are complete. Landscaping and clean up work are ongoing. The San Marcos loop is complete and the Diesel Multiple Units have preliminary acceptance and the ticket vending machines are being installed. All 22 miles of track are available for pre-revenue operations. Milestone 7 was completed which allowed for pre-revenue operations. Milestone 8 is now the key, which are the system safety certifications.
The certifications will allow for full revenue service to commence. The contractor missed Milestone 9, completion of landscaping, which was due December 1, 2007. Milestone 9 is scheduled for March 2008 and should be met.

The California Public Utilities Commission (CPUC) is set to approve the systems safety program and system security plans in January 2008. The staff approval of the safety certifications should be completed by the end of December. The retrofit of the gap between the gangways and the vehicles is completed except for one platform that requires a special retrofit. The Settlement Agreement continues to be negotiated with $3.1 million paid to date. The Estimate at Completion (EAC) has increased to $477.8 million and includes a contingency of $10.8 million. The budget is still set at $484.1 million. NCTD continues to resolve $4 million of outstanding issues per month. The EAC also includes a $6.3 million project contingency for a total of $17.1 million of total contingency funds. The ribbon cutting is set for December 28, 2008, at 12:30 p.m. The largest risks to the EAC are construction quantities and change order backlogs but the risk is decreasing as NCTD resolves backlogs.

Chairman Gallo stated that the grand opening invitations were sent out and Karen King, Executive Director, NCTD, confirmed the date and time. Ms. King also described the activities for the day.

Chairman Gallo stated that the previous weekend, NCTD had an open house with SPRINTER cars open for public review. He stated that the comments made by the public were positive and the public was impressed by the vehicle.

Action: This item was presented for information only.

7. TransNet PLAN OF FINANCE AND BOND ISSUANCE

Charles “Muggs” Stoll presented the item. A bond issuance of $600 million is being prepared for April 2008 to coincide with the commencement of sales tax collection under the TransNet extension. As part of this process, the TransNet Plan of Finance (POF) was updated and presented to the Transportation Committee.

In December 2005, the SANDAG Board of Directors approved the first POF for the TransNet extension and established a financial strategy for implementing the Early Action Program (EAP) of projects and fulfilling ongoing commitments for the existing TransNet program with the understanding that the POF is a dynamic process that requires continual refinement as circumstances change, and should be updated at least annually. Although this update is consistent with an annual cycle, an update of the POF is particularly appropriate at this time to support the pending $600 million bond issuance in April 2008, in addition to including the cost and revenue developments over the past year.

Mr. Stoll highlighted some of the changes to the program since 2005. Important developments for the TransNet Program since 2005 include the approval of $19.9 billion Proposition 1B State Infrastructure Bonds by the California voters in November 2006, various actions taken by the SANDAG Board of Directors that have resulted in a number of additions and modifications to the EAP, and construction costs have continued to escalate at
historically high rates. Mr. Stoll briefed the committee in detail on the effects of these three developments. The EAP was established to “jump-start” the implementation of several key projects prior to the beginning of TransNet Extension in FY 2009, with the objective of completing those projects within the first five to seven years of the new program. Mr. Stoll briefed the committee on the details of the projects included in the EAP. The proposed POF update presented in this report confirms that both the EAP and the overall TransNet Program of projects can be completed with some adjustments to project schedules, a greater commitment to securing matching funds and a modification to the funding set-aside established in December 2005.

The SANDAG TransNet Program Office continues to work with the Corridor Directors and project teams to refine the costs and schedules for the EAP projects. Mr. Stoll briefed the Committee on the details of the project delivery schedules. The costs are updated to current year dollars and then escalated to the year of construction. The amount of state and federal funds assumed for the EAP are based on committed funds to date. In addition, the revenue forecast is based on a series of assumptions that Mr. Stoll summarized. It is anticipated that during the 40-year life of the TransNet program, there will be periods of high and low economic cycles, and that the program as presented in this updated POF has a reasonable expectation of fulfilling the Ordinance. Mr. Stoll briefed on the results of the updated project costs and revenue forecast. The proposed POF update presented in this report successfully delivers not only the EAP, but the entire TransNet extension program with some reasonable modifications to the POF as approved in 2005 and modified in 2006, which include revising the set-aside for the future State Transportation Improvement Program (STIP), Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Program (STP) funds from 15 percent to 6 percent and include State and Local Partnership Program (SLPP) funds in this set-aside. The completion of the EAP would extend from 2015 to 2020 with the only significant change in project schedule being the delay of the construction of the Mid-Coast transit corridor, and continuing to seek and secure approximately 5 percent more in total program funds over the life of the program to further match the projected revenues. Mr. Stoll said that to make the program work all key assumptions must be closely monitored, the project office will continue to manage the cost/schedule, and we must continue to manage the program to take advantage of opportunities as they present themselves. Mr. Stoll went over on the next steps for the POF and said that the continued success of the EAP relies on the issuance of the $600 million in long-term variable rate bonds (previously approved by the Board in November 2005).

Deputy Mayor Jerry Rindone (Chula Vista) commented that with the possibility of the new Chargers Stadium being located in the South Bay Area, the recent Otay Ranch development, and the fact that the South Bay area is one of the most unserved transit areas, the 2011 project delivery date is too far out to support the needs of the community. He inquired whether there was any flexibility to adjust funding should the Chargers decide to locate in the South Bay to advance the I-805 Environmental Documents and BRT project.

Mr. Stoll stated that staff will continue to review the delivery schedule, and should funding opportunities arise and we can take advantage of moving the project forward, we would consider doing so.
Deputy Mayor Rindone stated that this extension of the BRT into east Chula Vista is essential should the Chargers locate their Stadium in this area of the South Bay. He requested confirmation that should the Chargers locate in the South Bay area, staff would reevaluate the timeline and the I-805 project could be advanced.

Mr. Gallegos stated that the timeline is flexible but if you advance one project, you would delay another or have to find a source of new revenue to allow for advancing a project without delaying another.

Deputy Mayor Rindone stated his appreciation for the clarification and stated that this is the first time he has been briefed that the Mid-Coast transit project was delayed from 2014 to 2020. He asked staff if there was any flexibility in the timeline to advance the Mid-Coast transit project, which is a critical link in finalizing light rail services in the county.

Mr. Gallegos stated that the project delivery timeline is a proposal for this Committee's review and comments. The Mid-Coast project is to be funded in part with federal funds and staff will continue to pursue opportunities for funding at the federal level. He stated that we would continue to advance the project with the TransNet funds that are currently available but that it is necessary to find additional funding sources to complete the project.

Deputy Mayor Rindone requested clarification that should more funding at the federal level become available, we would have the flexibility to advance the Mid-Coast transit project.

Mr. Gallegos reiterated that this project would need a large infusion of federal funding and that we would continue to advance the project to make it competitive for those federal funds.

Chair Pro Tem Emery stated that this was the first time he was briefed on the delay for the Mid-Coast transit project and that he would like assurances that the project would go forward as funding was found and that the date could advance if federal funding or other matching funds could be found. He would like a guarantee that should funding be available that this project would be the top priority due to the work done to keep it advancing.

Mr. Gallegos stated the proposed schedule looks at current funds available and at the assumptions we made based on cost. The three projects that are a top priority in the TransNet Ordinance are the SR 76 widening project, the SR 52 extension and widening projects, and the Mid-Coast transit project, and we must make sure that we hold enough funds to move forward with all three projects.

Chairman Ron Roberts (County of San Diego) stated that if the Mid-Coast project is a top priority and one of the remaining projects from the first TransNet Ordinance, delaying the project six more years to 2020 is not sending the message that the project is priority. We need to work at completing this project by 2014 and do what is needed to get the federal funding.

Mr. Gallegos stated that the purpose of the POF is to look at how the whole program works in terms of available funds. If we choose to advance the Mid-Coast transit project, we would have to look at which other project would have to be delayed.
Chairman Roberts stated that this project should be a priority and we have repeatedly moved the project back. This project should not continue to absorb the organizational structure of the program.

Mr. Orso-Delgado commented that one of the opportunities for funding that could be possible for the South Bay BRT would be another Urban Partnership Agreement and having the project ready for implementation is essential.

Paul Jablonski, Executive Director, MTS, stated that we need to be aggressive in finding funding for the Mid-Coast transit project. San Diego has always been a leader in delivering high quality transit projects and we should be competitive with this project. Mr. Jablonski commented that MTS assumed that the Blue/Orange Lines upgrade project was going to be a higher priority but the POF pushed the delivery schedule to 2016.

Mr. Stoll stated that we continue to work toward many milestones for the trolley upgrades and portions of the trolley upgrades will be completed earlier than 2016 even though the full project is shown as finishing in 2016. He also noted that staff is still working on finalizing the project schedules for this project and the Mid-City Rapid Bus project.

Chairman Roberts stated that with the Mid-Coast transit project, we have an opportunity to connect with a major educational institution and employer in this area in a positive way. We need to keep the delivery schedule for this project at 2014 and do what we need to do to make it happen.

Mr. Gallegos stated that the schedule is driven by the dollars available at this time. This is a financial plan and is the best possible plan based on estimated costs and revenues at this time.

Chairman Roberts asked how many projects from the first TransNet Ordinance have been delayed to 2020.

Mr. Gallegos stated that all of the three priority projects are included in the POF EAP project delivery schedule; one project is complete and we are beginning another.

Chair Madaffer commented that the quality of life ballot measure could accelerate some of the projects and asked staff to include in the next presentation of the POF how the ballot measure could affect the timeline. He stated that he agreed that pushing the Mid-Coast project to 2020 was unfortunate but the reasons are valid. We need to find out how to find the federal funding for this project.

Chairman Harry Mathis, MTS stated that pushing the project out sends a message that we don’t consider this a high priority project and this message could affect the possibility of receiving federal funding. We need to have a good credible argument that this is a priority project and pushing it out six more years undercuts that argument.

Deputy Mayor Druker commented that we need to do what is necessary to get the Mid-Coast project ready for federal funding and we should accelerate that work so we
know whether we will get the federal funding. If we are planning to expand the task to get ready for federal funding, pushing it out would be a problem. He also asked what projects would be dropped or delayed if we are unable to secure the 5 percent shortfall in matching funding and asked staff to brief the Committee on this possibility when it brings the POF back.

Jack Boda, Director of Mobility Management and Project Implementation, stated that we are working aggressively on the Mid-Coast transit project and within the next two years we should have a Full Funding Grant Agreement application. We are aggressively working on finding funding for the I-805 Corridor and the BRT. The SWOOP project just received a federal highway grant and we are working closely with Caltrans to put buses on the shoulder and to combine that project with the Otay Mesa BRT. We are working on a public/private partnership for a transit station at Bonita Plaza.

Mayor Madrid commented that several years ago, when we first looked at the plan, we were criticized for not having the Mid-Coast project completed. Also, we were criticized for having a generous description of smart growth, and said he would like to see how our description of smart growth would comply with the intent of the entire Mid-Coast transit line. Mayor Madrid stated that we are receiving approximately $400 million from Proposition 1B for mobility. He stated that SANDAG is working with Mexico to develop its own port and asked whether the relationship between SANDAG and Mexico was formal or informal and whether it was possible to leverage our funds with Mexico funding to make our mobility projects more feasible.

Mr. Gallegos stated that the discussions are currently informal. Mexico continues to plan for its goods movement projects and development of its port. The idea is to work with Mexico and tie in the new border crossing at Otay Mesa with its goods movement plans. Our understanding is that while it is designing its port, Mexico is looking at rail and highway connections that would take them east through Mexico to Arizona.

Mayor Madrid stated that we met with the Mexican planners from Tijuana several years ago and the lack of funding has placed its long-term goods movement plan on hold. The loss of revenues we are experiencing now due to the border delays will continue with the implementation of those connections from the Mexican port to Arizona.

Councilmember Scott Peters (City of San Diego) requested clarification of the timeline for the Mid-Coast transit project environment documents and the current progress and status.

Leslie Blanda, Manager of Capital Development, stated that we anticipate a final EIR for the Mid-Coast corridor in two years with the draft environmental document in 14-16 months.

Councilmember Peters stated that the Mid-Coast area is now the Region’s job center and he stated that we need to move this project forward and get the project into the EIR review process as quickly as possible. We need to work through issues such as potential litigation and engineering problems and continue to pursue federal funding. We need to move faster than the timeline represents because a delay to 2020 would cause very negative economic consequences for this area.
Deputy Mayor Rindone stated that the escalation of costs by pushing the project out would also make it possible that the project would be out of reach even in 2014. He stated this project was a commitment in the original TransNet and that staff needs to consider today’s discussion regarding the Mid-Coast transit project and the I-805 environmental effort and BRT and return to brief this committee with possible alternatives.

Mr. Gallegos stated that staff will return to brief this Committee with alternatives that consider advancing the Mid-Coast transit schedule and how it impacts the other projects’ timelines.

Deputy Mayor Rindone requested that staff’s alternative proposal include a detail on advancing the I-805 Corridor environmental effort and BRT project. He made the motion to direct staff to take the input provided this morning and to return to brief the Committee.

Mayor Pfeiler requested clarification with how advancing the Mid-Coast transit project and delaying the other projects would affect local dollars versus federal dollars. Would this take federal dollars from the other projects and move them to the Mid-Coast project or would the federal funds be replaced by TransNet dollars.

Mr. Gallegos stated that this would assume that we would get the federal dollars in the timeframe on the current delivery schedule. We would look at the balance of the TransNet funds and determine how the funding needs to be adjusted. All the projects assume a 50/50 match of TransNet and other funding. The current match has TransNet providing 43 percent of the cost and other sources providing 57 percent. The goal was to brief this committee with enough lead time to take into account the committee’s input to bring alternatives back if necessary.

Action: Upon a motion by Deputy Mayor Rindone and a second by Chair Pro Tem Emery, the Transportation Committee directed staff to return at the January 18, 2008, meeting with an alternative POF that takes into account the input from the Committee.

8. FUNDING RECOMMENDATION FOR FY 2007 JOB ACCESS/REVERSE COMMUTE AND NEW FREEDOM PROJECTS

Dan Levy, Senior Regional Planner, presented the item. SANDAG was selected by the Governor of California to be the designated recipient of the Jobs Access and Reverse Commute (JARC) and New Freedom (NF) federal funding programs for the San Diego urbanized area. The JARC program is eligible to fund operating, capital, and mobility management projects providing transportation services to jobs and employment related activities for persons with limited means; the New Freedom program is eligible to fund operating, capital, and mobility management projects providing new or expanded transportation services and facilities for persons with disabilities.

Safe, Accountable, Flexible and Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU) requires that SANDAG conduct a competitive selection process open to private nonprofit organizations, governmental authorities, private and public transportation providers, and the Consolidated Public Transit and Human Services Agency (CTSA). The purpose of this competitive selection process is to evaluate potential projects and
recommend to the Federal Transit Administration (FTA) which projects should be funded. The competitive process closed on October 19, 2007, and a total of 16 proposals were received from 10 transportation providers and agencies. Nine proposals were received requesting JARC funding and seven were received requesting New Freedom funding for Fiscal Years (FY) 2007, 2008, and 2009. An amendment will be added to the 2006 Regional Transportation Improvement Plan (RTIP) to include all JARC and New Freedom projects approved by the Board of Directors before the projects are forwarded to the FTA.

On August 3, 2007, the Transportation Committee approved the competitive process and evaluation criteria for allocating FY 2007 through FY 2009 JARC and New Freedom funds (see Attachment 2). Two review committees were established: one for the JARC applications and one for New Freedom applications. The members of these review committees scored each project against the adopted evaluation criteria and not relative to other projects. These scores were then used to rank the projects.

The Federal Guidance for JARC and New Freedom permitted applicants to apply for funding appropriated to three different fiscal years: FY 2007, FY 2008, and FY 2009. This also allows SANDAG greater flexibility in awarding funding. The evaluation committee recommended shifting some funding between fiscal years to accommodate funding as many projects possible. For JARC this also frees up some current year funding for operating projects, which will help compensate for some of the budget shortfalls facing MTS and NCTD. For both JARC and New Freedom projects, recipients must provide a 50 percent local match for operating costs, and a 20 percent local match for capital and mobility management projects. The amount of available funding for FY 2008 and FY 2009 are estimates provided by FTA. If the amount appropriated when the federal appropriations bill is passed differs from the estimates, adjustments will be made to the lowest ranked project being funded.

The JARC Evaluation Committee recommended seven projects to receive JARC funding. The seven recommended projects represent the top JARC projects based on the scoring and ranking performed by the evaluation committee. Mr. Levy briefed the committee on these projects. One project submitted by the Travelers Aid Society was determined to be nonresponsive. The scoring committee also recommended not funding the proposal from Full Access and Coordinated Transportation (FACT) in its current form and suggested that FACT reapply for the remaining funding in future years’ competitive processes with a more clearly articulated proposal. The available JARC funding was not able to fully fund two projects—MTS Routes 960 and 905. In light of its current operating budget problems, MTS has requested consideration of how Route 905 might be fully funded in order to avoid possible service cutbacks. Staff has come up with two suggested modifications to the JARC evaluation committee’s recommendations that we feel would meet this request without changing the overall project rankings. Mr. Levy briefed the committee on these two options.

The New Freedom evaluation committee recommended six projects to receive New Freedom funding. One project submitted by Accessible San Diego was disqualified due to an inadequate match amount. The six projects recommended for funding represent the top New Freedom projects based on the ranking of projects performed by the scoring committee. Unallocated funds will be rolled over for future competitions. Mr. Levy briefed the committee on the next steps for the process. He stated that in the past two years only
seven jurisdictions have been prepared enough to be able to award funds from both New Freedom and JARC funding.

Deputy Mayor Rindone stated that the funding of $168,000 for the bus lockers does not seem to be as critical as funding the MTS Route 905 and asked what the difficulty would be to move the funds from the bus lockers to the MTS Route 905.

Mr. Levy stated that the project is acceptable under the federal requirements for the funds and after scoring of the projects under the set criteria it scored high enough to receive the funding.

Deputy Mayor Rindone asked if the bus lockers scored higher than the MTS Route 905 as a greater need and Mr. Levy confirmed that it had.

Chairman Gallo asked whether the proposed mobility connection between the SPRINTER's transit center and downtown Escondido would qualify for funding under one of these programs.

Mr. Levy stated that for New Freedom funding, the program has to be for services that accommodate and cater to the disabled.

Chairman Gallo stated that at a recent Transportation Committee meeting, Supervisor Roberts commented that the cost for a single bus station was extremely high. He stated that one bus station in Escondido was put in with solar lighting but it was not necessary because there was ample lighting already in the area from a retail center and street lights. We need to look at each station and consider whether solar lighting is needed and if not, transfer those funds for another project.

Mr. Jablonski stated that in 2008, MTS would receive state funding for Route 905 or MTS would guarantee to backfill the Route to keep the Route running. MTS and SANDAG worked very hard to ensure that all three routes were funded at a level to continue moving people.

Deputy Mayor Rindone stated MTS Route 905 is a very critical route and that it was clear in 2007 and 2009 that the Route was getting full funding but wanted to push for full funding for MTS Route 905 in 2008.

Clive Richard, a member of the public, stated that he could not support staff’s recommendation. He stated his concern for funding routes that are successful as they should be able to fund themselves over time. The purpose of these grants should be for funding new competitive projects.

Wes Johnson, a member of the public stated that he would like to appeal the decision for not funding the Accessible San Diego grant. He stated that one of the reasons for not funding this project was that the funding was intended for new programs and we were asking for funding for a project already in place. The program we submitted was not to fund a current program but to expand the program to include a new service. He also stated that staff information was incorrect because their required match is 20 percent not
50 percent and the funding requested was incorrect. He requested that the committee grant
his appeal based on his reasoning or that the committee direct staff to work with Accessible
San Diego to improve the applications for funding and grant funding under the current
funding cycle.

Bob Prath, representing AARP, stated that his organization has recognized the inefficiencies
of the independent transportation assets many of them public funded. He stated that with
coordination many of these transportation systems would increase their value. SANDAG
hired a transportation authority, CTSA, which has done what is needed by creating a
mobility management center. The JARC proposal makes it appear that the effort to meet
the transportation coordination responsibilities is half funded. He congratulated SANDAG
for qualifying for the JARC/New Freedom funds but their concern is that by half funding the
mobility management center, SANDAG is not meeting its commitment to the public. He
commented that he hopes future awards will fully fund this essential program.

Laurie Edwards Tate, President and Founder of “At Your Home Family Care” which provides
at home nonmedical care for persons with disabilities, seniors, and persons with mental
disabilities. It also is a partner with Full Access to Coordinated Transportation (FACT).
Ms Edwards Tate stated that the current systems do not meet disability needs and FACT
plays a major role in providing much needed transportation. She stated her support for full
funding of FACT with these grants or any other funding sources.

Alane Haynes, representing FACT, stated that funding for mobility management projects is
an important need in the country. Recent legislation recognizes that coordination among
transportation agencies was necessary to avoid duplication and that is required under
SAFETEA-LU. This allows the coordination agency to provide more and better services with
the same amount of funding. The initial committee recommended full funding for FACT and
the second committee recommended zero funding. She stated her concern that the second
committee that reviewed the JARC applications was not aware of mobility management
obligations and requirements. She stated her opposition to the current funding
recommendations and requested full funding for the FACT program.

Chairman Madaffer requested that Mr. Levy respond to the issue raised by Accessible
San Diego regarding the denial for funding due to an inadequate funding match.

Mr. Levy stated that staff felt there was not sufficient match of funds and requested
SANDAG Counsel address the legality of the application.

Julie Wiley, General Counsel stated that the circular provides that projects need to be new
projects not pre-existing. The matching funds proposed were from existing projects and
staff interpreted the circular so that the matching funds must be new monies so that
existing funding is not being supplanted.

Chair Madaffer asked for clarification of the timeline for the next grant process.

Mr. Levy stated that the program would continue into next year. Outreach is scheduled for
January 2008, and the competitive process would close in March 2008. We would return to
the Transportation Committee for approval of grant funding in April 2008.
Councilmember Bob Campbell (North County Inland) stated that he is the Chairman of FACT and commented that the lack of funding for FACT will seriously affect its ability to continue to provide the current level of services. We will come back to this Committee for new funding under the New Freedom program and he requested that those funds be held in abeyance to give FACT some latitude to provide services to low-income passengers.

Deputy Mayor Druker stated that we are having problems with transit funding for the disabled. Other agencies that use FACT type programs have reduced their costs and provided better services. It is very important that we fully fund FACT in order to continue to provide better services and lower costs.

Mayor Pfeiler asked why there were two committees that reviewed the applications.

Mr. Levy stated that because SANDAG submitted an application for the bike locker program, we had to convene a committee of non-SANDAG staff to review the applications.

Mayor Pfeiler stated that we have to disqualify the first committee because it was comprised with SANDAG staff members. She asked whether the second committee fully understood the mobility issue.

Mr. Levy stated that the second committee was briefed in full on the JARC rules and that it was critical to score the applications against the criteria. The committee stated that the application by FACT was poorly written and they encouraged FACT to resubmit an improved application in a future competitive process.

Chair Pro Tem Emery stated that FACT is an important, essential program and if it could not be funded due to not meeting the criteria then something must be wrong with the criteria. If we can fund bike lockers and consider that program to be a higher priority under the current criteria and not fund a program that is fully supported by this committee. He stated that this Committee needs to re-evaluate the criteria so they support the priority programs.

Chair Madaffer stated that the fact that SANDAG did not receive funding supports the fact that the process is fair.

Councilmember Monroe stated that if the criteria were good, you would not have one committee look at a project and fully fund it while a second committee recommends no funding under the same criteria. There is a logic disconnect. A poorly written application is not one of the stated criteria to be evaluated. He asked if it were possible to take the New Freedom funds that remain and move them into this funding cycle and fund the FACT application.

Mr. Levy stated that the remaining funds are available under the New Freedom program and the FACT application was made under the JARC program. Due to federal requirements there must be another competitive process. He stated that the committee could not fund the application because they could not find the answers to the criteria as it was written.
Mayor Desmond stated that in the North County, the individual cities have their own senior transportation programs and he would like to see these separate programs placed under one program like FACT.

Chair Madaffer stated that sending the program back to staff would only delay granting these funds. There is an opportunity for FACT to apply for funding under New Freedom in April.

Councilmember Jerry Kern (North County Coastal) commented that in the next process, staff should review the applications so that if they are not written well, the applicant can make adjustments to make it more clear before going through the process.

Chair Madaffer requested that staff provide notice to those interested applicants of the Transportation Committee meeting where staff will be reporting on the application process so they can attend and hear any discussion of the process up front.

Chairman Gallo asked for staff to explain what happens to the FACT program if the motion passes.

Mr. Levy stated that the disabled and elderly portion would be funded under the New Freedom program but they would not receive funding under JARC, which is approximately half the funding requested. FACT is eligible to apply for more funding under New Freedom in March 2008.

Councilmember Campbell stated that the delay in funding would limit their ability to provide services to low-income workers.

Action: Upon a motion by Chair Pro Tem Emery and a second by Mayor Pfeiler, the Transportation Committee recommended to the Board of Directors that the list of JARC and New Freedom Projects be approved for funding and directed staff to review the criteria and return to the committee in January with recommendation for how the process will be structured in the future.

13. STATUS OF TransNet MAINTENANCE OF EFFORT (MOE) AUDITS

Renée Wasmund presented the item. The TransNet Extension Ordinance requires the setting of new MOE levels. The process is nearly complete and a few issues have been raised for which Transportation Committee guidance is sought. It is anticipated that the resolution of these issues will be documented in an amendment to Board Policy No. 031, TransNet Ordinance and Expenditure Plan Rules.

Section 8 of the TransNet Extension Ordinance prescribes the requirement to develop a new MOE level, based on the level of local discretionary funds expended for street and road purposes on average over the fiscal years 2000-01, 2001-02 and 2002-03. The MOE level will then be subject to adjustment every three years based on the Construction Cost Index developed by Caltrans, not to exceed the growth rate in the local jurisdiction’s general fund revenues over the same time period. The audits have been underway and are substantially complete. During the audits, two issues were raised. The ITOC reviewed this matter at its
November 14 meeting, and provided staff with their recommendations which staff is presenting today for this committee’s input and determination.

Some cities had “banked” their general fund monies in order to fund a particular, high cost project in a future year. If those “banked” funds were spent on the project during the base period (FY 2001-FY 2003), then the expenditures during the base period were artificially high and perhaps not representative of a normal annual spending level. At issue is whether the MOE requirements allow for expenditures to be averaged over a different period of time than three years or allow for some sort of consideration of spikes in expenditures by the member agencies? Staff recommends Option 1A, isolating and removing the one-time expenditures that were a result of “banking” general fund monies and subsequently expended during the base period FY 2001-2003 so that the MOE represents a normal annual spending level. The ITOC also recommends this option, with the clarification that the prior three-year period should also be reviewed in order to provide corroborating evidence that the exception is clearly a one-time expenditure.

The language in Section 8 of the Extension Ordinance states the MOE will be determined on the basis of “a discretionary fund expended for street and road purposes….as was reported in the State Controller’s Annual Report of Financial Transactions for Streets and Roads.” The Extension Ordinance also states “the MOE also shall apply to any local agency discretionary funds being used for the other purposes specified under Section 4.” The language in the Extension Ordinance for this provision is identical to the language used in the original Ordinance. Under the original Ordinance, the informal practice was to use the separate totals as the basis for calculating the MOE. At issue is whether the Ordinance requires that the MOE levels be calculated on an aggregate basis or on the basis of each category listed in Section 4 of the Ordinance. Both the ITOC and staff recommend Option 2A, establishing separate MOE levels to be consistent with past practice (i.e. separate MOE levels for each category in Section 4 of the Ordinance: major highway and transit congestion relief projects; transit programs to support seniors and disabled persons; specialized transportation services for seniors; monthly transit passes for senior, disabled, and youth riders; transit operations; local streets and roads; habitat-related mitigation costs of local transportation projects; and the smart growth incentive program).

Kevin Cummins, a member of the ITOC commented that the ITOC as a whole is supportive of Option 1A but he has concerns regarding allowing some cities to use additional years to determine their baseline. He questioned whether the option was legally permissible, whether it was good government, and whether it is reasonable policy. He also requested that the committee consider, if adopting Option 1A, that the timeline be increased from three years prior to ten years prior.

Councilmember Kern asked if staff was waiting for direction for the Committee to complete those audits still outstanding.

Ms. Wasmund stated that the audits are continuing but that staff was waiting for direction from this Committee on those two specific issues so we can direct the auditors on how to continue on these specific issues.
Action: Upon a motion by Chair Pro Tem Emery and a second by Mayor Madrid, the Transportation Committee approved staff recommendations of Option 1A and Option 2A to be included as documentation in an amendment to Board Policy No. 31, “TransNet Ordinance and Expenditure Plan Rules.”

9. SAN DIEGO SMART PARKING PILOT PROJECT

This item was continued to the January 18, 2008, meeting.

11. 2006 REGIONAL TRANSPORTATION IMPROVEMENT PROGRAM: AMENDMENT NO. 9.1

Susan Brown, Financial Manager of Programming presented the item. SANDAG Board approved the 2006 RTIP, a multibillion dollar transportation program for the San Diego region, on August 2006. SANDAG processes amendments on a quarterly basis and more frequently as circumstances warrant. The 2006 RTIP allows for two different types of amendments - administrative and formal. Formal amendments require, among other things, a 30-day public review, and fiscal constraint analysis. Administrative amendments are for changes that are minor in nature, such as project changes of less than 20 percent or $2 million, and requires state approval only (no federal approval is needed). Amendment No. 9.1 qualifies as an administrative amendment. Caltrans requested a minor change to its State Route (SR) 52 project.

The federal transportation legislation SAFETEA-LU authorized a total of $10 million in High Priority Program (HPP) funds. HPP funds are allocated annually (20 percent per year based on a five-year authorization). Through FY 2008, total HPP available should be $8 million; however, without a federal budget, only part of the FY 2008 funding is available. As a result, this amendment proposes to reduce the HPP program amount in FY 2008 (from $8 million down to $6 million) and program the remaining amount ($2 million) to HPP-Advance Construction (AC) funds source. This proposed change does not affect the project cost, scope or schedule but will allow Caltrans to utilize whatever funding is available to continue the project while pursuing the full obligation of HPP funds once the federal budget is approved. The total project budget remains unchanged at $599.5 million. This change has been requested by Caltrans to demonstrate full funding of this project in support of the State Transportation Improvement Program allocation pending California Transportation Commission (CTC) action in December 2007.

Action: Upon a motion by Deputy Mayor Rindone and a second by Chair Pro Tem Emery, the Transportation Committee approved Amendment No. 9.1 to the 2006 RTIP.

12. TRANSPORTATION DEVELOPMENT ACT (TDA) CLAIM AMENDMENT: COUNTY OF SAN DIEGO

Lauren Warrem, Finance Manager presented the item. Each year, SANDAG undertakes a review of bicycle and pedestrian projects funded under Transportation Development Act (TDA) Article 3.0 programs. The purpose of the review is to identify projects that have been completed by the sponsoring agency. The review has been completed for the County of San Diego projects. After a final accounting, unexpended funds from the County of San Diego projects remain, and the allocations for these TDA claims must be reduced by a total of $100,400. The unexpended funds, plus accumulated interest of approximately $60,000 will
be returned to the Local Transportation Fund, subject to Transportation Committee approval, for use on other bicycle and pedestrian projects.

**Action:** Upon a motion by Councilmember Kern, and a second by Deputy Mayor Rindone, the Transportation Committee approved Resolution No. 2008-05, approving revisions to TDA Article 3.0 claims for various County of San Diego completed bicycle and pedestrian projects.

14. **2008 STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)**

This item was continued to the January 18, 2008, meeting.

15. **UPCOMING MEETINGS**

The Transportation Committee cancelled the next regularly scheduled meeting for January 4, 2008, due to the holidays. The next meeting of the Transportation Committee is scheduled for Friday, January 18, 2008, at 9 a.m.

16. **ADJOURNMENT**

Chair Madaffer adjourned the meeting at 11:23 a.m.

Attachment: Attendance Sheet
<table>
<thead>
<tr>
<th>GEOGRAPHICAL AREA/ORGANIZATION</th>
<th>JURISDICTION</th>
<th>NAME</th>
<th>MEMBER/ALTERNATE</th>
<th>ATTENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>North County Coastal</td>
<td>City of Del Mar</td>
<td>David Druker</td>
<td>Member</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>City of Oceanside</td>
<td>Jerry Kern</td>
<td>Alternate</td>
<td>Yes</td>
</tr>
<tr>
<td>North County Inland</td>
<td>City of Escondido</td>
<td>Lori Holt Pfeiler</td>
<td>Member</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>City of Vista</td>
<td>Bob Campbell</td>
<td>Alternate</td>
<td>Yes</td>
</tr>
<tr>
<td>East County</td>
<td>City of Santee</td>
<td>Jack Dale (Vice Chair)</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>City of La Mesa</td>
<td>Art Madrid</td>
<td>Alternate</td>
<td>Yes</td>
</tr>
<tr>
<td>South County</td>
<td>City of Chula Vista</td>
<td>Jerry Rindone</td>
<td>Member</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>City of Coronado</td>
<td>Phil Monroe</td>
<td>Alternate</td>
<td>Yes</td>
</tr>
<tr>
<td>City of San Diego</td>
<td>----</td>
<td>Jim Madaffer (Chair)</td>
<td>Member</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>----</td>
<td>Scott Peters</td>
<td>Alternate</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>----</td>
<td>Ben Hueso</td>
<td>Alternate</td>
<td>No</td>
</tr>
<tr>
<td>County of San Diego</td>
<td>----</td>
<td>Ron Roberts</td>
<td>Member</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>----</td>
<td>Bill Horn</td>
<td>Alternate</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>----</td>
<td>Greg Cox</td>
<td>Alternate</td>
<td>No</td>
</tr>
<tr>
<td>Metropolitan Transit System</td>
<td>City of Poway</td>
<td>Bob Emery</td>
<td>Member</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>MTS</td>
<td>Harry Mathis</td>
<td>Alternate</td>
<td>Yes</td>
</tr>
<tr>
<td>North County Transit District</td>
<td>Ed Gallo</td>
<td>Member</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jerome Stooks</td>
<td>Alternate</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td></td>
<td>David Druker</td>
<td>Alternate</td>
<td>?</td>
<td></td>
</tr>
<tr>
<td>San Diego County Regional Airport Authority</td>
<td>Charlene Zettel</td>
<td>Member</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jim Desmond</td>
<td>Alternate</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ramona Finnila</td>
<td>Alternate</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>ADVISORY/LIAISON Caltrans</td>
<td>----</td>
<td>Pedro Ors-Delgado</td>
<td>Member</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>---</td>
<td>Bill Figge</td>
<td>Alternate</td>
<td>No</td>
</tr>
<tr>
<td>SCTCA</td>
<td>----</td>
<td>vacant</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>----</td>
<td>Albert Phoenix</td>
<td>Alternate</td>
<td>Yes</td>
</tr>
</tbody>
</table>

01/11/2008 4:13 PM
GUIDING PRINCIPLES AND OBJECTIVES FOR DEVELOPMENT OF FY 2009 TRANSIT OPERATING BUDGETS

Introduction

The responsibility for programming transit operating and capital funding resides with SANDAG in its role as the Regional Transportation Planning Agency. As in prior years, the Transportation Committee approves guiding principles and objectives for the Metropolitan Transit System (MTS) and North County Transit District (NCTD) for use in preparing their operating budgets. The proposed guiding principles and objectives have been reviewed by the staff of both transit agencies and reflects their comments and input.

In order to prepare the Transportation Committee for this responsibility, we have developed a budget schedule, which leads up to Transportation Committee approval of the transit operator budgets for funding in June. The Transportation Committee will be provided background information, historical operating results, and a discussion of key issues, all of which will assist in better understanding the challenges and dynamics of the budget process for the transit agencies.

Discussion

The Transition Plan, approved by the SANDAG Board on February 28, 2003, identified the following as SANDAG responsibilities:

1. Preparation and approval of the five-year Regional Short Range Transit Plan (RSRTP), which incorporates the transit agency Service Implementation Plans.

2. Development of a public input process including public hearings (Board Policy No. 025, Public Participation/Involvement, amended January 2006).

3. Development of the Regional Fare Policy (Board Policy No. 029, Regional Fare Policy, adopted October 2004, amended February 2006).

4. Development of fund estimates for Transportation Development Act (TDA), State Transit Assistance (STA), and other annual operating funds.
5. Establishment or revision of financial tracking and auditing procedures as needed, with emphasis placed on examining the budget and budget process in an effort to obtain efficiencies.

6. Approval of transit operator budgets for funding.

Consistent with these responsibilities, the guiding principles and objectives are proposed to provide a prudent basis for preparing the operating budgets and to ensure consistent presentation of budget information.

**Budget Schedule**

Following is the proposed schedule for transit agency budget discussions with the Transportation Committee:

- **Date:** January 18, 2008  
  **Topics:** Approval of Guiding Principles and Objectives.

- **Date:** February 15, 2008 (this will be a recommendation to the full Board)  
  **Topics:** Recommendation to Board of Directors on the FY 2009 through FY 2013 fund estimates for TDA, STA, TransNet, and federal formula funds.

- **Date:** May 16, 2008  
  **Topics:** Review of Draft FY 2009 transit agency balanced budgets and five-year financial operating plan, including any proposed regionally significant service changes. Separate item to include review and approval of annual TDA claim.

- **Date:** June 20, 2008  
  **Topics:** Approval of the FY 2009 transit operating budgets for funding, contingent upon transit agency board approvals.

**Guiding Principles and Objectives**

The following guiding principles and objectives were developed over the last several years and have been reviewed and updated with input from the NCTD and MTS staff.

1. The overarching goal is to work toward achieving a sustainable level of service, whereby recurring revenues are sufficient to cover recurring expenditures and includes a multi-year operating plan as a foundation. When necessary, this approach allows for incremental service reductions, rather than a one-time severe cut in services.

2. On the revenue side, the fare structure should be reviewed each year as part of the budget process, and SANDAG should aggressively pursue new recurring revenue sources as part of the legislative process. The regional fare structure was significantly amended in October 2007. An ongoing fare study is being conducted to develop a more simplified regional fare structure, and a new revenue sharing agreement, including implementation of the Compass Card program. The recommendations from the fare study are scheduled to be available by the end of FY 2008, which may be incorporated into the next fare structure update.
3. The Regional Short Range Transit Plan (RSRTP) will be developed to establish regional productivity guidelines for service, recognizing that areas with different levels of urban development (e.g., urban vs. rural) would have different services and guidelines. The RSRTP will also provide a five-year blueprint for the enhancement of the regional transit system as it becomes a sustainable operation, and will be updated annually.

4. There should be flexibility to readjust services each year to react to changing circumstances (e.g., passage of new federal transportation legislation, changes in revenue received, and changing ridership patterns).

5. It is the responsibility of SANDAG to prepare fund estimates, including allocations, and to provide this information to the transit operators by March 1 of each year. Information will be shared with MTS and NCTD staff prior to March 1, as it becomes available.

6. The transit operators will use a zero-based budget approach for the annual FY 2009 budget, with the use of high and low ranges for FY 2010 through FY 2013. The FY 2010 to FY 2013 projections shall be presented at a highly summarized level. The transit agencies will coordinate with each other to present the information in a consistent format and level of detail, as previously directed by the Transportation Committee.

7. Preserve current service levels as much as possible and evaluate opportunities for cost efficiencies and opportunities for potential implementation of changes as outlined in the Service Implementation Plans. In FY 2008, a joint RSRTP and federally mandated Coordinated Transit & Human Service Transportation Plan are being prepared.

8. Define recurring operating revenue to include the use of up to the maximum amount of TDA, STA, TransNet, and federal formula funds for operations. The level of funds to be used for operations is a decision to be made by the transit agencies as they proceed through the budget process and balance operating and capital needs. Recurring operating revenue shall also include passenger fares and any other operating revenues that the transit agency can demonstrate are stable, reliable, and long-term in nature.

9. Provide budget information, financial reporting, and quarterly performance measurements in a standardized format consistent with TDA reporting requirements.

With Transportation Committee approval of these guiding principles and objectives, the transit agencies will proceed to prepare their FY 2009 operating budgets and FY 2010 to FY 2013 projections.

RENÉE WASMUND
Director of Finance

Key Staff Contact: Tim Watson, (619) 619-1966, twa@sandag.org
SOCIAL SERVICES TRANSPORTATION ADVISORY COUNCIL
MEMBERSHIP AND STRUCTURE

Introduction

In April 1979, the SANDAG Board of Directors created the Subcommittee for Accessible Transportation (SCAT) in response to federal requirements and increased local interest in transportation accessibility issues. In August 2006, the Board of Directors restructured SCAT as the Social Service Transportation Advisory Council (SSTAC) that follows the membership, representative and organizational structure as required by the California Public Utilities Code (PUC), Section 99238.

The PUC requires one-third of the members of SSTAC be appointed each year. This report recommends reappointing the members whose term expires this year for an additional three-year term each. Additionally, changes are recommended to the membership structure and the charter of SSTAC. The federal transportation reauthorization bill passed by Congress in 2005 (SAFETEA-LU) requires that projects selected for funding under the Federal Transit Administration’s (FTA’s) Job Access and Reverse Commute (JARC), New Freedom, and Elderly Individuals and Individuals with Disabilities programs be derived from SANDAG’s Coordinated Public Transit-Human Services Transportation Plan (Coordinated Plan) and that the development of the Coordinated Plan include a public participation process. In order to fulfill this requirement, it is recommended that the SSTAC membership structure and charter be modified to take on the additional responsibility of providing stakeholder input on the development of the Coordinated Plan.

Discussion

Based on PUC requirements, the initial appointments to SSTAC were set up such that one-third of the members were appointed for a one-year term, one-third for a two-year term, and one-third for a three-year term. After these initial appointments, the term for re-appointing members is three years. Of the nine members that were initially appointed to the SSTAC, three have an initial term that expires after one year. The three SSTAC members currently serving the one-year appointments are recommended for reappointment to three-year terms (see table below).
Guidance released by the Federal Transit Administration outlines potential strategies for the SAFETEA-LU coordinated plan public involvement requirement. The guidance recommends consultation with an expansive list of stakeholders throughout all phases of the development of the coordinated plan. For the development of the first Coordinated Plan, which was approved by the Transportation Committee on September 21, 2007, an Ad Hoc Working Group was formed. The membership of this ad hoc group consisted of all the members of SSTAC with additional representation from San Diego County’s transit operators.

Since the Coordinated Plan will be updated each year, staff recommends merging these two groups by amending the SSTAC Charter to include the responsibility for providing stakeholder input on the development of the Coordinated Plan and adding four new SSTAC members (two each from the Metropolitan Transit System (MTS) and North County Transit District (NCTD)). One member from each operator will represent fixed-route service and the other member will represent paratransit service. The terms of the initial appointment of the new members will follow the Public Utilities Code requirement discussed earlier, with two of the new members being appointed to one-year terms, one new member appointed to a two-year term, and one new member appointed to a three-year term. All four members will be eligible for reappointment to three-year terms.

The following table shows the recommended reappointment for current members, along with the recommended initial appointment of new members.

<table>
<thead>
<tr>
<th>Category</th>
<th>Member</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSTAC Member Reappointments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One representative of potential transit users who is 60 years of age or older.</td>
<td>Clive Richard</td>
<td>3 Years</td>
</tr>
<tr>
<td>Two representatives of the local social service providers for seniors, including one representative of a social service transportation provider, if one exists.</td>
<td>Mal Murphy (Adult Protective Services Inc.)</td>
<td>3 Years</td>
</tr>
<tr>
<td>Two representatives from the local consolidated transportation service agency, designated pursuant to subdivision (a) of Section 15975 of the Government Code, if one exists, including one representative from a transportation service provider, if one exists.</td>
<td>Rob Carley (Full Access &amp; Coordinated Transportation)</td>
<td>3 Years</td>
</tr>
<tr>
<td>New SSTAC Members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two representatives from MTS; one representing fixed-route service, and the other representing paratransit service.</td>
<td>MTS</td>
<td>1 Year</td>
</tr>
<tr>
<td>Two representatives from NCTD; one representing fixed-route service, and the other representing paratransit service.</td>
<td>NCTD</td>
<td>3 Years</td>
</tr>
</tbody>
</table>
The amended SANDAG Charter for the SSTAC (Attachment 1) incorporates the changes discussed above on the role, membership, and responsibilities. Approval of staff recommendations will supersede all previous Board actions regarding the membership, structure, and delegation of authority regarding SCAT and SSTAC.

In accordance with SANDAG Board Policy No. 001 (Operations Policy – Board and Policy Advisory Committees Responsibilities), the Executive Committee is responsible for annually reviewing a list of all the SANDAG lower-level committees and working groups to determine the need to maintain the committee or working group and approve any revisions in functions or membership. This review is expected to occur in March 2008. Additional changes to the membership/function of SSTAC and other similar working groups, such as the Transit Access Advisory Committee (TAAC), may be proposed at that time.

BOB LEITER
Director of Land Use and Transportation Planning

Key Staff Contact: Danielle Kochman, (619) 699-1921, dko@sandag.org

Attachment: 1. SSTAC Charter
COMMITTEE/WORKING GROUP CHARTER
SOCIAL SERVICES TRANSPORTATION ADVISORY COUNCIL (SSTAC)

PURPOSE
The mission of the Social Services Transportation Advisory Council (SSTAC) is to: review, recommend and encourage the use of accessible transportation services and promote the coordination of transportation that serves senior citizens, persons with disabilities and persons of limited means.

LINE OF REPORTING
The Social Services Transportation Advisory Council Subcommittee is the successor group to the Subcommittee on Accessible Transportation (SCAT) that was formed by SANDAG in 1979 in response to federal and state requirements and increased local interest and involvement in accessibility issues. SSTAC advises SANDAG on regional planning issues regarding accessible transportation in the public and nonprofit sectors. SSTAC reports to the SANDAG Transportation Committee, which in turn reports to the SANDAG Board of Directors.

RESPONSIBILITIES
SSTAC advises the SANDAG Board of Directors and its Transportation Committee regarding regional issues of accessible transportation provided by the public and private sector. These activities include the following:

- Provide input on accessible transportation issues for SANDAG’s Regional Transportation Plan (RTP), and other relevant SANDAG plans and programs;

- Provide input for the key activities required for the development of the Coordinated Public Transit Human Services Transportation Plan (Coordinated Plan). This includes assistance with the following activities: assessing current available services; identifying areas of duplicative service and gaps in service; identifying the transportation needs of individuals with disabilities, senior citizens, and persons of limited means; developing strategies for addressing the service gaps, and minimizing the duplication of services; prioritizing transportation services for funding and implementation based on resources, time, and feasibility for implementing the specific strategies identified; and reviewing the draft document for content and language;

- Serve as the Local Review Committee (LRC) and Appeals Board for the Section 5310 federal grant program administered by the State Department of Transportation (Caltrans), which provides partial funding for vehicles for nonprofit agencies;

- Serve as the region’s Social Service Transportation Advisory Council to advise SANDAG on the unmet transit needs of senior citizens and persons with disabilities, as required by the State’s Transportation Development Act (TDA);

- Oversee the annual unmet needs process and make a determination of unmet needs as a recommendation to the Transportation Committee per Public Utilities Code 99238(c)(2);

- Provide input on the progress of the region’s transit operators in providing accessible transportation to senior citizens and persons with disabilities;
• Provide input on the progress of the region’s Coordinated Transportation Service Agency (CTSA) in assisting nonprofit agencies to coordinate their transportation services;

• Provide input and proposals to SANDAG on legislation and regulations concerning transportation for seniors and individuals with disabilities;

• Fulfill the requirement in the Public Utilities Code of California Section 99238.5 that the Transportation Planning Agency (SANDAG) establish and implement a citizen participation process to solicit the input of transit dependent, and transit disadvantaged persons, including the elderly, handicapped and persons of limited means;

• Assist transit operators in programs that promote use of existing transportation programs to better serve seniors and individuals with disabilities; and

• Comment on regional issues brought before the Committee, which are relevant to the implementation of accessible transportation services under federal and state legislation.

• SSTAC discusses issues of a regional nature, not specific to individual transit operators or to individual events or circumstances. Issues not appropriate to SSTAC discussion are referred to the appropriate transit operator or other organization with authority to resolve the issue.

MEMBERSHIP

Membership on SSTAC is defined by the Public Utilities Code Section 99238.5, of the State of California. SANDAG shall strive to attain geographic and minority representation among the membership from a broad representation of providers and the public. The section of the code limits membership to the following:

1. One representative of potential transit users who is 60 years of age or older;

2. One representative of potential transit users who is a person with a disability;

3. Two representatives of the local social service providers for seniors, including one representative of a social service transportation provider, if one exists;

4. Two representatives of local social service providers for individuals with disabilities, including one representatives of a social service transportation provider, if one exists;

5. One representative of local social service provider for persons of limited means;

6. Two representatives from the local consolidated transportation service agency, designated pursuant to subdivision (a) of Section 15975 of the Government Code, if one exists, including one representative from a transportation service provider, if one exists;

7. One representative from NCTD representing fixed-route service;

8. One representative from NCTD representing ADA Paratransit service;

9. Once representative from MTS representing fixed-route service;

10. One representative from MTS representing ADA Paratransit service.

The term of appointment shall be for three years. Initial appointments shall be equally divided among members serving one-, two-, or three-year terms.
MEETING TIME AND LOCATION
Meetings are usually held on the first Thursdays of April, June, September, and December third Monday of every other month, from 10:00 a.m. to 12:00 p.m. in a location that is accessible by public transit and in facilities accessible to individuals with disabilities. Meeting time and dates may be adjusted by the Chairperson to facilitate coordination with meetings of the Transit Accessibility Advisory Committee. Meetings are usually held in San Diego, either at the Caltrans District 11 Office or at SANDAG but may be held in other locations within San Diego County, depending on the agenda and availability of meeting space. Additional meetings may be called by the Chairperson when necessary.

ANNUAL PUBLIC HEARING
SSTA shall hold a minimum of one public hearing for the purposes of receiving public comment on public transit services from the transit dependent, elderly and persons of limited means. The hearing(s) shall be scheduled to ensure broad community participation and should be rotated among the various communities within San Diego County.

UNMET NEEDS PUBLIC HEARING
The Transportation Development Act (TDA) of the State of California requires the SSTAC to hold Public Hearings in any year if any TDA funds for that year are not fully expended on public transit. The purpose of the hearings is to provide an opportunity for the public to identify potential transit needs that are not being met and are reasonable to be met with the unspent TDA funds. If there are TDA funds that are not expended for public transit in San Diego County the SSTAC shall hold a minimum of one public hearing for the purposes of receiving public comment on unmet transit needs from the transit dependent seniors and persons of limited means. The hearing(s) shall be scheduled to ensure broad community participation and should be rotated among the various communities within San Diego County.

SELECTION OF THE CHAIR
A Chairperson and Vice Chairperson, or Co-Chairpersons, are nominated and elected annually by the membership to serve one-year terms. The Chairperson conducts meetings. The Vice Chairperson shall conduct the meetings in the absence of the Chairperson.

STAFF LIAISON
SANDAG shall provide staff support for SSTAC. The services to be provided by SANDAG shall include, but not be limited to assisting the Chairman in preparing the agenda, sending out meeting notices, and preparing records of meetings.

DURATION OF EXISTENCE
SSTAC is a standing working group that fulfills a state mandate and shall continue to function unless dissolved by the SANDAG Board of Directors or Transportation Committee.
Introduction

Since 1993, the State of California has authorized the study of an intercity, high-speed passenger rail system that will connect the state’s metropolitan areas including San Diego (Attachment 1). The California High-Speed Rail Authority (CHSRA) is the statewide agency charged with the planning and construction of this system.

To address the planning activities related to the proposed high-speed rail system and how they relate to San Diego, SANDAG established the Regional High-Speed Rail Task Force in 1999. Members included representatives from the Transportation Committee, North County Transit District, Metropolitan Transit System, the Centre City Development Corporation, Department of Defense, and elected officials from the coastal and Interstate 15 (I-15) communities. In May 2005, with the concurrence of the Task Force, the Executive Committee approved the transfer of responsibility for monitoring these efforts to the Transportation Committee through quarterly updates, provided that Task Force members be notified of these quarterly updates, that high-speed rail be incorporated into the update of the Regional Transportation Plan, and that SANDAG keep open the possibility of reactivating the Task Force should activity warrant it.

Discussion

Statewide Project Status

At its December 2007 meeting, the CHSRA Board of Directors approved the staff-recommended alignment connecting the statewide high-speed train system through the Central Valley to the Bay Area, the final alignment study, and environmental analysis necessary to complete the proposed statewide network.

A statewide ballot measure is scheduled for the November 2008 election to provide $9.95 billion in state funds to begin implementation of this system.

San Diego Regional Air-Rail Network Study

At its November 16, 2007, meeting, the Transportation Committee reviewed a preliminary scope of work for the San Diego Regional Air-Rail Network Study, a study to (1) identify high-speed rail connections to southern California airports that could provide relief to San Diego’s Lindbergh Field; and (2) identify the potential for high-speed rail to relieve short-haul air demand and free up capacity at Lindbergh Field for long-haul and/or international flights. SANDAG and CHSRA staff recently agreed to formalize the working relationship between the two agencies in the form of a cooperative agreement to jointly study major components of the Air-Rail Network Study.
Staff is currently seeking funding for this study, which will be a precursor to the Airport Multimodal Accessibility Plan (AMAP), as outlined in Senate Bill 10 (Kehoe). These studies are being coordinated with both the San Diego County Regional Airport Authority and the CHSRA. In 2006, SANDAG completed a feasibility study of Maglev (magnetic levitation) high-speed train technology along an east-west alignment to a proposed regional airport site in Imperial County, utilizing federal funding allocated for this purpose. Currently, staff is working with the federal congressional delegation to obtain a legislative change so that SANDAG can apply the remaining federal funds to a similar feasibility study of potential north-south alignments including the I-15 corridor, to be included in the San Diego Regional Air-Rail Network Study.

BOB LEITER
Director of Land Use and Transportation Planning

Attachment: 1. California High-Speed Train System Project Background

Key Staff Contact: Linda Culp, (619) 699-6957, lcu@sandag.org
CALIFORNIA HIGH-SPEED TRAIN SYSTEM
Project Background

Since 1993, the State of California has authorized the study of an intercity, high-speed passenger rail system. The California High-Speed Rail Commission studied this system until the agency “sunsetted” in 1996. The state then created a new agency, the California High-Speed Rail Authority (CHSRA), and gave it responsibility for planning, constructing, and operating a high-speed train system serving California’s major metropolitan areas, including San Diego. The Governor and Legislature have granted the CHSRA all the powers necessary to oversee the construction and operation of a statewide system once financing is secured. The CHSRA has a nine-member policy board and a small staff.

In 2000, the CHSRA adopted a Final Business Plan for an economically viable train system capable of speeds in excess of 200 miles per hour on a fully grade-separated track with state-of-the-art safety, signaling, and automated control systems. Building upon the initial ridership and revenue projections and route alignments identified in the Business Plan, the CHSRA developed a Programmatic Environmental Impact Report/Environmental Impact Statement (PEIR/EIS) for the proposed statewide high-speed train system along with the Federal Railroad Administration, finalizing the document in 2006. In 2007, the CHSRA completed the Ridership and Revenue Forecasting Study, updating key forecasts from the 2000 Final Business Plan. These and other documents are available on the CHSRA Web site at www.cahighspeedrail.ca.gov.

The proposed system stretches over 800 miles and would connect San Diego, Los Angeles, the Central Valley, San Francisco, and Sacramento (see Figure 1). San Diego would be connected from Los Angeles via the Inland Empire. High-speed train (HST) service along the Inland Corridor would parallel Interstates 215 and 15 and extend south to downtown San Diego. HST service on the coastal corridor would extend no further south than Irvine, as a result of environmental constraints along the coast and in coastal communities between South Orange County and San Diego. Between Los Angeles and Irvine, HST service would share the corridor with existing Amtrak intercity service, Metrolink commuter rail service, and freight.

The Safe, Reliable High-Speed Train Bond Act for the 21st Century is scheduled for the November 2008 ballot. This Act includes $9 billion for planning and construction of a HST system statewide. An additional $950 million is included in the Act for improvements to feeder rail systems including San Diego’s coastal rail corridor and other rail lines.
Figure 1
Proposed California High-Speed Train Statewide System
LOS ANGELES-SAN DIEGO-SAN LUIS OBISPO RAIL CORRIDOR
AGENCY BOARD OF DIRECTORS MEETING REPORT

Introduction

The Los Angeles-San Diego-San Luis Obispo (LOSSAN) Rail Corridor Agency seeks to increase ridership, revenue, capacity, reliability, and safety on the coastal rail line from San Diego to Los Angeles to San Luis Obispo. Known as Amtrak’s Pacific Surfliner corridor, it is the second busiest intercity passenger rail corridor nationwide and Amtrak’s fastest growing. A LOSSAN membership roster is provided (Attachment 1).

The LOSSAN Joint Powers Board of Directors meets quarterly and the Technical Advisory Committee (TAC) generally meets every other month. SANDAG serves as staff to the LOSSAN Board and TAC through a cooperative funding agreement with the member agencies. A summary of the LOSSAN Board meeting held on December 12, 2007, is provided (Attachment 2).

Discussion

LOSSAN Board Action Highlights Related to SANDAG Actions

The LOSSAN Board continues to advocate for passenger rail funds that would benefit projects along the coastal rail corridor, including projects along the San Diego coastal rail corridor. The Board voted to support the proposed list of Proposition 1B (Prop. 1B) Intercity Passenger Rail projects developed by Caltrans. Prop. 1B earmarked $400 million specifically for intercity rail projects statewide, including at least $150 million for rolling stock. Specific San Diego County Projects on this list include the Santa Margarita River Replacement Bridge and Double Track Project and another $30 million for an additional capacity project. These projects are consistent with the SANDAG 2030 Regional Transportation Plan. Overall, more than half of Prop. 1B intercity rail funds are earmarked for the LOSSAN Corridor, all of which will have positive impacts for San Diego.

BOB LEITER
Director of Land Use and Transportation Planning

Attachments:
1. LOSSAN Membership Roster
2. December 12, 2007, LOSSAN Board of Directors Actions

Key Staff Contact: Linda Culp, (619) 699-6957, lcu@sandag.org
LOSSAN
(LOS ANGELES–SAN DIEGO–SAN LUIS OBISPO RAIL CORRIDOR AGENCY)

MEMBERSHIP

This board is composed of current and former elected officials representing rail owners, operators, and planning agencies along Amtrak’s Pacific Surfliner corridor between San Diego and San Luis Obispo. LOSSAN is staffed by SANDAG. The objective of the agency is to coordinate planning and programs that increase ridership, revenue, reliability, and safety on the coastal rail line from San Luis Obispo to Los Angeles to San Diego.

The Los Angeles - San Diego – San Luis Obispo Rail Corridor Agency meets every quarter.

Staff contact: Linda Culp, (619) 699-6957; lcu@sandag.org

MEMBERS

Chair: Arthur Brown
Orange County Transportation Authority

Vice Chair: Jacki Bacharach
Los Angeles County Metropolitan Transportation Authority

Beatrice Proo
Los Angeles County Metropolitan Transportation Authority

John Shoals
San Luis Obispo Council of Governments

Julianne Nygaard
North County Transit District

Richard Dixon
Orange County Transportation Authority

Jerry Rindone
San Diego Metropolitan Transit System

Keith Millhouse
Ventura County Transportation Commission

Salud Carbajal
Santa Barbara County Association of Governments

Bill Bronte
Caltrans, Division of Rail

Joe Kellejian
San Diego Association of Governments

ALTERNATES

Harry Mathis
San Diego Metropolitan Transit System

Brian Humphrey
Ventura County Transportation Commission

Marty Blum
Santa Barbara County Association of Governments

Mary Ann Reiss
San Luis Obispo Council of Governments

EX-OFFICIO MEMBER

Lou Bone
Southern California Association of Governments

ADDITIONAL TECHNICAL ADVISORY COMMITTEE MEMBERS

Amtrak
Burlington Northern Santa Fe
California Public Utilities Commission
Southern California Regional Rail Authority
Union Pacific
Board Actions: December 2007

LOSSAN SUPPORT FOR PROPOSED PROPOSITION 1B INTERCITY RAIL PROJECTS

The Board of Directors voted to support the proposed list of projects developed by Caltrans to be funded by Proposition 1B (Prop. 1B) Intercity Passenger Rail funds. Prop. 1B earmarked $400 million specifically for intercity rail projects statewide, including at least $150 million for rolling stock. LOSSAN Corridor projects include capacity projects in San Diego and Los Angeles Counties, Los Angeles Union Station improvements, signal and communication upgrades, rolling stock, and maintenance. For the first time, funds are designated for the Coast Daylight service, new intercity service between Los Angeles and San Francisco, which LOSSAN has supported for several years.

FINAL LOSSAN CORRIDORWIDE STRATEGIC BUSINESS PLAN

At its August 8, 2007, meeting, the Board approved the LOSSAN Corridorwide Strategic Business Plan with minor changes. The Board received the final copy of the plan at this meeting, which also is available on the www.lossan.org Web site.

REPORT FROM THE LOSSAN ON-TIME PERFORMANCE AD HOC COMMITTEE

In September 2006, the Board established an ad hoc committee to learn more about the current state of on-time performance (OTP) in the corridor and develop strategies for improvement. The Committee, comprised of Board and Technical Advisory Committee (TAC) members, has developed two broad goals for its work: (1) identify capital and operating strategies that directly improve performance; and (2) identify strategies to improve the rail experience for customers.

The Board reviewed the draft issues paper that summarizes current OTP trends in the corridor, reasons for train delays, and strategies for improvement. The Board asked that strategies related to customer information be strengthened and the paper be provided to member agency executive staff.

PASSENGER RAIL SERVICE INTEGRATION IN THE LOSSAN CORRIDOR

Caltrans and OCTA reported on recent meetings to develop various strategies for better integrating passenger rail services in the corridor. The immediate focus is on (1) developing short-term, low-cost strategies, such as better customer signage; and (2) developing a strategic business plan for all services in the corridor. The LOSSAN TAC will be meeting to brainstorm the former and Caltrans and OCTA will be developing the draft scope of work for the latter for the Board’s review in February 2008.
**On-TRAC: A PLAN FOR TRANSIT/RAIL ACTION FOR COMMUTERS**

The Board received a report from representatives of the City and County of Santa Barbara on On-TRAC, a plan that advocates for regional cooperation and collaboration for rail, regional support for rail improvements in the corridor, and proposed changes to intercity service to better serve the potential intercounty commuter market. The Board voted to support this plan in concept provided the proposal does not degrade the current level of service and that supporters continue to work together and with other groups, such as LOSSAN.

**LOSSAN GRANT APPLICATIONS FOR FEDERAL DISCRETIONARY PLANNING FUNDS**

The Board approved a TAC recommendation to submit three applications for federal transit planning funds, administered by Caltrans, for (1) Integrated Transit Timetables and Customer Information at Rail Stations, (2) Assessing “Green Ways” to Rail Stations, and (3) Rail Planning 101 professional development training. Staff from SANDAG, the San Luis Obispo Council of Governments, and the Santa Barbara County Association of Governments will be taking the lead on grant writing in time for the January 11, 2008, deadline.

**SAVE THE DATE – INTERCITY RAIL DAY**

Staff for LOSSAN, the Capitol Corridor, San Joaquin Valley Rail Committee, Coast Rail Coordinating Council, and Amtrak is working on a detailed itinerary for a statewide meeting on joint rail issues and reception on February 21, 2008, in Sacramento.

**NEXT MEETING DATE AND LOCATION**

The next Board meeting is scheduled for Wednesday, February 6, 2008, in Oceanside at 10:30 a.m. (with a SPRINTER tour following the meeting). The next TAC meeting is scheduled for Tuesday, January 29, 2008, in Los Angeles at 11:30 a.m. The calendar for 2008 meetings was approved and is available on the [www.lossan.org](http://www.lossan.org) Web site.
Introduction

The State Transportation Improvement Program (STIP) is a five-year program that is updated every two years, with the process beginning in the fall of every odd-numbered year. The 2008 STIP covers the period between FY 2008/09 to 2012/13. The California Transportation Commission (CTC) has released regional targets based on assumptions included in the adopted 2008 Fund Estimate. This report presents these targets and a recommendation to program the funds.

Discussion

The CTC adopted the 2008 Fund Estimate at its October 24, 2007, meeting. The Fund Estimate includes a revenue forecast for the five-year period ending in FY 2012/13 that is based on all currently existing statutes. In the case of assumptions that are tied to expiring legislation, such as the Safe, Account, Flexible, Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU) federal transportation act that expires in 2009, revenues are assumed to continue beyond the expiration date at levels that are similar to current receipts. Although provisions exist in certain laws to borrow funds from transportation programs, such as Proposition 1A, these are subject to the annual budget process and cannot be forecast.

2008 STIP – Regional Picture

The CTC has provided the region with a set of targets for new STIP funding, shown in Table 1. These amounts represent new funds available for programming, over and above that which has already been programmed.

<table>
<thead>
<tr>
<th>San Diego Regional Targets</th>
<th>Total 2008 STIP period share through FY 2012/13</th>
<th>Maximum share through FY 2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0</td>
<td>$164,863</td>
</tr>
</tbody>
</table>

The Total 2008 STIP share is the formula distribution of new funds through the end of the five-year STIP period. Because the San Diego region has been successful in previous STIP cycles to advance future funds, as in the case of Grant Anticipation Revenue Vehicle (GARVEE) bonds, there is no additional funding available. It should be noted that this share does not include Transportation Enhancement (TE) funds, which will be discussed in a separate section of this report.
The Maximum share is the formula share of all available new capacity through the end of the next four-year county share period, ending in FY 2015/16. This represents the maximum amount that the CTC may program in a county, again per state law. It should be noted that the CTC is under no obligation to program up to the maximum share amount. CTC staff has indicated that while it supports regions proposing to program more than their base share and total share, the higher the amount that is requested as part of the maximum share increases the risk that the CTC may not be able to accommodate the region’s proposal.

**What is currently funded in the STIP?**

The San Diego region is poised to have a very successful FY 2007/08 in receiving funds from the STIP. This is in large part due to the project readiness of several large projects that positioned them to receive advance funds from Proposition 1B as well as other STIP sources. As Table 2 below shows, over $222 million in STIP funds are anticipated to be allocated this year. In fact, fiscal year to date, over $221 million or nearly 61 percent of the amount programmed through 2010/11 has been allocated. It is in large part due to this successful year of allocating future funds that the base and total shares shown in Table 1 do not identify any remaining funding capacity.

**Table 2. San Diego 2006 STIP Programmed Projects ($000’s)**

<table>
<thead>
<tr>
<th>Project Description</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>GARVEE debt service for I-15 Managed Lanes</td>
<td>$16,376</td>
<td>$16,376</td>
<td>$16,376</td>
<td>$16,376</td>
</tr>
<tr>
<td>I-15 Bus Rapid Transit Stations</td>
<td>$11,500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-15 Direct Access Ramp at Mira Mesa Boulevard</td>
<td></td>
<td>$50,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 52 Extension – SR 125 to Cuyamaca</td>
<td>$102,450</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 52 Extension – SR 67 Interchange</td>
<td>$78,996</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 905</td>
<td>$10,237</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-Coast</td>
<td></td>
<td>$28,756</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning and Program Monitoring</td>
<td>$807</td>
<td>$630</td>
<td>$630</td>
<td>$630</td>
</tr>
<tr>
<td>TE Funds for Smart Growth Incentives Program</td>
<td>$1,857*</td>
<td>$4,383</td>
<td>$5,510</td>
<td>$3,875</td>
</tr>
<tr>
<td>Total Allocated</td>
<td>$221,666</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Unallocated</td>
<td>$557</td>
<td>$21,389</td>
<td>$101,272</td>
<td>$20,881</td>
</tr>
<tr>
<td>Total Programmed</td>
<td>$222,223</td>
<td>$21,389</td>
<td>$101,272</td>
<td>$20,881</td>
</tr>
</tbody>
</table>

Figures in italics indicate funding that has already been allocated by the CTC.

*Of the $1,857,000 programmed, $557,000 remains unallocated, pending advancement capacity in Spring 2008.

**2008 STIP - Statewide Picture**

At this time, the CTC is forecasting another five-year cycle beginning with a lean period followed by modest gains in the outer years. Table 3 below shows the forecast for the 2008 STIP statewide.
Table 3. 2008 STIP Program Capacity - Statewide

<table>
<thead>
<tr>
<th></th>
<th>Current Year</th>
<th>2008 STIP Five-Year Period</th>
<th>5-Year Total</th>
<th>6-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>STIP Capacity</td>
<td>$2,113</td>
<td>$2,072</td>
<td>$1,015</td>
<td>$1,057</td>
</tr>
<tr>
<td>2006 STIP Program</td>
<td>$2,275</td>
<td>$2,515</td>
<td>$1,441</td>
<td>$847</td>
</tr>
<tr>
<td>New STIP Capacity (deficit)</td>
<td>($162)</td>
<td>($443)</td>
<td>($426)</td>
<td>$211</td>
</tr>
</tbody>
</table>

Given the deficit in the current year, the CTC has begun to take some measures to insure they can continue to make allocations. Although the CTC did allocate almost all requests at its December meeting, some allocations that could be funded by advancing Prop 1B bond funds were deferred. This shift impacted the allocation of the Santa Margarita River Bridge and Second Track project, although Caltrans has committed to bringing this project back for allocation early in 2008. The CTC will continue to monitor the state’s near-term ability to fund various transportation programs, particularly in light of the release of the draft state budget for FY 2009, due out in mid-January.

As Table 3 shows, the existing deficit between FY 2007/08 and 2009/10 is approximately $1 billion. Projects currently programmed in these years may need to be reprogrammed to a future year. Specific revisions won’t be known until the CTC receives proposals from all regions (early spring)

2008 STIP Proposal

As in previous STIP cycles and following Board direction, staff’s recommendation will focus on completing the projects the region has begun as part of the TransNet Early Action Program (EAP). Despite the statewide funding picture and the lack of regional shares through the five-year STIP period ending in FY 2012/13, staff recommends advancing a portion of the funds potentially available in the Maximum Share. Table 4 below shows staff’s recommendation, which includes the projects already programmed, adjustments to the Planning and Program Monitoring (PPM) as allowed by statute, and a new focus within the STIP to construct State Route (SR) 76 between Melrose Drive and Mission Road.
The draft environmental document for this segment of SR 76 was recently released. Pending approval of the environmental document, currently scheduled for July 2008, Caltrans will be in a position to begin construction sometime in mid-2009. Following the general approach in the TransNet Plan of Finance (POF) to fund projects with a 50 percent match of state and federal sources, and trying to balance the region’s needs with the fiscal realities facing the state, staff recommends requesting a 50-50 partnership with the CTC to fund construction of this project at a level of $81.3 million. It should be noted that Caltrans and SANDAG continue to explore ways to reduce the cost of this project. Should the cost of the project be reduced after the project has been programmed, staff would recommend a reduction to the TransNet component.

Although the region could ask for a larger share of the Maximum Target, staff believes that the approach to partner with the CTC to fund construction of the SR 76 widening is more prudent and stands a better chance of being accepted and approved. Given the tight fiscal reality facing transportation programs and the looming fight to address the anticipated state budget deficit, it is unrealistic to expect the CTC to advance a significant amount of funds without a regional commitment. Despite this commitment, however, there is some risk that the CTC will reject the proposal to program SR 76 at this time due to a lack of funds. Notwithstanding, staff believes this is a reasonable and prudent course of action.

In considering which project or projects to fund, SR 76 demonstrates the greatest degree of project readiness with a draft environmental document already out for public review and significant engineering already completed. Other TransNet EAP highway and transit projects are in the preliminary engineering phase or are still preparing the environmental process and are better candidates for future cycles.

Two other programming changes included in the staff recommendation include deferring the funding for the I-15 Direct Access Ramp at Mira Mesa and for the design of the Mid-Coast Light Rail Transit project from FY 2009/10 to 2010/11. Both of these actions are proposed for two reasons: (1) to assist the CTC in trying to balance the deficit it faces in the early years of the STIP; and (2) to improve the chances that SR 76 will be programmed in FY 2009/10. The deferral for the I-15 Direct Access Ramp improves the alignment of the funding with the project schedule. The schedule for the

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GARVEE debt service for I-15 Managed Lanes</td>
<td>$16,376</td>
<td>$16,376</td>
<td>$16,376</td>
<td>$16,376</td>
<td>$16,376</td>
</tr>
<tr>
<td>SR 76 Widening from Melrose Drive to Mission Road</td>
<td>$81,300</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-15 Direct Access Ramp at Mira Mesa Boulevard</td>
<td></td>
<td>$50,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-Coast</td>
<td></td>
<td>$28,756</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning and Program Monitoring</td>
<td>$705</td>
<td>$705</td>
<td>$705</td>
<td>$705</td>
<td>$888</td>
</tr>
<tr>
<td>TE Funds for Smart Growth Incentives Program</td>
<td>$4,383</td>
<td>$5,510</td>
<td>$3,875</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TE Reserve</td>
<td></td>
<td></td>
<td></td>
<td>$3,747</td>
<td>$4,188</td>
</tr>
<tr>
<td>Total</td>
<td>$21,464</td>
<td>$103,891</td>
<td>$99,712</td>
<td>$20,828</td>
<td>$21,452</td>
</tr>
</tbody>
</table>
Corridor Mobility Improvement Account (CMIA) -funded project on the I-15 Managed Lanes would not be impacted by this programming change. Likewise, the schedule of the Mid-Coast project would not be adversely impacted by the deferral of STIP funds due to the availability of other funds, including TransNet.

**Transportation Enhancement Funds**

The CTC has identified $7.9 million in new TE funds, available in FY 2011/12 and FY 2012/13 (approximately $3.7 and $4.2 million, respectively). As part of the 2006 STIP programming exercise, the Board approved programming nearly $23 million for the Pilot Smart Growth Incentives Program through FY 2010/11. It should be noted that no commitment was made at that time regarding the use of this funding source beyond FY 2010/11.

Staff recommends programming the approximately $7.9 million in new TE funds as a Reserve at this time. The funds will not be available for at least another three years. During this time, the region can lead discussions on the prioritization of projects and programs for the use of these funds. The funding recommendation is shown in Table 3 as part of the overall 2008 STIP recommendation.

**Next Steps**

Pending recommendation by the Transportation Committee, this item is scheduled for approval at the January 25, 2007, Board of Directors meeting. The STIP proposal must be submitted to the CTC by February 19, 2008. The CTC is scheduled to adopt the statewide STIP in May 2008.

RENEE WASMUND  
Director of Finance

Key Staff Contact: José A. Nuncio, (619) 699-1908, jnu@sandag.org
SAN DIEGO SMART PARKING PILOT PROJECT

Introduction

SANDAG, Caltrans, North County Transit District (NCTD), and Federal Highway Administration (FHWA) are jointly working on the implementation of a Smart Parking Pilot Project at selected COASTER stations. The Smart Parking Pilot Project is being conducted using state and federal grant funds totaling $1.28 million. This report provides a description of the Smart Parking Pilot Project including an overview of key project efforts and milestones.

Discussion

The concept of smart parking is to utilize modern technologies to deliver an effective parking management system. Smart parking systems achieve this by collecting real-time information about the availability of parking for a particular location or space within a parking facility. This information can then be used to direct travelers to the appropriate location, reducing vehicle miles traveled and congestion in urban cores. Smart parking systems can also be used for developing parking management strategies that balance utilization and deliver enhanced services. Such strategies can be used to optimize the use of existing parking infrastructure and allow for development of parking business models; thus improving management of parking supply/demand and create funding resource opportunities for expanding and maintaining parking facilities.

The smart parking concept has been successfully implemented in European, United Kingdom, and Japanese cities to more efficiently use parking capacity and increase transit ridership. Lessons learned and research findings from these systems indicate that smart parking can result in enhanced transit services and benefits to choice transit riders. The benefits include providing convenient (provide real time and advance parking instructions and availability) and reliable access to transit parking facilities (provide pre-reserved parking management system). Research findings also suggest a significant relationship between transit use and transit parking. Providing convenient and reliable access to parking is an essential factor to making transit more competitive to driving alone.

Building upon these smart parking experiences, SANDAG, Caltrans, NCTD, and FHWA and in coordination with the project consultant, U.C. Berkeley, Partners for Advance Transit and Highway (PATH) will undertake a pilot deployment to test the smart parking concept at selected parking facilities along the COASTER corridor. This pilot project will build upon a previous research project conducted by PATH in conjunction with the Bay Area Rapid Transit (BART) District in the San Francisco Bay Area. The BART research project involved an evaluation of using smart parking for 50 parking spaces at a high-demand transit station whose parking facility was at near full capacity.

Recommendation

The Transportation Committee is asked to recommend that the Board of Directors approve amending the FY 2008 Overall Work Program Budget to add OWP element 6000800 for completion of the Smart Parking Pilot Project (Attachment 1).
The findings of the project were positive in user acceptance, attraction of new transit riders, and the introduction of pricing.

**San Diego Smart Parking Pilot Project**

The San Diego Smart Parking Pilot project will investigate the use of modern technologies to collect parking data, provide real-time parking information to COASTER customers, and examine innovative parking pricing methods. The pilot project will include the implementation of pricing strategies, subject to NCTD approval and based on review of feasibility assessment phase findings.

The primary objective of the project is to demonstrate and evaluate how smart parking system technologies can be used to:

- Improve parking management capabilities through the delivery of actual parking utilization data.
- Enhance transit services by delivering real-time information to customers as a means of increasing access, convenience, and reliability to parking availability.
- Measure user acceptance of paid and preferential based parking strategies.
- Develop and evaluate the application of parking pricing management strategies and business models as a means to generate alternative funding sources for increasing parking supply, maintenance, and enhanced parking facilities.

The project involves the installation of small stationary parking censors and wireless communications at the selected COASTER stations and transmission of data to a central system. These devices will transmit and provide real-time information about parking utilization and availability. Such a system will provide the ability to dynamically monitor parking supply by taking count data from entrance and exit points within the parking stations and also occupancy at selected parking spaces. The smart parking concept introduces a powerful management system and customer information tool which will support COASTER parking users via the internet, cell phone, or other traveler information systems like our 511 program.

Completion of the project is anticipated for summer 2010 and is inclusive of two key milestones. The first milestone includes the completion of the initial feasibility and data collection phase, which is currently underway and expected to be completed by March 2008. The second key milestone includes the development and undertaking of a pricing pilot project phase, which will be subject to NCTD review and approval. The timeline for this milestone will be initiated upon completion of the initial feasibility phase and the will run through summer of 2010. It is anticipated that progress reports and evaluations will be provided on an ongoing basis for review and approval throughout completion of the project.

**JACK BODA**
Director of Mobility Management and Project Implementation

Attachment: 1. PROGRAM WORK ELEMENT: 6000800 (New Element)

Key Staff Contact: Alex Estrella, (619) 699-1928, aes@sandag.org
PROGRAM WORK ELEMENT: 6000800
TITLE: SAN DIEGO SMART PARKING PILOT PROJECT
FY 2008 BUDGET: $320,000
STRATEGIC GOAL: IMPROVE MOBILITY

MANDATED/COMMITED: ALL
DEDICATED FUNDING: FULL

<table>
<thead>
<tr>
<th>Funds Source</th>
<th>Prior</th>
<th>FY 08</th>
<th>FY 09-11</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTA MPO Planning (5303)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>FTA Transit Planning (5307)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>FHWA Metropolitan Planning</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>FHWA CMAQ</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Federal Other</td>
<td>$0</td>
<td>$320,000</td>
<td>$320,000</td>
<td>$640,000</td>
</tr>
<tr>
<td>State Other</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>TDA Planning/Administration</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>TransNet Program</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Member Assessment</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Local Other</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$0</strong></td>
<td><strong>$320,000</strong></td>
<td><strong>$320,000</strong></td>
<td><strong>$640,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funds Application</th>
<th>Prior</th>
<th>FY 08</th>
<th>FY 09-11</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, Benefits, Indirect</td>
<td>$0</td>
<td>$35,500</td>
<td>$35,500</td>
<td>$71,000</td>
</tr>
<tr>
<td>Other Direct Costs</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Temporary Employees</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Contract Employees</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>$0</td>
<td>$284,500</td>
<td>$284,500</td>
<td>$569,000</td>
</tr>
<tr>
<td>Materials &amp; Equipment</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Pass through/In-kind Services</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$0</strong></td>
<td><strong>$320,000</strong></td>
<td><strong>$320,000</strong></td>
<td><strong>$640,000</strong></td>
</tr>
</tbody>
</table>

Note: The Smart Parking Pilot Project is being conducted by using State and Federal grant funds totaling $1.28 million. The State funds totaling $640,000 have been awarded directly to the project consultant by Caltrans Department of Research and Innovation.

**OBJECTIVE**

The objectives of this work element are to: (1) examine the use of modern technologies as a cost effective solution for improving parking management; (2) enhancing transit services by providing customers access to real-time parking availability; (3) conduct ongoing evaluation of user acceptance of paid and preferential based parking strategies; and (4) evaluate parking pricing business models as a means to generate alternative funding sources for increasing parking supply and enhanced parking facilities. The objectives
are intended to serve as the framework for determining if smart parking systems can be expanded to other transit facilities and to establish the core components of a regional parking management system.

PREVIOUS AND ONGOING WORK

SANDAG seeks to build upon a smart parking system research project conducted in the San Francisco Bay Area through the completion of a pilot project. Through this project, SANDAG will investigate the use of modern technologies to collect parking data, provide real-time information to COASTER customers, and examine innovative parking pricing methods. The study area and corresponding data collection, analysis, and initial feasibility assessment phase will be based on information gathered at COASTER rail. Completion of the project is anticipated for summer 2010.

Committee(s): Transportation Committee
Working Group(s): Intelligent Transportation System CEO Working Group
Project Manager: Alex Estrella

PRODUCTS, TASKS, AND SCHEDULES

<table>
<thead>
<tr>
<th>LEVEL OF MANDATE</th>
<th>TASK #</th>
<th>% OF EFFORT</th>
<th>TASK DESCRIPTION / PRODUCT / COMPLETION DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANDATED</td>
<td>COMMITTED</td>
<td>PRIORITY</td>
<td></td>
</tr>
<tr>
<td>RTPA</td>
<td>ITS</td>
<td>Technology</td>
<td>1</td>
</tr>
<tr>
<td>RTPA</td>
<td>ITS</td>
<td>Technology</td>
<td>2</td>
</tr>
<tr>
<td>RTPA</td>
<td>ITS</td>
<td>Technology</td>
<td>3</td>
</tr>
<tr>
<td>RTPA</td>
<td>ITS</td>
<td>Technology</td>
<td>4</td>
</tr>
</tbody>
</table>

FUTURE ACTIVITIES

Future activities will include continued pilot project oversight and coordination with regional and local agency project partners including NCTD and Caltrans. Efforts will include review and documentation of the
entire process and background work for developing, implementing, and operating the smart parking system. SANDAG anticipates that the results from the pilot project implementation will provide keen insight to other agencies interested in establishing a smart parking system as a tool to help better manage parking demand and as a mean for implementing a parking pricing strategy. For the San Diego region, pilot project outcomes will serve as the framework for determining if smart parking systems can be expanded to other transit facilities as a means to increase transit mode-share, and create an ongoing revenue stream.

Accordingly, should the pilot prove successful, SANDAG staff would work to investigate the application of this smart parking system concept on a system-wide basis to expand beyond transit and include, municipal, and private facilities. This could potentially lead to a regional parking management system and provide an effective demand management tool for decreasing congestion.

[PLEASE RETURN APPROVED COPY WITH AGENDA REPORT TO GWEN KRUGER, DOCUMENT PROCESSING, AND TIM WATSON, FINANCE]
SAN DIEGO ASSOCIATION OF GOVERNMENTS
TRANSPORTATION COMMITTEE
January 18, 2008
AGENDA ITEM NO.: 11A

Action Requested: RECOMMEND

TransNet PLAN OF FINANCE UPDATE

File Number 1110200

Introduction

In December 2005, the SANDAG Board of Directors approved the first Plan of Finance (POF) for the TransNet extension and established a financial strategy for implementing the Early Action Program (EAP) of projects and fulfilling ongoing commitments for the existing TransNet program. The financial strategy approved by the Board included expanding the existing commercial paper program from $135 million to $335 million, locking in low interest rates through an interest rate exchange agreement (swap), and issuing $600 million of long-term variable rate debt in April 2008. The POF was approved by the SANDAG Board of Directors with the understanding that the POF is a dynamic process that requires continual refinement as circumstances change, and should be updated at least annually. Therefore, the POF was updated for the first time in December 2006 when three transit projects were added to the EAP. Although this update is consistent with an annual cycle, an update of the POF is particularly appropriate at this time to support the pending issuance of $600 million in long-term variable rate debt, which will activate the financing strategy and interest rate swaps approved by the Board of Directors in December 2005.

The EAP was established to “jump-start” the implementation of several key projects prior to the beginning of TransNet Extension in FY 2009, with the objective of completing those projects within the first five to seven years of the new program. This visionary action has resulted in much progress on several EAP projects in the last two years and the execution of the plan to issue long-term bonds will allow for this momentum to continue. The proposed POF update presented in this report confirms that both the EAP and the overall TransNet Program of projects can be completed with some potential adjustments to project schedules, a greater commitment to securing matching funds and a modification to the funding set-aside established in December 2005.

Recommendation

The Transportation Committee is asked to recommend that the Board of Directors approve the following: a preferred TransNet Plan of Finance (POF) Update; and the revision of the set-aside for the future State Transportation Improvement Program (STIP), Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Program (STP) funds from 15 percent to 6 percent and include State and Local Partnership Program (SLPP) funds in this set-aside. These actions will support the pending issuance of $600 million in long-term variable rate debt, which will activate the financing strategy and interest rate swaps approved by the Board of Directors in December 2005.
Discussion

On December 14, 2007, a proposed update to the TransNet POF was presented to the Transportation Committee as an information item. As a result of the presentation of the item, it was requested that staff return to the January 18, 2008, Transportation Committee meeting with a revision to the POF update taking into account input received from the committee members. This report will summarize the input received from the Transportation Committee on December 14, 2007, and will present three new POF Update scenarios developed in response to the input. In addition, the original POF Update and the three new scenarios were presented to the Independent Taxpayers Oversight Committee (ITOC) at its January 9, 2008, meeting. This report summarizes ITOC’s input for the consideration of the Transportation Committee.

Summary of Transportation Committee Input/Comments on POF Update

The major issue involved in the input received from the Transportation Committee regarding the POF Update was the proposed revision to the Mid-Coast Transit project schedule. The Mid-Coast project schedule for completion was proposed for extension from 2014 to 2020. This schedule revision was proposed for several reasons including the anticipated difficulty in securing a federal full funding grant agreement for the Light Rail Transit (LRT) project alternative as required by the TransNet extension ordinance and the need to balance overall cash flow for the TransNet program with few other alternatives within the EAP to do so. Several of the committee members expressed concern over the extended schedule for the Mid-Coast Transit project, as well as the I-805/South Bay Bus Rapid Transit project and were interested in seeing an alternative(s) that would hold the current EAP project schedules and more information on the effects of schedule changes on non-EAP projects.

POF Update Alternative Scenarios

In addition to the originally proposed POF Update (Attachments 1 and 2), three additional alternative scenarios have been developed to address the input received from the Transportation Committee. All three alternative scenarios assume the same revision to the set-asides for non-TransNet funds as in the original scenario.

Alternative Scenario 1, Hold All Current EAP Schedules - This scenario would maintain the current schedules included in the EAP for all projects, including the Mid-Coast Transit project (Attachments 3 and 4). This scenario results in a negative cash flow for the TransNet program beginning in approximately 2026 with a need to add approximately $3 billion in new non-TransNet funds to complete all of the projects contained in the program. The additional funds required represent approximately 7 percent of the overall program in escalated dollars and approximately $1.2 billion in 2006 dollars, discounted at a 3 percent rate.

Alternative Scenario 2, Hold Current Mid-Coast Schedule and Adjust Other EAP Projects - This scenario would maintain the current schedule included in the EAP for the Mid-Coast Transit project, and would extend other EAP project schedules to 2020 including I-805/BRT, SR 76, Blue/Orange Lines Trolley upgrades and mid-City Rapid Bus project (Attachments 5 and 6). This scenario results in a very similar cash flow for the TransNet program as the original proposal to adjust only the Mid-Coast Transit project to 2020, with a negative cash flow beginning in approximately 2042 with a need to add approximately $2.3 billion in new non-TransNet funds to complete all of the projects.
contained in the program. The additional funds required represent approximately 6 percent of the overall program in escalated dollars and approximately $700 million in 2006 dollars, discounted at a 3 percent rate.

Alternative Scenario 3, Shared EAP Schedule Adjustments - This scenario would maintain the current schedules included in the EAP for all projects currently in construction, but would adjust all of the other projects to complete in 2018 including Mid-Coast Transit, I-805/BRT, SR 76, Blue/Orange Lines Trolley upgrades, and mid-City Rapid Bus project (Attachments 7 and 8). This scenario results in a negative cash flow for the TransNet program beginning in approximately 2033 with a need to add approximately $2.5 billion in new non-TransNet funds to complete all of the projects contained in the program. The additional funds required represent approximately 5 percent of the overall program in escalated dollars and approximately $722 million in 2006 dollars, discounted at a 3 percent rate.

All four scenarios are summarized in the following table:

<table>
<thead>
<tr>
<th>Scenario</th>
<th>EAP Completion (year)</th>
<th>Negative Cash Flow (year)</th>
<th>Additional Revenues (escalated $)</th>
<th>Present Value of Additional Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original – Adjust Mid-Coast</td>
<td>2020</td>
<td>2042</td>
<td>$2.3 billion</td>
<td>$725 million</td>
</tr>
<tr>
<td>Alt 1 – Hold All EAP</td>
<td>2014</td>
<td>2026</td>
<td>$2.8 billion</td>
<td>$1.2 billion</td>
</tr>
<tr>
<td>Alt 2 – Hold Mid-Coast</td>
<td>2020</td>
<td>2042</td>
<td>$2.2 billion</td>
<td>$700 million</td>
</tr>
<tr>
<td>Alt 3 – Shared EAP Schedule Adjustments</td>
<td>2018</td>
<td>2037</td>
<td>$2.1 billion</td>
<td>$722 million</td>
</tr>
</tbody>
</table>

These POF Update scenarios were presented to the ITOC at its January 9, 2008, meeting. The ITOC unanimously approved a recommendation to the Transportation Committee of Alternative Scenario 1 – Hold all EAP Schedules. In support of this position the ITOC members generally felt that it was early in the program and although it is important to monitor trends in both revenues and costs, at this time it was important to fulfill the commitments made in the EAP. The committee expressed confidence that future opportunities would be available to secure additional matching funds well in advance of the potential for a negative cash balance within the program.

Moving forward with the EAP and overall TransNet program with the chosen modifications to the POF will allow the momentum gained in these past two years to continue. By delivering a combination of finished construction projects and critical development milestones on other projects, the region will be providing for the mobility needs of its citizens while continuing to successfully compete for the additional funds the program will need in the future. Therefore, these three new scenarios, combined with the originally proposed POF Update are being presented for consideration in making a recommendation for the appropriate course of action.
Regardless of the scenario chosen to follow at this juncture, the TransNet POF is a constantly evolving process that involves continuous monitoring and review of revenues and costs and the constant search for additional matching funds to leverage over the 40-year span of the program. The POF will be updated on a continuous basis, and an ongoing updating process will flag any significant changes in the key assumptions used in the financial model. The Transportation Committee and Board of Directors will be advised of any major developments and will consider any recommended changes to the approved financial strategy.

CHARLES “MUGGS” STOLL
TransNet Program Manager

Attachments: 1. Original December 14, 2007 POF Update Scenario - Schedule
               2. Original December 14, 2007 POF Update Scenario – Cash Balance
               3. Alternative Scenario 1, Hold all Current EAP Schedules - Schedule
               4. Alternative Scenario 1, Hold all Current EAP Schedules - Cash Balance
               5. Alternative Scenario 2, Hold Mid-Coast Transit Project and Adjust Other EAP Project Schedules - Schedule
               6. Alternative Scenario 2, Hold Mid-Coast Transit Project and Adjust Other EAP Project Schedules – Cash Balance
               7. Alternative Scenario 3, Shared EAP Schedule Adjustments – Schedule
               8. Alternative Scenario 3, Shared EAP Schedule Adjustments – Cash Balance

Key Staff Contact: Charles “Muggs” Stoll, (619) 699-6945, mst@sandag.org
EAP Project Delivery Schedules

<table>
<thead>
<tr>
<th>Corridor</th>
<th>'07</th>
<th>'08</th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
<th>'14</th>
<th>'15</th>
<th>'16</th>
<th>'17</th>
<th>'18</th>
<th>'19</th>
<th>'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>I-5 ED &amp; LOMAS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-15 ML &amp; BRT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-805 ED &amp; BRT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 52 Extension &amp; Widening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 76 Widening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-Coast Transit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPRINTERS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue/Orange Lines Upgrades</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-City Rapid Bus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Abbreviations**
- BRT = Bus Rapid Transit
- ED = Environmental Document
- LOMAS = Lomas Santa Fe Interchange
- ML = Managed Lanes

Plan of Finance Schedule

Board Approved Schedule (*TransNet* Dashboard Schedule)
Plan of Finance Update
Projected Cash Balance and EAP Project Completion

Millions of Dollars

EAP TransNet Projects
Non-EAP TransNet Projects

Additional Matching Funds Required

5%
Hold EAP Schedules

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I-5 ED &amp; LOMAS</td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-15 ML &amp; BRT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-805 ED &amp; BRT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 52 Extension &amp; Widening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 76 Widening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-Coast Transit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPRINTERS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue/Orange Lines Upgrades</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-City Rapid Bus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
</tr>
</tbody>
</table>

Abbreviations
BRT = Bus Rapid Transit
ED = Environmental Document
LOMAS = Lomas Santa Fe Interchange
ML = Managed Lanes

Plan of Finance Schedule
Board Approved Schedule (TransNet Dashboard Schedule)
Hold Mid-Coast – Corridor Schedule

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I-5 ED &amp; LOMAS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-15 ML &amp; BRT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-805 ED &amp; BRT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 52 Extension &amp; Widening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 76 Widening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-Coast Transit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPRINTERS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue/Orange Lines Upgrades</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-City Rapid Bus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Abbreviations
BRT = Bus Rapid Transit
ED = Environmental Document
LOMAS = Lomas Santa Fe Interchange
ML = Managed Lanes

Plan of Finance Schedule
Board Approved Schedule (TransNet Dashboard Schedule)
Plan of Finance: Hold Mid-Coast Schedule
End Balance

Millions of Dollars

EAP TransNet Projects
Non-EAP TransNet Projects

Fiscal Years

'08 '10 '12 '14 '16 '18 '20 '22 '24 '26 '28 '30 '32 '34 '36 '38 '40 '42 '44 '46 '48

6%

Attachment 6
Alternative Scenario 2, Hold Mid-Coast Transit Project and Adjust Other EAP Project Schedules-Cash Balance
Shared EAP Schedule Adjustments – Corridor Schedule

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5 ED &amp; LOMAS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 ML &amp; BRT</td>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>805 ED &amp; BRT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 52 Extension &amp; Widening</td>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 76 Widening</td>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coast Transit</td>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPRINTER</td>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue/Orange Lines Upgrades</td>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-City Rapid Bus</td>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Abbreviations
BRT = Bus Rapid Transit
ED = Environmental Document
LOMAS = Lomas Santa Fe Interchange
ML = Managed Lanes

Plan of Finance Schedule
Board Approved Schedule (TransNet Dashboard Schedule)
Plan of Finance: Shared EAP Schedule Adjustments
End Balance
TransNet DRAFT BOND DOCUMENTS UPDATE

Introduction

In December 2005, the Board of Directors approved a TransNet extension financial strategy for implementing the Early Action Program (EAP) of projects and for fulfilling ongoing commitments for the existing TransNet program. The financial strategy approved by the Board included expanding the existing commercial paper program from $135 million to $335 million, locking in low interest rates through an interest rate exchange agreement (swap), and issuing $600 million of long-term variable rate debt in April 2008. This strategy is now moving into the implementation stage and this report provides an update on the preparations for the transaction, an overview of the current market conditions, and an opportunity to review the draft bond documents.

Discussion

The upcoming transaction involves utilizing the interest rate exchanges (swaps) set up in December 2005, assessing current market conditions, and proactively refining the issuance procedures and instruments to position SANDAG to take advantage of its tremendous credit strengths. A comprehensive description of these activities is detailed in a memorandum from the financial advisors, Public Financial Management, Inc. (Attachment 1). As described in the memorandum, SANDAG representatives and the financial team will be meeting with bond insurers and rating agencies on January 16 and 17, 2008, and a verbal report will be made to the Transportation Committee on the results of the meetings. In addition to the financial strategy, this report includes the draft bond documents (Attachments 2-10) for review and information.

Both the financial advisor and bond counsel will be available to address the Transportation Committee and respond to questions regarding the pending transaction.

Next Steps

Following is the proposed schedule:

- January 25 Board of Directors – approve TransNet Plan of Finance Update; review of preliminary draft bond documents
- February 13 Independent Taxpayer Oversight Committee – final update on status of bond issue and recommend approval to Transportation Committee
- February 15 Transportation Committee – final review of bond documents; recommend approval to Board of Directors
- February 22 Board of Directors – final review and approval of bond documents
The visionary action to approve this financial strategy in 2005 has resulted in much progress on several EAP projects in the last two years and the final execution of the plan to issue long-term debt will allow for this momentum to continue. The funds the bonds provide will allow the expedited delivery of finished construction projects and critical development milestones on other projects, providing for the mobility needs of the region while continuing to successfully compete for the additional funds the program will need in the future.

RENÉE WASMUND
Director of Finance

2. Draft Board Resolution
3. Draft Bond Indenture
4. Draft First Supplemental Bond Indenture
5. Draft Official Statement
6. Draft Bond Purchase Agreement
7. Draft Remarketing Agreement
8. Draft Broker-Dealer Agreement
9. Draft Auction Agreement
10. Draft Continuing Disclosure Certificate

Key Staff Contact: Charles “Muggs” Stoll, (619) 699-6945, mst@sandag.org
TransNet DRAFT BOND DOCUMENTS UPDATE

Attachments:  
2. Draft Board Resolution  
3. Draft Bond Indenture  
4. Draft First Supplemental Bond Indenture  
5. Draft Official Statement  
6. Draft Bond Purchase Agreement  
7. Draft Remarketing Agreement  
8. Draft Broker-Dealer Agreement  
9. Draft Auction Agreement  
10. Draft Continuing Disclosure Certificate
January 7, 2008

Memorandum

To: SANDAG Transportation Committee
From: Keith D. Curry
Re: Bond Finance Strategy

In light of the recent turbulence in the municipal bond market, the staff has asked us to outline the approach being taken by SANDAG for the upcoming $600 million bond issue, and the options for responding in the event market conditions change.

Background

As you are aware, in 2005, SANDAG put into place forward starting interest rate swap agreements to achieve a synthetic fixed cost of funds of 3.8165% for $400 million and 3.41% for $200 million (exclusive of bond support costs). These hedges become effective on April 1, 2008. Therefore, it is necessary to put into place underlying bonds to match the hedges by that date. A recent update of the Plan of Finance indicates the ability to spend this money within the time allowed under Federal arbitrage rules.

Of the $600 million in swaps, $400 million are at 65% of LIBOR, (London Interbank Offered Rate), converting in the tenth year to the Securities Industry and Financial Markets Association (SIFMA, formerly BMA or Bond Market Association), index, and $200 million are tied to 65% of the LIBOR index. The 65% of LIBOR index is a taxable proxy for floating rate tax-exempt debt. SANDAG pays a fixed rate (3.8165% and 3.41%) respectively, and receives a variable rate payment equal to these indices. Accordingly, our goal in structuring your debt is to ensure that the variable rate bonds we issue trade at a level equal to or less than the rate we are receiving from the swap counterparties. To the extent the rates we pay are lower, SANDAG receives additional “value” in that its all-in fixed rate is lower. To the extent the rates we pay are higher, we experience what is known as “leakage” in that our cost of funds becomes the sum of both the fixed rate we pay and the difference between what we receive and what we pay on the variable rate bonds.

Based on the underwriting proposals received in October, the preliminary plan of finance called for SANDAG to issue $300 million in Variable Rate Demand Bonds (VRDBs), and $300 million in Auction Rate Securities (ARS). Both are forms of variable rate bonds. Traditionally, VRDBs are supported by a bank provided liquidity facility or letter or credit, and ARS are supported by bond insurance.
Because California VRDBs generally trade slightly better than the SIFMA or 65% of LIBOR indexes, achieving the appropriate correlation with the index is not likely to be difficult. The recommendation to use ARS securities was based on substantial trading evidence indicating that ARS over the past several years have outperformed VRDBs by approximately 20 basis points in California, and thus provided the opportunity to achieve significant value for SANDAG, while maintaining a diversified variable rate portfolio.

In mid-December however, this trading relationship changed and ARS began to trade approximately 40-50 basis points higher than VRDBs. This change was not so much related to the nature of the bonds themselves, as with the uncertainty of the underlying bond insurers. This uncertainty is part of the “sub-prime” lending market fallout.

For many years, financial institutions have been bundling mortgage obligations into securities, known as Collateralized Mortgage Obligations (CMOs), or comparable bundled securities. Bond insurance providers then tranche these securities and provide a AAA guarantee on the highest tranche. Because of the massive disruption in the mortgage market, there is a heightened potential for even AAA-rated CMOs to default, and rating agencies are requiring bond insurance providers to reserve substantially more capital in order to maintain their AAA ratings.

Because nearly all bond insurance providers (with the exception of FSA), have exposure to mortgage debt obligations, their continued ability to maintain AAA ratings was threatened. This caused a general repricing of debt in the market, but was most acutely felt in the ARS market because ARS securities do not have a “liquidity put” allowing owners to quickly exit the security.

Currently, bond insurance providers are raising capital to avoid ratings downgrades. While most are expected to achieve this goal, the potential remains that one or more major municipal bond insurers may be downgraded, triggering a devaluation in bonds insured by that firm. It is unclear how long this uncertainty may remain.

As you know, PFM and your banking team have been monitoring this situation since the beginning and we have held several strategy discussions to determine the most prudent course for SANDAG in light of these developments and the need to close this transaction prior to April first.

**Strategy**

Our current strategy can be summarized as follows:

1. Achieve AA underlying ratings. Strong underlying ratings are a key element in avoiding any trading penalty in today’s market.
2. Solicit credit support for the VRDBs in various forms and consider using the full range of proposers to convert the entire transaction to VRDBs if strong bank bids are received. Because of the disruption in the market, many issuers are converting their ARS bonds to VRDBs while at the same time, major banks are retrenching due to the sub-prime crisis. This may result in a scarcity or higher price for bank liquidity. Because of SANDAG’s strong reputation and credit, we are confident that you will receive cost effective and sufficient credit proposals to issue the entire issue as VRDBs should we so choose. This will mitigate the potential for basis leakage in the transaction. In addition, we are planning to reduce the existing authorized commercial paper program by approximately $235 million to $100 million. This will free up capacity from SANDAG’s existing liquidity providers that can be applied to the VRDB program, while at the same time, reducing your outstanding liquidity costs. This bond issue is expected to eliminate the need for substantial commercial paper capacity for several years.

3. Request insurance proposals. This will allow us to make a cost effectiveness determination of ARS, or of issuing insured VRDBs with a lower cost liquidity facility. By doing this, we are maintaining the maximum amount of flexibility going forward. As you know, your bond documents are “multi-modal,” providing the ability to move between maturity dates and modes as market conditions dictate. This allows us to readjust the underlying bonds should market conditions change in the future.

4. Review the Swap structure. As you know, we are constantly reviewing the swap structure to determine if a simple swap reversal would serve the interests of SANDAG. Because you have locked up historically low rates, and the termination of one or a portion of your swaps would result in a payment due, we do not recommend this course of action now.

We are currently scheduled to make rating agency and bond insurer presentations in San Francisco on January 16-17, to receive underlying ratings on January 31 and to receive insurance and bank credit proposals on February 5. The outcomes of these processes will provide additional information on which to base further strategic decisions.

We would note that the market continues to be volatile and economic circumstances may change prior to our expected sale in March. As currently structured, this transaction allows SANDAG to respond to any foreseeable changes in market conditions.

In conclusion, we would note that while the market is experiencing turbulence, there are always ready buyers for high quality municipal bonds. SANDAG’s economic strength, market record and strong credit, reflected in expected AA underlying ratings, ensures ready market access. SANDAG’s decision in 2005 to hedge $600 million of the TransNet program at rates below 4% remains a sound and prudent step to ensuring maximum program funding during the life of the TransNet tax. As you know, this rate is substantially below your
historic long-term borrowing rate and provides a substantial hedge against higher rates in the future or reduced sales tax proceeds.

Please feel free to call should you have any questions regarding this transaction.

Best wishes.
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

RESOLUTION NO. RC ____

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), SERIES 2008, THE EXECUTION AND DELIVERY OF AN INDENTURE, SUPPLEMENTAL INDENTURES, PURCHASE CONTRACTS, OFFICIAL STATEMENTS, REMARKETING AGREEMENTS, SUPPORT AGREEMENTS, AN AUCTION AGREEMENT AND BROKER-DEALER AGREEMENTS, AND DELEGATING TO THE CHAIR AND SECRETARY OF THE BOARD OF DIRECTORS OF THE COMMISSION AND THE EXECUTIVE DIRECTOR OF THE COMMISSION POWER TO COMPLETE SAID DOCUMENTS, AUTHORIZING DISTRIBUTION OF SAID DOCUMENTS AND AUTHORIZING TAKING OF ALL NECESSARY ACTIONS.

WHEREAS, the San Diego County Regional Transportation Commission (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 Sections 132000 through 132314, inclusive, of the Public Utilities Code of the State of California (the "San Diego Regional Transportation Commission Act" or "Act"), 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 of the State of California 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, the Board of Directors (the "Board") of 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 Act and other applicable
provisions of the laws of the State of California (collectively, the "Law"), is authorized to issue
bonds payable from the proceeds of the retail transactions and use tax levied by the Commission;

WHEREAS, the Commission has heretofore issued its Second Senior Sales Tax Revenue
Bonds (Limited Tax Bonds) (the "Second Senior Bonds"), pursuant to an Indenture dated as of
October 1, 1992 (as amended and supplemented, the "1992 Indenture"), by and between the
Commission and U.S. Bank National Association, as successor trustee;

WHEREAS, all outstanding Second Senior Bonds mature on April 1, 2008 and the 1992
Indenture is expected to be discharged prior to the date of issuance of the Series 2008 Bonds (as
defined below);

WHEREAS, the Commission has heretofore authorized the issuance of not to exceed
$335,000,000 in aggregate principal amount of Subordinate Sales Tax Revenue Commercial
Paper Notes (Limited Tax Bonds), Series A, Series B, and Series C (collectively, the "CP
Notes"), pursuant to an Amended and Restated Subordinate Indenture dated as of November 1,
2005 (the "Subordinate Indenture"), by and between the Commission and U.S. Bank National
Association, as trustee;

WHEREAS, the Commission hereby determines that one or more new series or subseries
of bonds in an aggregate principal amount of not to exceed six hundred million dollars
($600,000,000), to be secured by a lien on the retail transactions and use tax on a parity with the
Second Senior Bonds and senior to the lien on such tax which secures the CP Notes, is necessary
to provide funds for planned expenditures as permitted by the Law, including, but not limited to,
the funding of certain transportation facility and public infrastructure improvements within the
County of San Diego, the funding of habitat-related environmental mitigation and enhancement
requirements, the funding of capitalized interest and a reserve for such bonds, the retirement of
outstanding CP Notes and the payment of costs of issuance incurred in connection with such
bonds, and has determined that such bonds in an amount not to exceed such principal amount
shall be issued and entitled, subject to additional series and subseries designations, "San Diego
County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds),
Series 2008" (the "Series 2008 Bonds");

WHEREAS, the Commission hereby further determines that such series or subseries of
bonds (each series or subseries, a "Series of 2008 Bonds") shall be issued pursuant to an
Indenture dated as of March 1, 2008 (the "Indenture"), as amended and supplemented, including
as amended and supplemented by one or more Supplemental Indentures thereto (each, a
"Supplemental Indenture"), which Indenture and Supplemental Indentures are proposed to be
entered into by the Commission and U.S. Bank National Association, as trustee (the "Trustee");

WHEREAS, the Executive Director of the Commission has caused to be prepared and
presented to the Commission a proposed form of the Indenture and a proposed form of
Supplemental Indenture;
WHEREAS, the Commission, in order to minimize debt service and hedge against rising interest rates, has heretofore entered into interest rate swap agreements (the "Initial Swaps") with Bank of America, N.A., Goldman Sachs Mitsui Marine Derivative Products, L.P., and Merrill Lynch Capital Services, Inc., such Initial Swaps are effective on April 1, 2008, and regularly-scheduled payments thereunder are to be made on a parity with the Series 2008 Bonds;

WHEREAS, in order to minimize debt service and maximize benefits to the Commission in connection with the issuance of the Series 2008 Bonds, it may be desirable to issue one or more Series of 2008 Bonds as variable rate demand bonds, including but not limited to bonds bearing interest at a weekly rate or a daily rate (the "Variable Rate Demand Bonds") and one or more Series of 2008 Bonds as bonds bearing interest at auction rates (the "Auction Rate Bonds");

WHEREAS, in order to set forth the terms of sale of the Series 2008 Bonds, the Commission proposes to enter into one or more purchase contracts (each, a "Purchase Contract"), with Lehman Brothers Inc., or J.P. Morgan Securities Inc., as managing underwriter with respect to any of the Series 2008 Bonds issued as Variable Rate Demand Bonds or as Auction Rate Bonds, respectively, on behalf of itself and the other underwriters, including Goldman Sachs & Co. and UBS Securities LLC (collectively, the "Purchasers");

WHEREAS, the Purchasers have caused to be prepared and submitted to the Commission a proposed form of Purchase Contract;

WHEREAS, in order to provide for the remarketing of any Series of 2008 Bonds issued as Variable Rate Demand Bonds, the Commission proposes to enter into remarketing agreements (each, a "Remarketing Agreement") with one or more of the Purchasers (each, a "Remarketing Agent," and, collectively, the "Remarketing Agents");

WHEREAS, the Remarketing Agents have caused to be prepared and submitted to the Commission a proposed form of Remarketing Agreement;

WHEREAS, in order to provide liquidity support, credit enhancement or both, for any Series of Series 2008 Bonds issued as Variable Rate Demand Bonds, the Commission proposes to enter into one or more credit agreements, reimbursement agreements, standby bond purchase agreements or other liquidity or credit support agreements (each, a "Support Agreement"), containing such terms and conditions as the Executive Director of the Commission considers appropriate and with a financial institution or insurance company or association (each a "Support Provider," and, collectively, the "Support Providers") to be selected by the Executive Director of the Commission;

WHEREAS, in order to provide for the management of auctions for any Series of 2008 Bonds issued as Auction Rate Bonds, the Commission may enter into broker-dealer agreements (each, a "Broker-Dealer Agreement") with UBS Securities LLC and J.P. Morgan Securities Inc., and, at a later date, E.J. De La Rosa & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (each, a "Broker-Dealer," and, collectively, the "Broker-Dealers");

WHEREAS, the Broker-Dealers have caused to be prepared and submitted to the Commission a proposed form of Broker-Dealer Agreement;
WHEREAS, in order to provide for an auction agent for any Series of 2008 Bonds issued as Auction Rate Bonds, the Trustee may enter into an auction agreement (the "Auction Agreement") with a financial institution (the "Auction Agent") selected by the Executive Director of the Commission;

WHEREAS, the Executive Director of the Commission has caused to be prepared and presented to the Commission a proposed form of Auction Agreement;

WHEREAS, in order to assist the Purchasers in providing annual disclosure and disclosure of certain events with respect to any Series of 2008 Bonds issued as Auction Rate Bonds, the Commission may enter into a continuing disclosure certificate (the "Continuing Disclosure Certificate") with Digital Assurance Certification, L.L.C., as dissemination agent thereunder;

WHEREAS, the Executive Director of the Commission has caused to be prepared and presented to the Commission a proposed form of Continuing Disclosure Certificate;

WHEREAS, in order to provide information about the Series 2008 Bonds and related matters to purchasers and potential purchasers of the Series 2008 Bonds, the Commission proposes to execute and deliver one or more official statements (each, an "Official Statement");

WHEREAS, the Executive Director of the Commission has caused to be prepared and presented to the Commission a proposed form of Official Statement;

WHEREAS, the Commission has been presented with the form of the Indenture, the Supplemental Indenture, the Purchase Contracts, the Remarketing Agreements, the Broker-Dealer Agreements, the Auction Agreement, the Continuing Disclosure Certificate and the Official Statement relating to the financing described herein (the "Financing"), and the Commission has examined and approved each document and desires to authorize and direct the execution of such documents as are specified herein and such other documents as are necessary in connection with the Financing and to authorize and direct the consummation of the Financing; 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 Financing 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 such Financing, to approve the form of Auction Agreement, and to authorize the execution of the Indenture, one or more Supplemental Indentures, one or more Purchase Contracts, one or more Support Agreements, one or more Remarketing Agreements, one or more Broker-Dealer Agreements, the Continuing Disclosure Certificate and one or more Official Statements 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 issuance by the Commission of not to exceed $600,000,000 aggregate principal amount of San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), as Variable Rate Demand Bonds or Auction Rate Bonds or a combination thereof, in accordance with the provisions of the Indenture, in one or more series or subseries, in order to finance certain transportation facility and public infrastructure improvements within the County of San Diego, finance habitat-related environmental mitigation and enhancement requirements including but not limited to land acquisition and restoration, fund capitalized interest and a reserve fund for the Series 2008 Bonds, pay all or a portion of the CP Notes, and pay costs of issuance incurred in connection with the Series 2008 Bonds, is hereby authorized and approved.

Section 2. The proposed form of the Indenture and the proposed form of the Supplemental Indenture, between the Commission and the Trustee, submitted to the Commission, and the terms and conditions thereof, are hereby approved. The Secretary of the Board is directed to file a copy of both said form of Indenture and form of Supplemental Indenture with the minutes of this meeting, and the Chair of the Board and the Secretary of the Board are authorized and directed to execute and deliver the Indenture and one or more Supplemental Indentures to the Trustee, in substantially such form, and with such additions thereto or changes therein, as they, with the advice of Orrick, Herrington & Sutcliffe LLP, as bond counsel ("Bond Counsel"), shall approve, such approval to be conclusively evidenced by the execution and delivery of the Indenture and each Supplemental Indenture. The structure, date, maturity date or dates (not to exceed April 1, 2038), fixed or variable interest rate or rates (such rates not to exceed a maximum of 12% per annum) or methods of determining the same, interest payment dates, forms, registration privileges, place or places of payment, terms of redemption (optional redemption may or may not be provided as determined by the Executive Director), tender, mandatory purchase, additional series designation and number thereof and other terms of the Series 2008 Bonds shall be (subject to the foregoing limitations) as provided in the Indenture and each Supplemental Indenture as finally executed and delivered.

Section 3. The proposed form of the Official Statement describing the Series 2008 Bonds, the bond features which may be selected in connection with the issuance of the Series 2008 Bonds, and related matters, submitted to the Commission, is hereby approved. The Chair of the Board or the Executive Director of the Commission is hereby authorized and directed to execute and deliver one or more final Official Statements in substantially such form, and with such additions thereto or changes therein, as the Chair of the Board or Executive Director of the Commission, with the advice of disclosure counsel, shall approve, such approval to be conclusively evidenced by the execution and delivery of each Official Statement. The Purchasers are hereby authorized and directed to distribute copies of each Official Statement to persons purchasing the Series 2008 Bonds.

Section 4. The proposed form of Purchase Contract providing for the sale of the Series 2008 Bonds submitted to the Commission, and the terms and conditions thereof, are hereby approved. The Secretary of the Board is directed to file a copy of said form of the Purchase Contract with the minutes of this meeting. The sale of the Series 2008 Bonds to the Purchasers at the principal amount thereof, less an underwriters' discount (or subject to an underwriters' fee payable by the Commission to the Purchasers) of not to exceed three-tenths of one percent (0.30%) of such principal amount in accordance with said Purchase Contract, be and
is hereby authorized and approved, and the Chair of the Board or the Executive Director of the Commission or his or her designee is authorized and directed to complete, execute and deliver one or more Purchase Contracts in substantially such form, providing for the sale of one or more series or subseries of Series 2008 Bonds not to exceed $600,000,000 in aggregate principal amount, at such principal amounts, with such fixed or variable interest rates, maturities and discounts to be specified therein, and with such additions thereto or changes therein, as the Chair of the Board or Executive Director of the Commission or his or her designee, with the advice of Bond Counsel, shall approve, such approval to be conclusively evidenced by the execution and delivery of the Purchase Contracts.

Section 5. The proposed form of Remarketing Agreement providing for the remarketing by a Remarketing Agent of any Series of 2008 Bonds issued as Variable Rate Demand Bonds submitted to the Commission, and the terms and conditions thereof, are hereby approved. The Secretary of the Board is directed to file a copy of said form of Remarketing Agreement with the minutes of this meeting. The Chair of the Board or the Executive Director of the Commission or his or her designee is authorized and directed to complete, execute and deliver one or more Remarketing Agreements in substantially such form, with such additions thereto or changes therein, as the Chair of the Board or Executive Director of the Commission or his or her designee, with the advice of Bond Counsel, shall approve, such approval to be conclusively evidenced by the execution and delivery of each Remarketing Agreement.

Section 6. The proposed form of Broker-Dealer Agreement providing for the management of auctions by a Broker-Dealer for any Series of 2008 Bonds issued as Auction Rate Bonds submitted to the Commission, and the terms and conditions thereof, are hereby approved. The Secretary of the Board is directed to file a copy of said form of Broker-Dealer Agreement with the minutes of this meeting. The Chair of the Board or the Executive Director of the Commission or his or her designee is authorized and directed to complete, execute and deliver one or more Broker-Dealer Agreements in substantially such form, with such additions thereto or changes therein, as the Chair of the Board or Executive Director of the Commission or his or her designee, with the advice of Bond Counsel, shall approve, such approval to be conclusively evidenced by the execution and delivery of each Broker-Dealer Agreement.

Section 7. The proposed form of the Auction Agreement submitted to the Commission providing for an Auction Agent for any Series of 2008 Bonds issued as Auction Rate Bonds, and the terms and conditions thereof, are hereby approved. The Secretary of the Board is directed to file a copy of said form of Auction Agreement with the minutes of this meeting.

Section 8. The proposed form of the Continuing Disclosure Certificate submitted to the Commission relating to any Series of 2008 Bonds issued as Auction Rate Bonds, and the terms and conditions thereof, are hereby approved. The Secretary of the Board is directed to file copies of said form of Continuing Disclosure Certificate with the minutes of this meeting. The Executive Director of the Commission is hereby authorized and directed, if any Series of 2008 Bonds are issued as Auction Rate Bonds or fixed rate bonds, to execute and deliver a Continuing Disclosure Certificate in substantially the form before the Commission with such changes and additions as such officer may approve, such approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate.
Section 9. The Executive Director of the Commission is hereby authorized and directed to negotiate with Support Providers, and, if the Executive Director of the Commission, with the advice of Public Financial Management Inc. (the "Commission's Financial Advisor"), determines that it is in the best interests of the Commission, to enter into a Support Agreement for one or more series of Series 2008 Bonds on such terms as the Executive Director of the Commission, with the advice of the Commission's Financial Advisor, determines are appropriate.

Section 10. The Executive Director of the Commission is hereby authorized and directed to negotiate with bond insurance companies, and, if the Executive Director of the Commission, with the advice of the Commission's Financial Advisor, determines that it is in the best interests of the Commission, to commit to purchase bond insurance for one or more maturities or series of the Series 2008 Bonds on such terms as the Executive Director of the Commission, with the advice of the Commission's Financial Advisor, determines are appropriate.

Section 11. The Executive Director of the Commission is hereby authorized and directed to negotiate with financial institutions and/or insurance companies, as applicable, and, if the Executive Director of the Commission, with the advice of the Commission's Financial Advisor, determines that it is in the best interest of the Commission, to secure an irrevocable letter of credit, or a surety bond, or an insurance policy on such terms as the Executive Director of the Commission determines are appropriate, in order to fund each bond reserve fund established pursuant to the Indenture or the Supplemental Indenture or Indentures.

Section 12. The Executive Director of the Commission is hereby authorized to enter into or to instruct the Trustee to enter into one or more investment agreements, float contracts, swaps or other hedging products (hereinafter collectively referred to as the "Investment Agreement") providing for the investment of moneys in any of the funds and accounts created under the Indenture, on such terms as the Executive Director of the Commission shall deem appropriate. Pursuant to Section 5922 of the California Government Code, the Commission hereby finds and determines that the Investment Agreement will reduce the amount and duration of interest rate risk with respect to amounts invested pursuant to the Investment Agreement 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 Series 2008 Bonds or enhance the relationship between risk and return with respect to investments.

Section 13. The Chair and the Secretary of the Board, the Executive Director and the Director of Finance 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 documents, certificates and representations, including credit documents, signature certificates, no-litigation certificates, tax certificates, letters of representation relating to book-entry registration, insurance agreements, reimbursement agreements, certificates concerning the contents of each Official Statement and the representations and warranties in the Purchase Contracts and related agreements, and certificates or agreements relating to the redemption, defeasance or discharge of the Second Senior Bonds, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Commission has approved in this Resolution.
In the event the Chair or Secretary of the Board or Executive Director of the Commission is unavailable to execute the documents authorized hereby, such documents may be executed by the First Vice Chair of the Board or the Chief Deputy Executive Director or the Director of Finance of the Commission or other designee of the Executive Director, respectively.

Section 14. All approvals, consents, directions, instructions, notices, orders, requests, indemnifications and other actions permitted or required by any of the documents authorized by this Resolution, including, without limitation, any amendment of any of the documents authorized by this Resolution or related thereto, and any of the foregoing that may be necessary or desirable in connection with any Support Agreement, any Remarketing Agreement, any Broker-Dealer Agreement, or any Auction Agreement or the extension or replacement thereof, or any policy of bond insurance, any reserve facility, any investment of proceeds of the Series 2008 Bonds, or in connection with the addition, substitution or replacement of Broker-Dealers or Remarketing Agents, or any agreements with paying agents, escrow agents or verification agents, or the extension, amendment or replacement of a Support Agreement (as that term is defined in the Subordinate Indenture), and any other action in accordance with the Commission's Board Policy No. 32: Interest Rate Swap Policy that might be necessary or desirable with regard to the Initial Swaps, may be given or taken by the Executive Director of the Commission or his or her designee, without further authorization or direction by the Commission, and any and all such actions heretofore taken by such officers are hereby ratified, confirmed, and approved, and the Executive Director of the Commission or his or her designee is hereby authorized and directed to give any such approval, amendment, consent, direction, instruction, notice, order, request, indemnification or other action and to take any such action that such person, with the advice of Bond Counsel, may deem necessary or desirable to further the purposes of this Resolution.

Section 15. All actions heretofore taken by the officers and agents of the Board or the Commission with respect to the rating, issuance, purchase, execution and delivery of the Series 2008 Bonds are hereby ratified, confirmed and approved.
Section 16. This Resolution shall take effect from and after its adoption.

PASSED AND ADOPTED on ________________, by the following vote:

AYES:

NOES:

ABSENT:

______________________________
Chair of the Board of Directors
of the San Diego County Regional
Transportation Commission

[Seal]

Attest:

______________________________
Secretary of the Board of Directors of the
San Diego County Regional Transportation
Commission
SECRETARY'S CERTIFICATE

I, ____________________________, 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 and legally held at the regular meeting place of the Commission in San Diego, California, on _________________, 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 ___________________.

[Seal]

__________________________________
Secretary of the Board of Directors
of the San Diego County Regional
Transportation Commission
INDENTURE

between

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of March 1, 2008

Relating to

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SALES TAX REVENUE BONDS
(LIMITED TAX BONDS)
# TABLE OF CONTENTS

## ARTICLE I

**EQUALITY OF SECURITY; DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.01</td>
<td>Equality of Security</td>
<td>3</td>
</tr>
<tr>
<td>1.02</td>
<td>Definitions</td>
<td>3</td>
</tr>
<tr>
<td>1.03</td>
<td>Content of Certificates</td>
<td>21</td>
</tr>
</tbody>
</table>

## ARTICLE II

**THE BONDS**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.01</td>
<td>Authorization of Bonds</td>
<td>21</td>
</tr>
<tr>
<td>2.02</td>
<td>Terms of the Bonds</td>
<td>22</td>
</tr>
<tr>
<td>2.03</td>
<td>Form of Bonds</td>
<td>22</td>
</tr>
<tr>
<td>2.04</td>
<td>Execution of Bonds</td>
<td>22</td>
</tr>
<tr>
<td>2.05</td>
<td>Transfer of Bonds</td>
<td>23</td>
</tr>
<tr>
<td>2.06</td>
<td>Exchange of Bonds</td>
<td>23</td>
</tr>
<tr>
<td>2.07</td>
<td>Bond Register</td>
<td>23</td>
</tr>
<tr>
<td>2.08</td>
<td>Temporary Bonds</td>
<td>23</td>
</tr>
<tr>
<td>2.09</td>
<td>Bonds Mutilated; Lost; Destroyed or Stolen</td>
<td>24</td>
</tr>
<tr>
<td>2.10</td>
<td>Use of Securities Depository</td>
<td>24</td>
</tr>
</tbody>
</table>

## ARTICLE III

**ISSUANCE OF BONDS**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.01</td>
<td>Issuance of Bonds</td>
<td>26</td>
</tr>
<tr>
<td>3.02</td>
<td>Issuance of Additional Bonds</td>
<td>26</td>
</tr>
<tr>
<td>3.03</td>
<td>Proceedings for Issuance of Additional Bonds</td>
<td>27</td>
</tr>
<tr>
<td>3.04</td>
<td>Issuance of Refunding Bonds</td>
<td>27</td>
</tr>
<tr>
<td>3.05</td>
<td>Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations</td>
<td>29</td>
</tr>
<tr>
<td>3.06</td>
<td>Calculation of Maximum Annual Debt Service with Respect to Bonds and Parity Obligations</td>
<td>31</td>
</tr>
<tr>
<td>3.07</td>
<td>Application of Proceeds</td>
<td>31</td>
</tr>
<tr>
<td>3.08</td>
<td>Termination of Issuances Under the Existing Indenture</td>
<td>31</td>
</tr>
</tbody>
</table>

## ARTICLE IV

**REDEMPTION, TENDER AND PURCHASE OF BONDS**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.01</td>
<td>Terms of Redemption, Tender and Purchase</td>
<td>32</td>
</tr>
<tr>
<td>4.02</td>
<td>Notice of Redemption</td>
<td>32</td>
</tr>
<tr>
<td>4.03</td>
<td>Partial Redemption of Bonds</td>
<td>33</td>
</tr>
<tr>
<td>4.04</td>
<td>Effect of Redemption</td>
<td>33</td>
</tr>
</tbody>
</table>

## ARTICLE V

**SALES TAX REVENUES**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.01</td>
<td>Pledge of Revenues; Revenue Fund</td>
<td>33</td>
</tr>
<tr>
<td>5.02</td>
<td>Allocation of Sales Tax Revenues</td>
<td>34</td>
</tr>
<tr>
<td>5.03</td>
<td>Application of Interest Fund</td>
<td>38</td>
</tr>
</tbody>
</table>
### TABLE OF CONTENTS

(continued)

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.04</td>
<td>Application of Principal Fund</td>
<td>38</td>
</tr>
<tr>
<td>5.05</td>
<td>Establishment, Funding and Application of Bond Reserve Funds</td>
<td>39</td>
</tr>
<tr>
<td>5.06</td>
<td>Application of Subordinate Obligations Fund</td>
<td>42</td>
</tr>
<tr>
<td>5.07</td>
<td>Application of Fees and Expenses Fund</td>
<td>42</td>
</tr>
<tr>
<td>5.08</td>
<td>Application of Redemption Fund</td>
<td>42</td>
</tr>
<tr>
<td>5.09</td>
<td>Rebate Fund</td>
<td>42</td>
</tr>
<tr>
<td>5.10</td>
<td>Payment Provisions Applicable to Interest Rate Swap Agreements</td>
<td>43</td>
</tr>
<tr>
<td>5.11</td>
<td>Investment in Funds and Accounts</td>
<td>44</td>
</tr>
</tbody>
</table>

#### ARTICLE VI

**COVENANTS OF THE ISSUER**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.01</td>
<td>Punctual Payments</td>
<td>45</td>
</tr>
<tr>
<td>6.02</td>
<td>Extension of Payment of Bonds</td>
<td>45</td>
</tr>
<tr>
<td>6.03</td>
<td>Waiver of Laws</td>
<td>45</td>
</tr>
<tr>
<td>6.04</td>
<td>Further Assurances</td>
<td>46</td>
</tr>
<tr>
<td>6.05</td>
<td>Against Encumbrances</td>
<td>46</td>
</tr>
<tr>
<td>6.06</td>
<td>Accounting Records and Financial Statements</td>
<td>46</td>
</tr>
<tr>
<td>6.07</td>
<td>Collection of Sales Tax Revenues</td>
<td>46</td>
</tr>
<tr>
<td>6.08</td>
<td>Tax Covenants</td>
<td>47</td>
</tr>
<tr>
<td>6.09</td>
<td>Continuing Disclosure</td>
<td>48</td>
</tr>
</tbody>
</table>

#### ARTICLE VII

**EVENTS OF DEFAULT AND REMEDIES**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.01</td>
<td>Events of Default</td>
<td>48</td>
</tr>
<tr>
<td>7.02</td>
<td>Application of the Revenues and Other Funds After Default; No Acceleration</td>
<td>49</td>
</tr>
<tr>
<td>7.03</td>
<td>Trustee to Represent Bondholders</td>
<td>50</td>
</tr>
<tr>
<td>7.04</td>
<td>Bondholders' Direction of Proceedings</td>
<td>51</td>
</tr>
<tr>
<td>7.05</td>
<td>Limitation on Bondholders' Right to Sue</td>
<td>51</td>
</tr>
<tr>
<td>7.06</td>
<td>Absolute Obligation of the Commission</td>
<td>52</td>
</tr>
<tr>
<td>7.07</td>
<td>Termination of Proceedings</td>
<td>52</td>
</tr>
<tr>
<td>7.08</td>
<td>Remedies Not Exclusive</td>
<td>52</td>
</tr>
<tr>
<td>7.09</td>
<td>No Waiver of Default</td>
<td>52</td>
</tr>
<tr>
<td>7.10</td>
<td>Credit Provider Directs Remedies Upon Event of Default</td>
<td>52</td>
</tr>
</tbody>
</table>

#### ARTICLE VIII

**THE TRUSTEE**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.01</td>
<td>Appointment, Duties Immunities and Liabilities of Trustee</td>
<td>53</td>
</tr>
<tr>
<td>8.02</td>
<td>Accounting Records and Monthly Statements</td>
<td>55</td>
</tr>
<tr>
<td>8.03</td>
<td>Merger or Consolidation</td>
<td>55</td>
</tr>
<tr>
<td>8.04</td>
<td>Liability of Trustee</td>
<td>55</td>
</tr>
<tr>
<td>8.05</td>
<td>Right of Trustee to Rely on Documents and Opinions</td>
<td>57</td>
</tr>
<tr>
<td>8.06</td>
<td>Compensation and Indemnification of Trustee</td>
<td>58</td>
</tr>
</tbody>
</table>
# TABLE OF CONTENTS
(continued)

**ARTICLE IX**
MODIFICATION OR AMENDMENT OF THIS INDENTURE

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.01</td>
<td>Amendments Permitted</td>
<td>58</td>
</tr>
<tr>
<td>9.02</td>
<td>Effect of Supplemental Indenture</td>
<td>61</td>
</tr>
<tr>
<td>9.03</td>
<td>Endorsement of Bonds; Preparation of New Bonds</td>
<td>61</td>
</tr>
<tr>
<td>9.04</td>
<td>Amendment of Particular Bonds</td>
<td>62</td>
</tr>
</tbody>
</table>

**ARTICLE X**
DEFEASANCE

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.01</td>
<td>Discharge of Indenture</td>
<td>62</td>
</tr>
<tr>
<td>10.02</td>
<td>Discharge of Liability on Bonds</td>
<td>62</td>
</tr>
<tr>
<td>10.03</td>
<td>Deposit of Money or Securities</td>
<td>63</td>
</tr>
<tr>
<td>10.04</td>
<td>Payment of Bonds After Discharge of Indenture</td>
<td>63</td>
</tr>
</tbody>
</table>

**ARTICLE XI**
MISCELLANEOUS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.01</td>
<td>Liability of Commission Limited to Sales Tax Revenues</td>
<td>64</td>
</tr>
<tr>
<td>11.02</td>
<td>Successor Is Deemed Included in All References to Predecessor</td>
<td>64</td>
</tr>
<tr>
<td>11.03</td>
<td>Limitation of Rights</td>
<td>64</td>
</tr>
<tr>
<td>11.04</td>
<td>Waiver of Notice</td>
<td>65</td>
</tr>
<tr>
<td>11.05</td>
<td>Destruction or Delivery of Canceled Bonds</td>
<td>65</td>
</tr>
<tr>
<td>11.06</td>
<td>Severability of Invalid Provisions</td>
<td>65</td>
</tr>
<tr>
<td>11.07</td>
<td>Notice to Commission and Trustee</td>
<td>65</td>
</tr>
<tr>
<td>11.08</td>
<td>Evidence of Rights of Bondholders</td>
<td>65</td>
</tr>
<tr>
<td>11.09</td>
<td>Disqualified Bonds</td>
<td>66</td>
</tr>
<tr>
<td>11.10</td>
<td>Money Held for Particular Bonds</td>
<td>66</td>
</tr>
<tr>
<td>11.11</td>
<td>Funds and Accounts</td>
<td>66</td>
</tr>
<tr>
<td>11.12</td>
<td>Limitations on Rights of Credit Providers, Liquidity Providers, Reserve Facility Providers</td>
<td>67</td>
</tr>
<tr>
<td>11.13</td>
<td>Article and Section Headings and References</td>
<td>67</td>
</tr>
<tr>
<td>11.14</td>
<td>Waiver of Personal Liability</td>
<td>67</td>
</tr>
<tr>
<td>11.15</td>
<td>Governing Law</td>
<td>68</td>
</tr>
<tr>
<td>11.16</td>
<td>Business Day</td>
<td>68</td>
</tr>
<tr>
<td>11.17</td>
<td>Effective Date of Indenture</td>
<td>68</td>
</tr>
<tr>
<td>11.18</td>
<td>Execution in Counterparts</td>
<td>68</td>
</tr>
</tbody>
</table>
INDENTURE

This INDENTURE, dated as of March 1, 2008 (as more fully defined in Section 1.02, the "Indenture"), between the SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION, a public entity duly established and existing under the laws of the State of California (the "Commission"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee");

WITNESSETH:

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 Sections 132000 through 132314, inclusive, of the Public Utilities Code of the State of California, 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, pursuant to Section 132310 of the California Public Utilities Code, the Commission is authorized to issue limited tax bonds, secured by and payable from revenues of the retail transactions and use tax;

WHEREAS, the Commission has heretofore entered into an Indenture, dated as of October 1, 1992 (as supplemented and amended from time to time pursuant to its terms, the "Existing Indenture"), between the Commission and U.S. Bank National Association, successor by merger to U.S. Bank Trust National Association, formerly known as First Trust of California, National Association, successor trustee to Bank of America National Trust and Savings Association, as trustee, pursuant to which the Commission has issued certain limited tax bonds (the "Existing Bonds") payable from and secured by the revenues of the retail transactions and use tax (as more fully defined in Section 1.02, the "Sales Tax Revenues");
WHEREAS, the Commission has heretofore entered into an Amended and Restated Subordinate Indenture, dated as of November 1, 2005 (as supplemented and amended from time to time pursuant to its terms, the "Subordinate Indenture"), between the Commission and U.S. Bank National Association, as trustee, pursuant to which the Commission has issued certain limited tax bonds (the "Existing Notes") payable from and secured by the Sales Tax Revenues on a basis subordinate to the Existing Bonds;

WHEREAS, the Banks (as that term is defined in the Subordinate Indenture) providing support facilities for the Existing Notes have consented to the execution and delivery of this Indenture;

WHEREAS, the Commission has determined to enter into this Indenture in order to provide for the authentication and delivery of certain limited tax bonds (the "Bonds"), to establish and declare the terms and conditions upon which the Bonds and other obligations secured by the retail transactions and use tax shall be issued and secured and to secure the payment of the principal thereof, premium (if any), and interest on the Bonds and obligations secured by the retail transactions and use tax on a parity with the Bonds (as more fully defined in Section 1.02, "Parity Obligations");

WHEREAS, the execution and delivery of this Indenture has in all respects been duly and validly authorized by resolutions duly passed and approved by the Commission; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of this Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Indenture;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued, authenticated and delivered hereunder, to secure the payment of Parity Obligations in accordance with terms hereof and to provide the terms and conditions under which all property, rights and interests hereby assigned and pledged are to be dealt with and disposed of, and to secure performance and observance of the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and of the material covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Commission does hereby agree and covenant with the Trustee for the benefit of the respective owners, from time to time, of the Bonds, or any part thereof, and for the benefit of the holders of Parity Obligations, in accordance with terms hereof, as follows:
ARTICLE I

EQUALITY OF SECURITY; DEFINITIONS;
CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01 Equality of Security. In consideration of the acceptance of the Bonds by the owners thereof from time to time, this Indenture shall be deemed to be and shall constitute a contract among the Commission, the Trustee and the owners from time to time of the Bonds and the covenants and agreements herein set forth to be performed by or on behalf of the Commission or the Trustee shall be for the equal and proportionate benefit, security and protection of all owners of the Bonds, without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reasons of the Series, time of issue, sale or negotiation thereof or for any cause whatsoever, except as expressly provided therein or herein. Nothing herein shall prevent additional security being provided for the benefit of a particular Series of Bonds under any supplement to this Indenture.

SECTION 1.02 Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture and of any Supplemental Indenture and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

"Accreted Value Table" means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

"Act" means the San Diego County Regional Transportation Commission Act, Chapter 2 of Division 12.7 (Section 132000 et seq.) of the Public Utilities Code of the State as now in effect and as it may from time to time hereafter be amended or supplemented.

"Alternate Credit Enhancement" means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitution for any Credit Enhancement then in effect.

"Alternate Liquidity Facility" means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.
"Annual Debt Service" means, for any Fiscal Year, the aggregate amount (without duplication) of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

"Assumed Debt Service" means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds if each Excluded Principal Payment were amortized on a substantially level debt service basis for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Commission not exceeding thirty (30) years from the date of calculation, or (ii) the Tax Expiration Date, such Assumed Debt Service to be calculated on a level debt service basis, based on a fixed interest rate equal to the rate at which the Commission could borrow for such period, as set forth in a certificate of a financial advisor or investment banker, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within thirty (30) days of the date of calculation.

"Authorized Representative" means the Chair of the Board of Directors, the Executive Director, the Chief Deputy Executive Director, the Director of Finance, the Finance Manager, or any other person designated to act on behalf of the Commission by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Commission by an Authorized Representative.

"Beneficial Owner" means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

"Board" means the Board of Directors of the Commission.

"Bond Obligation" means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

"Bond Reserve Fund" means any fund by that name established with respect to one or more Series of Bonds pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Bond Reserve Requirement" with respect to a Series of Bonds for which the Commission shall have established a Bond Reserve Fund shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Bondholder" or "Holder", whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

"Bonds" means the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) authorized by, and at any time Outstanding pursuant to, this Indenture.
"Business Day" means, except as is otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds are issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State, the State of New York or the jurisdiction in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed, and (3) a day on which the New York Stock Exchange is closed.

"Capital Appreciation Bonds" means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and on which interest is compounded and paid at maturity or on prior redemption.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the Commission mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Commission by an Authorized Representative. If and to the extent required by Section 1.03, each such instrument shall include the statements provided for in Section 1.03.

"Code" means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

"Commission" means the San Diego County Regional Transportation Commission, a public entity of the State, duly organized and existing under the Act.

"Continuing Disclosure Agreement" means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance of such Series of Bonds, executed by the Commission and a Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.

"Corporate Trust Office" or corporate trust office means the corporate trust office of the Trustee at U.S. Bank National Association, 633 West 5th Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Division, or such other or additional offices as may be designated by the Trustee from time to time.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Commission and related to the authorization, execution, sale and delivery of a Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series of Bonds, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, credit
enhancement and liquidity costs, termination fees payable in connection with the termination of an Interest Rate Swap Agreement in connection with the delivery of such Series of Bonds, and any other cost, charge or fee in connection with the initial delivery of a Series of Bonds or any Parity Obligations delivered in connection with a Series of Bonds.

"Costs of Issuance Fund" means a fund by that name established pursuant to the provisions of a Supplemental Indenture to pay Costs of Issuance with respect to a Series of Bonds being issued pursuant to such Supplemental Indenture.

"Costs of the Project" means all items of expense related to the Project and directly or indirectly payable by or reimbursable to the Commission in accordance with the Act and the Ordinance.

"Counterparty" means an entity which has entered into an Interest Rate Swap Agreement with the Commission.

"Credit Enhancement" means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Credit Enhancement, such Alternate Credit Enhancement.

"Credit Provider" means, with respect to a Series of Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

"Current Interest Bonds" means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and that pay interest to the Holders thereof on a periodic basis prior to maturity.

"Debt Service," when used with respect to any Bonds or Parity Obligations (for purposes of this definition of "Debt Service," herein collectively referred to as "Obligations"), means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on such Obligations during such Fiscal Year and (2) the principal or Mandatory Sinking Account Payments required with respect to such Obligations during such Fiscal Year; computed on the assumption that no portion of such Obligations shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(A) Excluded Principal Payments (and the interest related thereto provided such interest is being paid from the same source as the Excluded Principal Payments) shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(B) in determining the principal amount due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule
established for such Obligations, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(C) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average of the SIFMA Swap Index for the five (5) years preceding such date of calculation;

(D) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Obligations shall be calculated at an interest rate equal to 100% of the average One Month USD LIBOR Rate during the five (5) years preceding such date of calculation;

(E) with respect to any Obligations bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a fixed rate of interest to maturity or for a specific term with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term; provided that if, pursuant to a Certificate of the Commission filed with the Trustee, the sum of (i) interest payable on such Obligations, plus (ii) amounts payable by the Commission under such Interest Rate Swap Agreement, less (iii) amounts receivable by the Commission under such Interest Rate Swap Agreement, is expected to be greater than the interest payable on the Obligations to which such Interest Rate Swap Agreement relates (i.e., if such Interest Rate Swap Agreement is an "off-market" Interest Rate Swap Agreement), then, in such instance, such excess amounts payable by the Commission under such Interest Rate Swap Agreement shall be included in the calculation of Debt Service;

(F) with respect to any Obligations bearing interest, or expected to bear interest, at a fixed interest rate for which an Interest Rate Swap Agreement is in place providing for a net variable interest rate with respect to such Obligations for a specific term, the interest rate on such Obligations shall be assumed to be equal for such term to the sum of (i) the fixed interest rate or rates to be paid on the Obligations, minus (ii) the fixed interest rate receivable by the Commission under such Interest Rate Swap Agreement, plus (iii) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified in a Certificate of the Commission, or, if not based on an identifiable index, then the SIFMA Swap Index, in each case, over the five (5) years preceding the date of calculation;

(G) if any Obligations feature an option, on the part of the owners or an obligation under the terms of such Obligations, to tender all or a portion of such Obligations to the Commission, the Trustee or other fiduciary or agent, and requires that such Obligations or portion thereof be purchased if properly presented, then for purposes of determining the amounts
of principal and interest due in any Fiscal Year on such Obligations, the options or obligations of
the owners of such Obligations to tender the same for purchase or payment prior to the stated
maturity or maturities shall be ignored and not treated as a principal maturity; and

(H) principal and interest payments on Obligations shall be excluded to the extent
such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in
escrow specifically therefor and interest payments shall be excluded to the extent that such
interest payments are to be paid from the proceeds of Obligations held by the Trustee or other
fiduciary as capitalized interest specifically to pay such interest or are to be paid from Revenues
then held on deposit by the Trustee.

"Defeasance Securities" means: (i) U.S. Treasury Certificates, Notes and Bonds,
including State and Local Government Series securities; (ii) direct obligations of the U.S.
Treasury which have been stripped by the U.S. Treasury itself; (iii) Resolution Funding Corp.
securities ("REFCORP"), provided, however, only the interest component of REFCORP strips
which have been stripped by request to the Federal Reserve Bank of New York in book entry
form are acceptable; (iv) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by
Standard & Poor's, provided, however, that if such municipal bonds are rated only by Standard &
Poor's, then such pre-refunded municipal bonds must have been pre-refunded with cash, direct
United States or United States guaranteed obligations, or "AAA" rated pre-refunded municipal
bonds; (v) obligations issued by the following agencies, which are backed by the full faith and
credit of the United States: (a) Farmers Home Administration (FmHA) - certificates of
beneficial ownership; (b) General Services Administration - participation certificates; (c) U.S.
Maritime Administration - Guaranteed Title XI financing; (d) Small Business Administration
guaranteed participation certificates and guaranteed pool certificates; (e) GNMA guaranteed
MSB and participation certificates; and (f) U.S. Department of Housing and Urban Development
(HUD) Local Authority Bonds, or (vi) certain obligations of government-sponsored agencies that
are not backed by the full faith and credit of the United States limited to: (a) Federal Home Loan
Mortgage Corp. (FHLMC) debt obligations; (b) Farm Credit System (formerly Federal Land
Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) consolidated system-
wide bonds and notes; (c) Federal Home Loan Banks (FHL Banks) consolidated debt
obligations; (d) Federal National Mortgage Association (FNMA) debt obligations; (e) Student
Loan Marketing Association (SLMA) debt obligations; and (f) Financing Corp. (FICO) debt
obligations; and (g) other obligations approved by the Rating Agencies for defeasance escrows
rated in the highest Rating Category.

"Dissemination Agent" means, with respect to each Series of Bonds requiring an
undertaking regarding disclosure under Rule 15c2-12(b)(5), the dissemination agent under the
Continuing Disclosure Agreement delivered in connection with such Series of Bonds, or any
successor dissemination agent designated in writing by the Commission and which has entered
into a Continuing Disclosure Agreement with the Commission.

"DTC" means The Depository Trust Company, New York, New York, or any successor
thereof.
"Electronic Means" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Event of Default" means any of the events specified in Section 7.01.

"Excluded Principal Payments" means each payment of principal of Bonds which the Commission determines (in the Supplemental Indenture) that the Commission intends to pay with moneys that are not Sales Tax Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes) but from future debt obligations of the Commission, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Commission, upon which determination of the Commission the Trustee may conclusively rely. No such determination shall affect the security for such Bonds or the obligation of the Commission to pay such payments from Sales Tax Revenues or amounts on deposit in the Bond Reserve Fund, if any. No payment of principal of Bonds may be determined to be an Excluded Principal Payment unless it is due on or prior to the Tax Expiration Date.

"Existing Notes" means the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series A, Series B and Series C, authorized by, and at any time Outstanding pursuant to, the Subordinate Indenture.

"Fees and Expenses Fund" means the fund by that name established pursuant to Section 5.02.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the Commission, which designation shall be provided to the Trustee in a Certificate delivered by the Commission.

"Fitch" means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

"Holder" or "Bondholder," whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

"Indenture" means this Indenture, dated as of March 1, 2008, between the Trustee and the Commission, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions hereof.

"Initial Swaps" means the following Interest Rate Swap Agreements, in a combined notional amount of $600,000,000:

a. ISDA Master Agreement, dated as of November 22, 2005, between Bank of America, N.A. ("BofA") and the Commission, as supplemented by the Schedule, dated as of
November 22, 2005 and the confirmation of a transaction entered into on November 22, 2005 between BofA and the Commission;

b. ISDA Master Agreement, dated as of November 22, 2005, between Goldman Sachs Mitsui Marine Derivative Products, L.P. ("Goldman") and the Commission, as supplemented by the Schedule, dated as of November 22, 2005 and the confirmation of a transaction entered into on November 29, 2005 between Goldman and the Commission; and

c. ISDA Master Agreement, dated as of November 22, 2005, between Merrill Lynch Capital Services, Inc. ("MLCS") and the Commission, as supplemented by the Schedule, dated as of November 22, 2005 and the confirmation of a transaction entered into on November 22, 2005 between MLCS and the Commission.

"Insurance" means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

"Insurer" means any provider of Insurance with respect to a Series of Bonds.

"Interest Fund" means the fund by that name established pursuant to Section 5.02.

"Interest Payment Date," with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Interest Rate Swap Agreement" means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the Commission and a Counterparty, in connection with or incidental to, the issuance or carrying of Bonds, including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security entered into in advance of the issuance of Bonds.

"Investment Securities" means the following:

(1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (3) below to the extent unconditionally guaranteed by the United States of America;

(2) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (1);
(3) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(4) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated in either of the two highest long-term or highest short-term Rating Categories by Moody's and Standard & Poor's;

(6) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (1) or (2) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (1) or (2) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (6) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (6), as appropriate, and (d) which have been rated in one of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by Moody's and Standard & Poor's in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three (3) years, rated by Moody's and Standard & Poor's in one of their respective two highest long-term Rating Categories, for comparable types of debt obligations;

(8) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the
Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by such securities and obligations as are described above in clauses (1) through (5), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking;

(9) taxable commercial paper, other than that issued by bank holding companies, or tax-exempt commercial paper rated in the highest Rating Category by Moody's and Standard & Poor's;

(10) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by Moody's and Standard & Poor's, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(11) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars ($100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (1), (2), (3) or (4) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;
(12) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities; provided that as used in this clause (12) and clause (13) investments will be deemed to satisfy the requirements of clause (11) if they meet the requirements set forth in clause (11) ending with the words "clauses (1), (2), (3) or (4) above" and without regard to the remainder of such clause (11);

(13) any investment agreement with a financial institution or insurance company which: (a) has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated in either of the two highest long-term Rating Categories by Moody's and Standard & Poor's; or (b) is fully secured by obligations described in items (1), (2), (3) or (4) of the definition of Investment Securities which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens;

(14) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (1) through (13) of this definition of Investment Securities and which companies have either the highest rating by Moody's and Standard & Poor's or have an investment advisor registered with the Securities and Exchange Commission with not less than five (5) years experience investing in such securities and obligations and with assets under management in excess of $500,000,000;

(15) shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(16) bankers' 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 and Standard & Poor's, which purchases may not exceed two hundred seventy (270) days maturity or forty percent (40%) of the Commission's surplus money;

(17) the pooled investment fund of the County of San Diego, California, which is administered in accordance with the investment policy of said County as established by the Treasurer/Tax Collector thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Treasurer/Tax Collector;
(18) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to this Indenture; and

(19) Any other forms of investments, including repurchase agreements, approved in writing by each Credit Provider then providing Credit Enhancement for a Series of Bonds.

"Law" means the Act, Chapter 6 of Part 1 of Division 2 of Title 5 (Section 54300 et seq.) of the Government Code of the State as referenced in the Act, and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 (Section 53570 et seq.) of the Government Code of the State, in each case as now in effect and as it may from time to time hereafter be amended or supplemented.

"Letter of Credit Account" means an account by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which account shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Liquidity Facility" means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility securing or guaranteeing the payment of purchase price of such Series of Bonds and issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

"Liquidity Facility Bonds" means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

"Liquidity Facility Rate" means, with respect to a Series of Bonds, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with such Series of Bonds.

"Liquidity Provider" means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

"Mandatory Sinking Account Payment" means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Indenture establishing the terms and provisions of such Series of Bonds to be deposited by the Commission in a Sinking Account for the payment of Term Bonds of such Series and maturity.
"Maturity Date" means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Maximum Annual Debt Service" means the maximum amount of Annual Debt Service becoming due and payable on all Bonds Outstanding and all Parity Obligations (and Subordinate Obligations, if applicable) outstanding during the period from the date of such calculation through the final maturity date of the Bonds and Parity Obligations (and Subordinate Obligations, if applicable), calculated utilizing the assumptions set forth under the definition of Debt Service.

"Maximum Interest Rate" means, with respect to all Bonds other than Liquidity Facility Bonds, the lesser of (i) twelve percent (12%) and (ii) the maximum rate of interest that may legally be paid on the Bonds from time to time, and means, with respect to Liquidity Facility Bonds, the lesser of (x) the Liquidity Facility Rate and (ii) the maximum rate of interest that may legally be paid on the Liquidity Facility Bonds from time to time.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

"1987 Ordinance" means the San Diego Transportation Improvement Program Ordinance and Expenditure Plan, adopted by the Commission on July 31, 1987 and approved by a majority of the electors voting on such proposition on November 3, 1987, as supplemented and amended.

"Notice Parties" means, as and to the extent applicable, the Commission, the Trustee, the Credit Provider, if any, for the Series of Bonds to which the notice being given relates, the auction agent, if any, for the Series of Bonds to which the notice being given relates, the broker-dealer, if any, for the Series of Bonds to which the notice being given relates, the Liquidity Provider, if any, for the Series of Bonds to which the notice being given relates, and the remarketing agent, if any, for the Series of Bonds to which the notice being given relates.

"Obligations" has the meaning given to such term in the definition of "Debt Service."

"One Month USD LIBOR Rate" means the rate for deposits in U.S. dollars for a one-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the date of determination of such rate, except that, if such rate does not appear on such page on such date, the One Month USD LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-month maturity and in a principal amount of at least U.S. $1,000,000 are offered at approximately 11:00 a.m., London time, on such date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the "Reference Banks") selected by the Trustee (provided, however, that the Trustee may appoint an agent to identify such Reference Banks). The Trustee or its agent is to request the principal London office of each
of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Trustee or its agent, at approximately 11:00 a.m., New York City time, on such date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. $1,000,000 having a one-month maturity. If none of the banks in New York City selected by the Trustee or its agent is then quoting rates for such loans, then the One Month LIBOR Rate for the ensuing interest period will mean the One Month LIBOR Rate most recently in effect.

"Opinion of Bond Counsel" means a written opinion of a law firm of national standing in the field of public finance selected by the Commission.

"Ordinance" means, collectively, the 1987 Ordinance and the Sales Tax Extension Ordinance, and any amendments or extensions thereto.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Commission shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Commission and the pledge of Revenues and all covenants, agreements and other obligations of the Commission to the Holders shall continue to exist and shall run to the benefit of such Credit Provider and such Credit Provider shall be subrogated to the rights of such Holders.

"Parity Obligations" means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Commission for borrowed money, (ii) any obligation to pay the Rebate Requirement, (iii) the Initial Swaps, or (iv) any other Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon Sales Tax Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case (other than in the case of the Initial Swaps) incurred in accordance with Section 3.05(C), and in each case having an equal lien and charge upon the Sales Tax Revenues and therefore being payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

"Participating Underwriter" means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange
Commission, under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Person" means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Fund" means the fund by that name established pursuant to Section 5.02.

"Principal Office" means, with respect to the Trustee, the corporate trust office of the Trustee at 633 West 5th Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Division, or such other or additional offices as may be designated by the Trustee from time to time, and means, with respect to a Credit Provider or a Liquidity Provider, the office designated as such in writing by such party in a notice delivered to the Trustee and the Authority.

"Project" means transportation facility and public infrastructure improvements within the County of San Diego permitted by the Ordinance and the Act, including transportation and service improvements for highways, rail transit services, bus services, local streets and roads, bicycle and pedestrian facilities, community infrastructure to support smart growth development, environmental mitigation and enhancement projects, and the payment of all costs incidental to or connected with the accomplishment of such purposes, including, without limitation, costs of land acquisition, engineering, inspection, legal, fiscal agents, financial consultant and other fees, bond and other reserve funds, working capital, bond or note interest estimated to accrue during the construction period and for a period of not to exceed twelve months after completion of construction, and expenses for all proceedings for the authorization, issuance and sale of Bonds.

"Project Fund" means, with respect to any Series of Bonds, a fund by that name established pursuant to the provisions of a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the portion of the Project being financed with the proceeds of such Series of Bonds.

"Proportionate Basis," when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an authorized denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of a portion of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

"Purchase Fund" means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.
"Rating Agency" means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody's and Standard & Poor's then maintaining a rating on such Series of Bonds at the request of the Commission.

"Rating Category" means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rebate Fund" means that fund by that name established pursuant to Section 5.09.

"Rebate Instructions" means, with respect to any Series of Bonds, those calculations and directions required to be delivered to the Trustee by the Commission pursuant to the Tax Certificate delivered in connection with such Series of Bonds.

"Rebate Requirement" means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

"Record Date," with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Redemption Fund" means the fund by that name established pursuant to Section 5.08.

"Redemption Price" means, with respect to any Bond (or portion thereof) the Bond Obligation of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Indenture.

"Refunding Bonds" means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions set forth in Section 3.04.

"Repositories" means the public or private entities designated as Repositories in a Continuing Disclosure Agreement entered into in connection with a Series of Bonds.

"Reserve Facility" means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in Section 5.05, and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

"Reserve Facility Provider" means any issuer of a Reserve Facility.

"Revenue Fund" means the Revenue Fund established pursuant to Section 5.01.

"Revenues" means: (i) all Sales Tax Revenues; and (ii) all Swap Revenues. In accordance with the provisions set forth in Section 3.02, the Commission by Supplemental
Indenture may provide for additional revenues or assets of the Commission to be included in the definition of Revenues hereunder.

"Rule 15c2-12" means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

"Sales Tax Extension Ordinance" means the San Diego Transportation Program Ordinance and Expenditure Plan, adopted by the Commission on May 28, 2004, and approved by at least two-thirds of electors voting on such proposition in the November 2, 2004 election.

"Sales Tax Revenues" means the amounts available for distribution to the Commission on and after July 1, 1988 on account of the retail transactions and use tax imposed in the County of San Diego pursuant to the Act after deducting amounts payable by the Commission to the State Board of Equalization for costs and expenses for its services in connection with the retail transactions and use taxes collected pursuant to the Act.

"Securities Depository" means DTC, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the Commission may designate in a Request of the Commission delivered to the Trustee.

"Serial Bonds" means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

"Series," whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

"SIFMA Swap Index" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) ("SIFMA") or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

"Sinking Account" means an account by that name established in the Principal Fund pursuant to Section 5.04 for the payment of Term Bonds.

"Standard & Poor's" or "S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

"State" means the State of California.
"State Board of Equalization" means the California State Board of Equalization.

"Subordinate Indenture" means the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, between the Commission and U.S. Bank National Association, as trustee, as supplemented and amended from time to time pursuant to its terms.

"Subordinate Obligations" means the Existing Notes, any other obligations of the Commission that constitute "Parity Debt" under and as defined in the Subordinate Indenture, and any other obligations of the Commission issued or incurred in accordance with Section 3.05(D).

"Subordinate Obligations Fund" means the fund by that name established pursuant to Section 5.02.

"Subordinate Trustee" means U.S. Bank National Association, as trustee under the Subordinate Indenture, and its successors and assigns.

"Supplemental Indenture" means any indenture hereafter duly executed and delivered, supplementing, modifying or amending this Indenture, but only if and to the extent that such supplemental indenture is authorized specifically hereunder.

"Swap Revenues" means all regularly-scheduled amounts (but not termination payments) owed or paid to the Commission by any Counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the Commission to such Counterparty under such Interest Rate Swap Agreement.

"Tax Certificate" means each Tax Certificate delivered by the Commission at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

"Tax Expiration Date" means March 31, 2048, or such later date to which the levy of the retail transactions and use tax is extended in accordance with the Act.

"Term Bonds" means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee as provided in Section 8.01.


"Variable Rate Indebtedness" means any indebtedness, including Bonds, Parity Obligations, and Subordinate Obligations, the interest rate on which is not fixed at the time of
incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

SECTION 1.03 Content of Certificates. Every certificate provided for in this Indenture with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate is based; (3) a statement that, in the opinion of such person, he or she has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate given by an officer of the Commission may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant, a financial advisor, an investment banker or an independent consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant, a financial advisor, and investment banker or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Commission) upon a certificate or opinion of or representation by an officer of the Commission, unless such counsel, accountant, financial advisor, investment banker or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Commission, or the same counsel, accountant financial advisor, investment banker or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, accountants, financial advisors, investment bankers or independent consultants may certify to different matters, respectively.

ARTICLE II

THE BONDS

SECTION 2.01 Authorization of Bonds. Bonds may be issued hereunder as fully registered bonds without coupons, in book-entry form or otherwise, from time to time as the issuance thereof is approved by the Commission. The maximum principal amount of Bonds which may be issued hereunder is not limited; subject, however, to any limitations contained in the Law and to the right of the Commission, which is hereby reserved, to limit the aggregate principal amount of Bonds which may be issued or Outstanding hereunder. The Bonds are designated generally as "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds" and shall include in the name "Limited Tax Bonds," each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds. The Bonds may be issued in such Series as from time to time shall
be established and authorized by the Commission, subject to the covenants, provisions and conditions herein contained.

SECTION 2.02 Terms of the Bonds. The Bonds of each Series shall bear interest, if any, at such rate or rates or determined in such manner and payable at such intervals as may be determined by the Commission at the time of issuance thereof pursuant to the Supplemental Indenture under which issued, not to exceed the Maximum Interest Rate, and shall mature and become payable on such date or dates and in such year or years as the Commission may determine by the Supplemental Indenture creating such Series. Principal of and interest on such Bonds shall be payable in such manner as may be specified in the Supplemental Indenture creating such Series. The Bonds of each Series shall be issued in such denominations as may be authorized by the Supplemental Indenture creating such Series.

Unless otherwise provided in the Supplemental Indenture delivered in connection with such Series of Bonds, the Bonds of each Series shall be initially registered in the name of "Cede & Co.," as nominee of the Securities Depository and shall be evidenced by one bond certificate for each maturity of each Series of Bonds. Registered ownership of any Series of Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.10, or in the event the use of the Securities Depository is discontinued, in accordance with the provisions set forth in Section 2.05.

SECTION 2.03 Form of Bonds. The Bonds of any Series shall be in such form or forms as may be specified in the Supplemental Indenture creating such Series.

SECTION 2.04 Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Commission by the facsimile or manual signature of the Chairperson of the Commission and attested by the facsimile or manual signature of the Director of Finance of the Commission. Unless otherwise provided in any Supplemental Indenture, the Bonds shall then be delivered to the Trustee for authentication by the Trustee. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Commission before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Commission, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Commission as though those who signed and attested the same had continued to be such officers of the Commission, and also any Bond may be signed and attested on behalf of the Commission by such persons as at the actual date of execution of such Bond shall be the proper officers of the Commission although at the nominal date of such Bond any such person shall not have been such officer of the Commission.

Except as may be otherwise be provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form recited in the Supplemental Indenture creating such Series of Bonds, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of authentication when manually executed by the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.
SECTION 2.05  Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of Section 2.07, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Commission shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of the same Series, tenor, maturity and interest rate and a like aggregate principal amount; provided that, unless otherwise provided in any Supplemental Indenture, no registration of transfer may occur during the period established by the Trustee for selection of Bonds for redemption, or of any Bond or portion of a Bond so selected for redemption. The Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

SECTION 2.06  Exchange of Bonds. Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor, maturity and interest rate; provided that, unless otherwise provided in any Supplemental Indenture, no exchange may occur during the period established by the Trustee for selection of Bonds for redemption, or of any Bond or portion of a Bond so selected for redemption. The Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

SECTION 2.07  Bond Register. Unless otherwise provided in a Supplemental Indenture delivered in connection with a Series of Bonds, the Trustee will keep or cause to be kept, at its Corporate Trust Office sufficient books for the registration and transfer of each Series of Bonds, which shall at all times be open to inspection during normal business hours by the Commission and each Credit Provider upon reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

SECTION 2.08  Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Commission, shall be in registered form and may contain such reference to any of the provisions of this Indenture as may be appropriate. A temporary Bond may be in the form of a single Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the Commission and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Commission issues temporary Bonds the Commission will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Series, tenor and maturity or maturities. Until so exchanged, the
temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09 Bonds Mutilated; Lost; Destroyed or Stolen. If any Bond shall become mutilated, the Commission, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor, maturity and interest rate in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the Order of, the Commission. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Commission and to the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to both shall be given, the Commission, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor, maturity and interest rate in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of the aforementioned indemnity). The Commission may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Commission and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Commission whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. Neither the Commission nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

SECTION 2.10 Use of Securities Depository. Unless otherwise provided in a Supplemental Indenture delivered in connection with a Series of Bonds, notwithstanding any provision of this Indenture to the contrary:

(A) The Bonds shall be delivered and registered as provided in Section 2.02. Registered ownership of any Series of Bonds, or any portion thereof, may not thereafter be transferred except:

(1) To any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (A) (each, a "substitute depository"); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository designated by the Commission upon (a) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (b) a determination by the Commission that the Securities Depository or its successor (or any substitute depository or its
successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any Person as provided below, upon (a) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository can be obtained or (b) a determination by the Commission that it is in the best interests of the Commission to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to clause (1) or clause (2) of subsection (A) above, upon receipt of the Outstanding Bonds by the Trustee, together with a Statement of the Commission to the Trustee, a single new Bond for each maturity of each Series of Bonds then Outstanding shall be executed and delivered in the aggregate principal amount of the Bonds of such Series then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Statement of the Commission. In the case of any transfer pursuant to clause (3) of subsection (A) hereof, upon receipt of the Outstanding Bonds by the Trustee together with the Statement of the Commission to the Trustee, new Bonds of each Series then Outstanding shall be authorized and prepared by the Commission and authenticated and delivered by the Trustee in such authorized denominations and registered in the names of such Persons as are requested in such a Statement of the Commission, numbered in such manner as the Trustee shall determine, subject to the limitations of Section 2.02.

(C) In the case of partial redemption or an advance refunding of any Series of the Bonds evidencing all or a portion of such amount Outstanding, the Securities Depository shall make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

(D) The Commission and the Trustee shall be entitled to treat the Person in whose name any Bond is registered as the Bondholder thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Commission; and the Commission and the Trustee shall have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any Beneficial Owners of the Bonds. Neither the Commission nor the Trustee will have any responsibility or obligations, legal or otherwise, to the Beneficial Owners or to any other party including the Securities Depository or its successor (or substitute depository or its successor), except for the Holder of any Bond.

(E) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Commission and the Trustee shall cooperate with Cede & Co., as sole registered Bondholder, and its registered assigns in effecting payment of the principal of, redemption premium, if any, purchase price and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.
ARTICLE III

ISSUANCE OF BONDS

SECTION 3.01 Issuance of Bonds. Whenever the Commission shall determine to issue a Series of Bonds hereunder, the Commission (i) shall authorize the execution of a Supplemental Indenture specifying the principal amount, and prescribing the forms of Bonds of such Series and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions, tender provisions, if any, and place or places of payment of principal or Redemption Price, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of this Indenture, (ii) shall execute such Supplemental Indenture and (iii) shall deliver such Supplemental Indenture to the Trustee for execution.

SECTION 3.02 Issuance of Additional Bonds. Subsequent to the issuance of the 2008 Bonds, the Commission may by Supplemental Indenture establish one or more additional Series of Bonds, payable from Sales Tax Revenues and secured by the pledge made under this Indenture equally and ratably with the 2008 Bonds, and the Commission may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Commission, but only, with respect to each additional Series of Bonds issued subsequent to the 2008 Bonds issued hereunder, upon compliance by the Commission with the provisions of this Section 3.02, Section 3.03 and any additional requirements set forth in said Supplemental Indenture and subject to the specific conditions set forth below, each of which is hereby made a condition precedent to the issuance of any such additional Series of Bonds.

(A) No Event of Default shall have occurred and then be continuing.

(B) Subject to the provisions of Section 5.05, in the event a Supplemental Indenture providing for the issuance of such Series shall require either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Commission or from both such sources or may be made in the form of a Reserve Facility.

(C) The aggregate principal amount of Bonds issued hereunder shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(D) The Commission shall place on file with the Trustee a Certificate of the Commission certifying that the amount of Sales Tax Revenues collected during the Fiscal Year for which audited financial statements are available preceding the date on which such additional
Series of Bonds will become Outstanding shall have been at least equal to 1.3 times Maximum
Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the
additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the
computations upon which such Certificate is based.

(E) Principal payments of each additional Series of Bonds shall be due on April 1 or
October 1 in each year in which principal is to be paid if and to the extent deemed practical in the
reasonable judgment of the Commission with regard to the type of Bond to be issued, and, if the
interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due
on April 1 and October 1 in each year to the extent deemed practical in the reasonable judgment
of the Commission with regard to the type of Bond to be issued.

Nothing in this Section or in this Indenture contained shall prevent or be construed to
prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds
from pledging or otherwise providing, in addition to the security given or intended to be given by
this Indenture, additional security for the benefit of such additional Series of Bonds or any
portion thereof.

In the event additional assets or revenues are included within the definition of
"Revenues" by a Supplemental Indenture, such additional assets or revenues shall be included in
the calculations to be provided in subsection (D) above as if such additional assets or revenues
had always been included in "Revenues."

SECTION 3.03 Proceedings for Issuance of Additional Bonds. Subsequent to the
issuance of the 2008 Bonds, before any additional Series of Bonds shall be issued and delivered,
the Commission shall file each of the documents identified below with the Trustee (upon which
documents the Trustee may conclusively rely in determining whether the conditions precedent to
the issuance of such Series of Bonds have been satisfied).

(A) A Supplemental Indenture authorizing such Series executed by the Commission.

(B) A Certificate of the Commission certifying: (i) that no Event of Default has
occurred and is then continuing; and (ii) that the requirements specified in Section 3.02(B) and
Section 3.02(C) hereof have been satisfied by the Commission.

(C) A Certificate of the Commission certifying (on the basis of computations made no
later than the date of sale of such Series of Bonds) that the requirement of Section 3.02(D) is
satisfied.

(D) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is
being entered into in accordance with this Indenture and that such Series of Bonds, when duly
executed by the Commission and authenticated and delivered by the Trustee, will be valid and
binding obligations of the Commission.

SECTION 3.04 Issuance of Refunding Bonds.

(A) Refunding Bonds may be authorized and issued by the Commission without
compliance with the provisions of Sections 3.02(D) or 3.03(C); provided that the Trustee shall
have been provided with a Certificate of the Commission to the effect that the Commission has
determined one of the following: (i) that Maximum Annual Debt Service on all Bonds
Outstanding and all Parity Obligations outstanding following the issuance of such Refunding
Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all
Parity Obligations outstanding prior to the issuance of such Refunding Bonds, or (ii) that the
Commission expects a reduction in Debt Service on all Bonds Outstanding and all Parity
Obligations outstanding to result from the refunding to be effected with the proceeds of such
Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount
sufficient (together with any additional funds available or to become available) to provide funds
for the payment of all or a portion of the following:

(1) the principal or Redemption Price of the Outstanding Bonds or
outstanding Parity Obligations to be refunded;

(2) all expenses incident to the calling, retiring or paying of such Outstanding
Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding
Bonds;

(3) any termination payment owed by the Commission to a Counterparty after
offset for any payments made to the Commission from such Counterparty under any
Interest Rate Swap Agreement that was entered into in connection with the Bonds or
Parity Obligations to be refunded;

(4) interest on all Outstanding Bonds or outstanding Parity Obligations to be
refunded to the date such Bonds or Parity Obligations will be called for redemption or
paid at maturity;

(5) interest on the Refunding Bonds from the date thereof to the date of
payment or redemption of the Bonds or Parity Obligations to be refunded; and

(6) funding a Bond Reserve Fund for the Refunding Bonds, if required.

(B) Before such Series of Refunding Bonds shall be issued and delivered pursuant to
this Section 3.04, the Commission shall file each of the documents identified below with the
Trustee (upon which documents the Trustee may conclusively rely in determining whether the
conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Indenture authorizing such Series of Refunding Bonds
executed by the Commission.

(2) A Certificate of the Commission certifying: (i) that Maximum Annual
Debt Service on all Bonds and Parity Obligations which will be outstanding following the
issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual
Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the
issuance of such Refunding Bonds or that the Commission expects a reduction in Debt
Service on all Bonds Outstanding and all Parity Obligations outstanding to result from
the refunding to be effected with the proceeds of such Refunding Bonds; and (ii) that the
requirements of Sections 3.02(A), (B), and (C) hereof are satisfied.
(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the Commission; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Commission may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds; and provided further that no provision of this Indenture shall be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with this Indenture and that such Series of Refunding Bonds, when duly executed by the Commission and authenticated and delivered by the Trustee, will be valid and binding obligations of the Commission.

(5) The proceeds of the sale of the Refunding Bonds shall be applied by the Trustee according to the written direction of the Commission to the retirement of the Outstanding Bonds or Parity Obligations for the refunding of which said Refunding Bonds are to be issued. All Bonds or Parity Obligations purchased, redeemed or retired by use of funds received from the sale of Refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of Refunding Bonds, shall be forthwith canceled and shall not be reissued.

SECTION 3.05 Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations. Subsequent to the issuance of the 2008 Bonds, the Commission will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Sales Tax Revenues except as set forth below.

(A) Bonds authorized pursuant to Sections 3.01 and 3.02.

(B) Refunding Bonds authorized pursuant to Section 3.04.

(C) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:

(1) Such Parity Obligations have been duly and legally authorized by the Commission for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Commission to that effect, which Certificate of the Commission shall be filed with the Trustee;

(3) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds
set forth in Section 3.04 or (ii) the Commission shall have placed on file with the Trustee a Certificate of the Commission, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Parity Obligations, as applicable) that the requirements set forth in Section 3.02(D) relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which Certificate shall also set forth the computations upon which such Certificate is based;

(4) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations and the Commission shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

(D) Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Sales Tax Revenues after the prior payment of all amounts then required to be paid hereunder from Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable, and at the times and in the amounts as required in this Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred, provided that the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied:

(1) Such Subordinate Obligations have been duly and legally authorized by the Commission for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery to the Trustee of a Certificate of the Commission to that effect;

(3) Such Subordinate Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in Section 3.04 or (ii) the Commission shall deliver to the Trustee a Certificate of the Commission certifying that the lesser of (x) the amounts of Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Commission) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding, or (y) the estimated Sales Tax Revenues for the Fiscal Year in which such Subordinate Obligations are to be issued or incurred, shall have been, or will be, as applicable, at least equal to 1.0 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Subordinate Obligations then proposed to be issued or incurred, which Certificate shall also set forth the computations upon which such Certificate is based; and

(4) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Subordinate Obligations and the Commission shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Subordinate Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Subordinate Obligations).
Notwithstanding the foregoing, Existing Notes may continue to be issued and outstanding from time to time under the Subordinate Indenture without complying with the foregoing provisions of (D).

(E) Termination payments and fees and expenses on Interest Rate Swap Agreements, Liquidity Provider or Credit Provider fees and expenses and other obligations that shall be secured by a lien and charge on the Revenues subordinate to the lien and charge upon the Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

(F) The Commission and the Trustee hereby acknowledge that the Initial Swaps have been entered into by the Commission and that the obligation of the Commission to make payments required under the Initial Swaps (excluding fees and expenses and termination payments under the Initial Swaps) constitute Parity Obligations hereunder. The obligation of the Commission to pay fees, expenses and termination payments under the Initial Swaps is secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

SECTION 3.06 Calculation of Maximum Annual Debt Service with Respect to Bonds and Parity Obligations. For purposes of this Article III, Maximum Annual Debt Service with respect to Bonds shall be determined no later than the date of delivery of such Bonds, and no earlier than the sixtieth (60th) day preceding the date of pricing or sale of such Bonds, utilizing the assumptions set forth in the definition of Debt Service. For purposes of this Article III, Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service; provided, however, that if a Parity Obligation is contingent upon funds being provided pursuant to such Parity Obligation to pay principal, or purchase price of, or interest on a Bond, such Parity Obligations shall not be considered outstanding until such payment is made thereunder.

SECTION 3.07 Application of Proceeds. Proceeds of each Series of Bonds shall be applied as specified in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

SECTION 3.08 Termination of Issuances Under the Existing Indenture. The Commission will not, as long as any of the Bonds are Outstanding, issue any additional obligations or securities under the provisions of the Existing Indenture. The only obligations payable from Sales Tax Revenues on a parity with the Bonds are the Initial Swaps and the Existing Bonds. All of the outstanding Existing Bonds mature on April 1, 2008, and the Commission will terminate the Existing Indenture pursuant to its terms promptly thereafter.
ARTICLE IV

REDEMPTION, TENDER AND PURCHASE OF BONDS

SECTION 4.01   Terms of Redemption, Tender and Purchase. Each Series of Bonds may be made subject to redemption or mandatory or optional tender and purchase prior to their respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and upon such notice and with such effect as may be provided in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

SECTION 4.02   Notice of Redemption. Unless otherwise specified in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, each notice of redemption shall be mailed by the Trustee, not less than ten (10) nor more than sixty (60) days prior to the redemption date, to each Holder and each of the Repositories. A copy of such notice shall also be provided to each of the Notice Parties with respect to Series of Bonds to which such notice relates. Notice of redemption to the Holders, the Repositories and the applicable Notice Parties shall be given by first class mail. Each notice of redemption shall state the date of such notice, the date of issue of the Series of Bonds to which such notice relates, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity, if any, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Commission nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Commission nor the Trustee shall be liable for any inaccuracy in such CUSIP numbers.

Failure by the Trustee to give notice to any Notice Party or any one or more of the Repositories or failure of any Holder, any Notice Party or any Repository to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

With respect to any notice of optional redemption of Bonds delivered pursuant to this Section 4.02 or any provision of any Supplemental Indenture, unless, upon the giving of such notice, such Bonds shall be deemed to have been paid within the meaning of Article X hereof, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the Commission shall
not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

Any notice given pursuant to this Section 4.02 may be rescinded by written notice given to the Trustee by the Commission and the Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given pursuant to this Section 4.02.

SECTION 4.03 Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Commission shall execute (but need not prepare) and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Commission, a new Bond or Bonds of authorized denominations, and of the same Series, maturity and interest rate, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 4.04 Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment and such funds are hereby pledged to such payment. All Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof.

ARTICLE V

SALES TAX REVENUES

SECTION 5.01 Pledge of Revenues; Revenue Fund.

(A) As security for the payment of all amounts owing on the Bonds and Parity Obligations, there are irrevocably pledged to the Trustee: (i) all Revenues; and (ii) all amounts, including proceeds of the Bonds, held on deposit in the funds and accounts established hereunder (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), subject to the provision of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture. The collateral identified above shall immediately be subject to this pledge, and this pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Commission and all others asserting the rights therein, to the extent set forth, and in accordance with, this Indenture irrespective of whether those parties have notice of this pledge and without the need for any physical delivery,
recordation, filing or further act. The pledge of Revenues and all amounts held on deposit in the funds and accounts established hereunder (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund) herein made shall be irrevocable until all of the Bonds, all Parity Obligations and amounts owed in connection with the Bonds and Parity Obligations are no longer Outstanding.

All Bonds and Parity Obligations shall be of equal rank without preference, priority or distinction of any Bonds and Parity Obligations over any other Bonds and Parity Obligations.

(B) As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Commission hereby assigns and shall cause Sales Tax Revenues to be transmitted by the State Board of Equalization directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, all Sales Tax Revenues, when and as received by the Trustee. The Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and the Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Indenture. Investment income on amounts held by the Trustee hereunder (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, a Letter of Credit Account or a Purchase Fund, are provided in a Supplemental Indenture), shall also be deposited in the Revenue Fund. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Holders of the Bonds and the holders of Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Indenture.

(C) The Bonds are limited obligations of the Commission and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Revenues and other funds pledged hereunder.

SECTION 5.02 Allocation of Sales Tax Revenues.

(A) So long as any Bonds are Outstanding and Parity Obligations, Subordinate Obligations, and all other amounts payable hereunder remain unpaid, the Trustee shall set aside in each month following receipt of the Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee pursuant to Section 3.05 (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations):

(1) Interest Fund. Following receipt of the Sales Tax Revenues in each month, the Trustee shall set aside in the Interest Fund as soon as practicable in such
month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest
becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds
constituting Variable Rate Indebtedness which shall be governed by subparagraph (b)
below) during the next ensuing six (6) months (excluding any interest for which there are
moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other
source and reserved as capitalized interest to pay such interest during said next ensuing
six (6) months), until the requisite half-yearly amount of interest on all such Outstanding
Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which
shall be governed by subparagraph (b) below) is on deposit in such fund; provided that
from the date of delivery of a Series of Current Interest Bonds until the first Interest
Payment Date with respect to such Series of Bonds the amounts set aside in such fund
with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay
the aggregate amount of interest becoming due and payable on said Interest Payment
Date with respect to such Series of Bonds, plus (b) the aggregate amount of interest to
accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the
actual rate of interest is not known, at the interest rate specified in writing by the
Commission, or if the Commission shall not have specified an interest rate in writing,
calculated at the maximum interest rate borne by such Variable Rate Indebtedness during
the month prior to the month of deposit plus one hundred (100) basis points (provided,
however, that the amount of such deposit into the Interest Fund for any month may be
reduced by the amount by which the deposit in the prior month exceeded the actual
amount of interest accrued and paid during that month on said Outstanding Variable Rate
Indebtedness and provided further that the amount of such deposit into the Interest Fund
for any month shall be increased by the amount by which the deposit in the prior month
was less than the actual amount of interest accruing during that month on said
Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest
Fund if the amount contained therein is at least equal to the interest to become due and
payable on the Interest Payment Dates falling within the next six (6) months upon all of
the Bonds issued hereunder and then Outstanding and on April 1 and October 1 of each
year any excess amounts in the Interest Fund not needed to pay interest on such date (and
not held to pay interest on Bonds having Interest Payment Dates other than April 1 and
October 1) shall be transferred to the Commission (but excluding, in each case, any
moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other
source and reserved as capitalized interest to pay interest on any future Interest Payment
Dates following such Interest Payment Dates). All Swap Revenues received with respect
to the Initial Swaps shall be deposited in the Interest Fund.

(2) Principal Fund; Sinking Accounts. Following receipt of the Sales Tax
Revenues in each month, the Trustee shall deposit in the Principal Fund as soon as
practicable in such month an amount equal to at least (a) one-sixth of the aggregate
semiannual amount of Bond Obligation becoming due and payable on the Outstanding
Serial Bonds of all Series having semiannual maturity dates within the next six (6)
months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation
becoming due and payable on the Outstanding Serial Bonds of all Series having annual
maturity dates within the next twelve (12) months, plus (c) one-sixth of the aggregate of
the Mandatory Sinking Account Payments to be paid during the next six-month period
into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking
Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

In the event that the Sales Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued hereunder and then Outstanding and maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than April 1 of each year, the Trustee shall request from the Commission a Certificate of the Commission setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On April 1 of each year or as soon as practicable thereafter any excess amounts in the Principal Fund not needed to pay
principal on such date (and not held to pay principal on Bonds having principal payment dates other than April 1) shall be transferred to the Commission.

(3) **Bond Reserve Fund.** Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to Section 5.05(D), each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

(4) **Subordinate Obligations Fund.** The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." As long as any Subordinate Obligations remain unpaid, any Revenues remaining in the Revenue Fund after the transfers described in (1), (2) and (3) above have been made shall be transferred on the same Business Day to the Subordinate Trustee. After the Subordinate Trustee has made the required deposit of Revenues under the Subordinate Indenture, the Subordinate Trustee shall transfer any remaining Revenues back to the Trustee.

(5) **Fees and Expenses Fund.** The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Fees and Expenses Fund." At the direction of the Commission, after the transfers described in (1), (2), (3) and (4) above have been made, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund (i) amounts necessary for payment of fees, expenses and similar charges (including fees, expenses and similar charges relating to any Liquidity Facility or Credit Enhancement for the Bonds or any Parity Obligations) owing in such month or following month by the Commission in connection with the Bonds or any Parity Obligations and (ii) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Commission in connection with Subordinate Obligations. The Commission shall inform the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

(B) Any Revenues remaining in the Revenue Fund after the foregoing transfers described in (1), (2), (3), (4) and (5) of subsection (A) above, except as the Commission shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Commission on the same Business Day or as soon as practicable thereafter. The Commission may use and apply the Revenues when received by it for any lawful purpose of the Commission, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

(C) If five (5) days prior to any principal payment date, Interest Payment Date or mandatory redemption date the amounts on deposit in the Revenue Fund, the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Commission, in writing, of such deficiency and direct that the Commission transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Commission hereby covenants and agrees to transfer to the Trustee from any
Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

SECTION 5.03 Application of Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purposes of: (a) paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture), or for reimbursing the Credit Enhancement Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit, and (b) paying Parity Obligations (including making periodic payments on Interest Rate Swap Agreements, as provided in Section 5.10).

SECTION 5.04 Application of Principal Fund.

(A) All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided herein, or for reimbursing the Credit Enhancement Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit.

(B) The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the "_____ Sinking Account," inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in this Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Commission, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Commission, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Commission has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or
deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to this subsection shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Commission by the Trustee. Any amounts remaining in a Sinking Account on April 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Commission to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Commission with the Trustee in a twelve month period ending March 31 (or in a six-month period ending March 31 or September 30 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next April 1 or October 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Commission. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Commission.

SECTION 5.05 Establishment, Funding and Application of Bond Reserve Funds. The Commission may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Commission shall be available to secure one or more Series of Bonds as the Commission shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund. Any Bond Reserve Fund established by the Commission shall be held by the Trustee and shall comply with the requirements set forth in this Section 5.05.

(A) In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds in cash or in replacement of moneys then on deposit in any Bond Reserve Fund (which shall be transferred by the Trustee to the Commission), or in substitution of any Reserve Facility comprising part of the Bond Reserve Requirement relating to one or more Series of Bonds, the Commission may, at any time and from time to time, deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in Section 5.05(B), then on deposit in such Bond Reserve Fund, will equal the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such letter of credit shall have a term no less than three (3) years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this Section 5.05. At least one (1) year prior to the stated expiration of such letter of credit, the Commission shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least one (1) additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements of Section 5.05(B). Upon delivery of such replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the
Commission. If the Commission shall fail to deposit a replacement Reserve Facility with the Trustee, the Commission shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates will be on deposit in such Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates as of the date following the expiration of the letter of credit is not on deposit in such Bond Reserve Fund one (1) week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Bond Reserve Fund.

(B) In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Bond Reserve Fund (which shall be transferred by the Trustee to the Commission) or in substitution of any Reserve Facility comprising part of a Bond Reserve Requirement for any Bonds, the Commission may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy securing an amount which, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Bond Reserve Fund, is no less than the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated at the time of delivery in one of the two highest Rating Categories of Moody's and Standard & Poor's. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained. In the event that such surety bond or insurance policy for any reason lapses or expires, the Commission shall immediately implement (i) or (iii) of the preceding paragraph or make the required deposits to such Bond Reserve Fund.

(C) Subject to Section 5.05(E), all amounts in any Bond Reserve Fund (including all amounts which may be obtained from a Reserve Facility on deposit in such Bond Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter provided: (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Bond Reserve Fund relates; or (ii) together with any other moneys available therefor, (x) for the payment or redemption of all Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, (y) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, provided, however, that if funds on deposit in any Bond Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which such Bond Reserve Fund relates, the amount on deposit in the Bond Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Bonds of such Series. Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in any Bond Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Bond Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Bond Reserve Fund, shall, on a pro rata basis with respect to the portion of a Bond Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such
Reserve Facility), draw under each Reserve Facility issued with respect to such Bond Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Bond Reserve Fund relates when due. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, securing the Bonds of such Series, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

(D) The Trustee shall notify the Commission of any deficiency in any Bond Reserve Fund (i) due to a withdrawal from such Bond Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Bond Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Bond Reserve Fund pursuant to Section 5.11 and shall request that the Commission replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Bond Reserve Requirement. Upon receipt of such notification from the Trustee, the Commission shall instruct the Trustee to commence setting aside in each month following receipt of Sales Tax Revenues for deposit in the applicable Bond Reserve Fund an amount equal to one-twelfth (1/12th) of the aggregate amount of each unreplenished prior withdrawal from such Bond Reserve Fund or decrease resulting from a valuation pursuant to Section 5.11 and shall further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates, an amount equal to one-twelfth (1/12th) of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the Sales Tax Revenues each month, commencing with the month following the Commission's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Bond Reserve Fund is at least equal to the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates.

(E) Unless the Commission shall otherwise direct in writing, any amounts in any Bond Reserve Fund in excess of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates shall be transferred by the Trustee to the Commission on the Business Day following October 1 of each year; provided that such amounts shall be transferred only from the portion of such Bond Reserve Fund held in the form of cash or Investment Securities. In addition, amounts on deposit in any Bond Reserve Fund shall be transferred by the Trustee to the Commission upon the defeasance, retirement or refunding of Bonds of the Series to which such Bond Reserve Fund relates or upon the replacement of cash on deposit in such Bond Reserve Fund with one or more Reserve Facilities in accordance with Section 5.05(A) or Section 5.05(B). The Bond Reserve Requirement shall be calculated upon the issuance or retirement of a Series of Bonds or upon the defeasance of all or a portion of a Series of Bonds.
SECTION 5.06 Application of Subordinate Obligations Fund. All moneys in the Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Subordinate Obligations in accordance with Section 5.02(A)(4).

SECTION 5.07 Application of Fees and Expenses Fund. All amounts in the Fees and Expenses Fund shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses and similar charges owed by the Commission in connection with the Bonds or any Parity Obligations or Subordinate Obligations as such amounts shall become due and payable.

SECTION 5.08 Application of Redemption Fund. The Trustee shall establish, maintain and hold in trust a special fund designated as the "Redemption Fund." All moneys deposited by the Commission with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the Commission, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the Commission in a Request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the Commission, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Fund) as is directed by the Commission, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the Commission.

SECTION 5.09 Rebate Fund.

(A) Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Commission. Subject to the transfer provisions provided in paragraph (C) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Indenture and by the applicable the Tax Certificates. The Commission hereby covenants to comply with the directions contained in each Tax Certificate and the Trustee hereby covenants to comply with all written instructions of the Commission delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto). The Trustee shall be deemed conclusively to have complied with the provisions of this Section 5.09(A) if it follows such instructions of the Commission, and the Trustee shall have no liability or responsibility to
enforce compliance by the Commission with the terms of any Tax Certificate nor to make computations in connection therewith.

(B) Pursuant to each Tax Certificate, an amount shall be deposited in the Rebate Fund by the Commission so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement applicable to the Series of Bonds to which such Tax Certificate relates. Computations of each Rebate Requirement shall be furnished by or on behalf of the Commission to the Trustee in accordance with the applicable Tax Certificate.

(C) The Trustee shall invest all amounts held in the Rebate Fund, pursuant to written instructions of the Commission, in Investment Securities, subject to the restrictions set forth in the applicable Tax Certificate. Money shall not be transferred from the Rebate Fund except as provided in paragraph (D) below.

(D) Upon receipt of Rebate Instructions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Rebate Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of a Series of Bonds and payment and satisfaction of any Rebate Requirement applicable to such Series of Bonds, shall be withdrawn and remitted to the Commission in accordance with a Request of the Commission.

(E) Notwithstanding any other provision of the Indenture, including in particular Article X thereof, the obligation to remit the Rebate Requirement applicable to each Series of Bonds to the federal government of the United States of America and to comply with all other requirements of this Section and each Tax Certificate shall survive the defeasance or payment in full of the Bonds.

SECTION 5.10 Payment Provisions Applicable to Interest Rate Swap Agreements. The Commission and the Trustee hereby acknowledge that the Initial Swaps have been entered into by the Commission with respect to the 2008 Bonds and that the obligation of the Commission to make payments required under the Initial Swaps (excluding fees and expenses and termination payments under the Initial Swaps) constitute Parity Obligations hereunder and shall be payable from the Interest Fund. In the event the Commission shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds other than the Initial Swaps, the amounts received by the Commission, if any, pursuant to such Interest Rate Swap Agreement may be applied to the deposits required hereunder. If the Commission so designates in a Supplemental Indenture establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is entered into subsequent to the issuance of such Series of Bonds, if the Commission so designates in a Certificate of the Commission delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement), amounts payable under such Interest Rate Swap Agreement (excluding termination payments and payments of fees and expenses incurred in connection with Interest Rate Swap Agreements which shall in all cases be payable from, and secured by, Sales Tax Revenues on a subordinate basis to Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations) shall constitute Parity Obligations under this Indenture, and, in such event, the Commission shall pay or cause to
be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by Section 5.02, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Series of Bonds with respect to which such Interest Rate Swap Agreement was entered into.

SECTION 5.11 Investment in Funds and Accounts. All moneys in any of the funds and accounts held by the Trustee and established pursuant to this Indenture shall be invested, as directed by the Commission, solely in Investment Securities. All Investment Securities shall, as directed by the Commission in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in Section 6.08, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Commission. If and to the extent the Trustee does not receive investment instructions from the Commission with respect to the moneys in the funds and accounts held by the Trustee pursuant to this Indenture, such moneys shall be invested in Investment Securities described in clause [(12)] of the definition thereof and the Trustee shall thereupon request investment instructions from the Commission for such moneys.

Moneys in any Bond Reserve Fund shall be invested in Investment Securities available on demand for the purpose of payment of the Bonds to which such Bond Reserve Fund relates as provided herein. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund shall be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from the investment of moneys in a Costs of Issuance Fund shall be transferred to the Revenue Fund; (iv) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in Section 5.09, (vi) all interest, profits and other income received from the investment of moneys in any Purchase Fund shall be retained in such Purchase Fund; and (vii) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.
All Investment Securities credited to any Bond Reserve Fund shall be valued (at market value) as of April 1 and October 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary herein, in making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to this Indenture (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Commission may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance herewith.

ARTICLE VI

COVENANTS OF THE ISSUER

SECTION 6.01 Punctual Payments. The Commission will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Revenues as provided in this Indenture.

SECTION 6.02 Extension of Payment of Bonds. The Commission will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Commission to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 6.03 Waiver of Laws. The Commission will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and
agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Commission to the extent permitted by law.

SECTION 6.04 Further Assurances. The Commission will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Indenture.

SECTION 6.05 Against Encumbrances. The Commission will not create any pledge, lien or charge upon any of the Sales Tax Revenues having priority over or having parity with the lien of the Bonds except only as permitted in Section 3.05.

SECTION 6.06 Accounting Records and Financial Statements.

(A) The Commission will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

(B) The Commission will furnish the Trustee, within one hundred eighty (180) days after the end of each Fiscal Year, the financial statements of the Commission for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of an Authorized Representative stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Commission to cure such default. Thereafter, a copy of such financial statements will be furnished to any Holder upon written request to the Commission, which copy of the financial statements may, at the sole discretion of the Commission, be provided by means of posting such financial statements on an internet site that provides access to the Holders.

SECTION 6.07 Collection of Sales Tax Revenues.

(A) The Commission covenants and agrees that it has duly levied a retail transactions and use tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Commission. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues, and the Commission will continue to levy and collect such retail transactions and use tax to the full amount permitted by law. The Commission further covenants that it has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization will process and supervise collection of said retail transactions and use tax and will transmit Sales Tax
Revenues directly to the Trustee. Said agreement will be continued in effect so long as any of any Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The Commission will receive and hold in trust for (and remit immediately to) the Trustee any Sales Tax Revenues paid to the Commission by the State Board of Equalization.

(B) Sales Tax Revenues received by the Trustee shall be transmitted to the Commission pursuant to Section 5.02; provided that, during the continuance of an Event of Default, any Sales Tax Revenues received by the Trustee shall be applied as set forth in Section 7.02.

(C) The Commission covenants and agrees to separately account for all Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

(D) The Commission covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Act which would materially and adversely affect the rights of Bondholders.

SECTION 6.08 Tax Covenants. The Commission covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Commission may exclude the application of the covenants contained in this Section 6.08 and Section 5.09 to such Series of Bonds. The Commission will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Commission, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Commission will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. In the event that at any time the Commission is of the opinion that for purposes of this Section 6.08 it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under this Indenture, the Commission shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Commission agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. The Commission specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement with respect to each Series of Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Bonds.

Notwithstanding any provision of this Section 6.08, Section 5.09 and any Tax Certificate, if the Commission shall receive an Opinion of Bond Counsel to the effect that any action required under this Section 6.08, Section 5.09 or any Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the
interest on the Bonds pursuant to Section 103 of the Code, the Commission and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

Notwithstanding any provisions of this Indenture, including particularly Article X, the covenants and obligations set forth in this Section 6.08 shall survive the defeasance of the Bonds or any Series thereof.

SECTION 6.09 Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Commission hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the Commission to comply with the provisions of any Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least twenty-five (25%) aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Commission to comply with its obligations under this Section 6.09.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01 Events of Default. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) if the Commission shall fail to observe or perform any covenant, condition, agreement or provision in this Indenture on its part to be observed or performed, other than as referred to in subsection (A) or (B) of this Section, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Commission by the Trustee or by any Credit Provider; except that, if such failure can be remedied but not within such sixty (60) day period and if the Commission has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall
not become an Event of Default for so long as the Commission shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default shall exist under any agreement governing any Parity Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(E) if the Commission files a petition in voluntary bankruptcy for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(F) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the Commission insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Commission, or approving a petition filed against the Commission seeking reorganization of the Commission under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(G) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Commission or of the Revenues, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control; or

(H) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the retail transactions and use tax, being Sections 132301 to 132308, inclusive, of the Public Utilities Code of the State unless the Commission has determined that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

SECTION 7.02 Application of the Revenues and Other Funds After Default; No Acceleration. If an Event of Default shall occur and be continuing, the Commission shall immediately transfer to the Trustee all Revenues held by it and the Trustee shall apply all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture (excluding the Rebate Fund and any Purchase Fund and except as otherwise provided in this Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under this Indenture;

(2) to the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and
stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture (including Section 9.02), with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and on Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which shall have become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference;

(3) to the extent Revenues are available therefor, to be transferred to the trustee for the Subordinate Obligations in the amount necessary for payment of Subordinate Obligations; and

(4) to the payment of all other obligations payable hereunder.

Notwithstanding anything in this Indenture to the contrary, in no event are the Bonds subject to acceleration if an Event of Default occurs and is continuing.

SECTION 7.03 Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Indenture, the Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Provider providing such Credit Enhancement, or if such Credit Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under this Indenture, the Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Sales Tax Revenues and other assets pledged under this Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Provider providing such Credit Enhancement. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of
any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Indenture (including Section 7.05).

SECTION 7.04 Bondholders' Direction of Proceedings. Anything in this Indenture to the contrary (except provisions relating to the rights of a Credit Provider to direct proceedings as set forth in Section 7.10) notwithstanding, the Holders of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Obligations not parties to such direction.

SECTION 7.05 Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Law or any other applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the written consent of a Credit Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Indenture, the Law or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Indenture.
SECTION 7.06  **Absolute Obligation of the Commission.** Nothing in Section 7.05 or in any other provision of this Indenture, or in the Bonds, contained shall affect or impair the obligation of the Commission, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07  **Termination of Proceedings.** In case any proceedings taken by the Trustee, any Credit Provider or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, any Credit Provider or the Bondholders, then in every such case the Commission, the Trustee, each Credit Provider and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Commission, the Trustee, each Credit Provider and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.08  **Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee, to any Credit Provider or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09  **No Waiver of Default.** No delay or omission of the Trustee, any Credit Provider or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee, to any Credit Provider or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default hereunder, whether by Trustee or by any Credit Provider or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

SECTION 7.10  **Credit Provider Directs Remedies Upon Event of Default.** Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined herein, the Credit Provider then providing Credit Enhancement for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds secured by such Credit Enhancement or granted to the Trustee for the benefit of the Holders of the Bonds secured by such Credit Enhancement, provided that the Credit Provider's consent shall not be required as otherwise provided herein if such Credit Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Provider.
ARTICLE VIII

THE TRUSTEE

SECTION 8.01 Appointment, Duties, Immunities, and Liabilities of Trustee.

(A) U.S. Bank National Association is hereby appointed as Trustee under this Indenture and hereby accepts the trust imposed upon it as Trustee hereunder and to perform all the functions and duties of the Trustee hereunder, subject to the terms and conditions set forth in this Indenture. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(B) The Commission may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and each Credit Provider then providing a Credit Enhancement for any Series of Bonds, and thereupon shall appoint a successor Trustee by an instrument in writing, such appointment to be subject to receipt of the written consent of each Credit Provider then providing a Credit Enhancement for any Series of Bonds, which consent shall not be unreasonably withheld.

For so long as a Credit Enhancement is in full force and effect with respect to any Series of Bonds and the Credit Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith, the Commission shall remove the Trustee upon the written request of any Credit Provider by giving written notice of such removal to the Trustee and each Credit Provider then insuring any Series of Bonds, and thereupon, the Commission shall appoint a successor Trustee by an instrument in writing, such appointment to be subject to receipt of the written consent of each Credit Provider then insuring any Series of Bonds, which consent shall not be unreasonably withheld.

(C) The Trustee may at any time resign by giving written notice of such resignation to the Commission and each Credit Provider then insuring any Series of Bonds and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Commission shall promptly appoint a successor Trustee by an instrument in writing, such appointment to be subject to receipt of the written consent of each Credit Provider then insuring any Series of Bonds,
which consent shall not be unreasonably withheld, provided that the Credit Enhancement provided by such Credit Provider is in full force and effect and such Credit Provider is not then failing to make a payment as required in connection therewith.

(D) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided that such appointment shall be subject to receipt of the written consent of each Credit Provider insuring any Series of Bonds, which consent shall not be unreasonably withheld, and provided further that the Credit Enhancement provided by such Credit Provider is in full force and effect and the Credit Provider is not then failing to make a payment as required in connection therewith. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Commission, each Credit Provider then insuring any Series of Bonds and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Commission or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Commission shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Commission shall give notice of the succession of such Trustee to the trusts hereunder by mail to the Bondholders at the addresses shown on the registration books maintained by the Trustee. If the Commission fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Commission.

(E) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company having (or, if such trust company or bank is a member of a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least one hundred million dollars ($100,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company or bank holding company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible
in accordance with the provisions of this subsection (E), the Trustee shall resign immediately in
the manner and with the effect specified in this Section.

SECTION 8.02   Accounting Records and Monthly Statements. The Trustee shall
keep proper books of record and accounts containing complete and correct entries of all
transactions relating to the receipt, investment, disbursement, allocation and application of the
moneys related to the Bonds, including proceeds of each Series of Bonds and moneys derived
from, pledged to, or to be used to make payments on each Series of Bonds. Such records shall
specify the account or fund to which each deposit and each investment (or portion thereof) held
by the Trustee is allocated and shall set forth, in the case of each investment security, (a) its
purchase price, (b) identifying information, including par amount, coupon rate, and payment
dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued
interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates
of acquisition and disposition or maturity. The Trustee shall furnish the Commission with a
monthly statement which shall include a summary of all deposits and all investment transactions
related to each Series of Bonds then Outstanding, such statement to be provided to the
Commission no later than the fifth (5th) Business Day of the month following the month to
which such statement relates, the first such monthly statement to be provided by the fifth (5th)
Business Day of the month immediately following the month in which the 2008 Bonds are
delivered by the Trustee pursuant to the provisions of this Indenture.

SECTION 8.03   Merger or Consolidation. Any company into which the Trustee
may be merged or converted or with which it may be consolidated or any company resulting
from any merger, conversion or consolidation to which it shall be a party or any company to
which the Trustee may sell or transfer all or substantially all of its corporate trust business,
provided such company shall be eligible under subsection (E) of Section 8.01, shall be the
successor to such Trustee without the execution or filing of any paper or any further act,
anything herein to the contrary notwithstanding.

SECTION 8.04   Liability of Trustee.

(A) The recitals of facts herein and in the Bonds contained shall be taken as
statements of the Commission, and the Trustee assumes no responsibility for the correctness of
the same (other than the certificate of authentication of the Trustee on each Bond), and makes no
representations as to the validity or sufficiency of this Indenture, or of the Bonds, as to the
sufficiency of the Revenues or the priority of the lien of this Indenture thereon, or as to the
financial or technical feasibility of any portion of the Project and shall not incur any
responsibility in respect of any such matter, other than in connection with the duties or
obligations expressly herein or in the Bonds assigned to or imposed upon it. The Trustee shall,
however, be responsible for its representations contained in its certificate of authentication on the
Bonds. The Trustee shall not be liable in connection with the performance of its duties
hereunder, except for its own negligence, willful misconduct or breach of the express terms and
conditions hereof. The Trustee and its directors, officers, employees or agents may in good faith
buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Holder of
a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under this
Indenture. The Trustee may in good faith hold any other form of indebtedness of the
Commission, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations
of the Commission and make disbursements for the Commission and enter into any commercial or business arrangement therewith, without limitation.

(B) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

(C) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(D) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any Credit Provider or any of the Bondholders pursuant to the provisions of this Indenture, including, without limitation, the provisions of Article VII hereof, unless such Credit Provider or such Bondholders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby; provided, however, that no security or indemnity shall be requested or required for the Trustee to deliver a notice to obtain funds under the Credit Enhancement delivered in connection with any Series of Bonds in order to pay principal of and interest on such Series of Bonds.

(E) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder or in the exercise of its rights or powers.

(F) The Trustee shall not be deemed to have knowledge of, and shall not be required to take any action with respect to, any Event of Default (other than an Event of Default described in subsections (A) or (B) of Section 7.01) or event that would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Trustee shall have actual knowledge of such event or shall have been notified of such event by the Commission, any Credit Provider then providing a Credit Enhancement for a Series of Bonds or the Holders of twenty-five percent (25%) of the Bond Obligation Outstanding. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain, monitor or inquire as to the performance or observance by the Commission of the terms, conditions, covenants or agreements set forth in Article VI hereof (including, without limitation, the covenants of the Commission set forth in Section 5.09 and 6.08 hereof, other than the covenants of the Commission to make payments with respect to the Bonds when due as set forth in Section 6.01 and to file with the Trustee when due, such reports and certifications as the Commission is required to file with the Trustee hereunder.

(G) No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.
(H) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, requisition, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Commission, personally or by agent or attorney.

(I) The Trustee shall not be responsible for:

1. the application or handling by the Commission of any Revenues or other moneys transferred to or pursuant to any Requisition or Request of the Commission in accordance with the terms and conditions hereof;

2. the application and handling by the Commission of any other fund or account designated to be held by the Commission hereunder;

3. any error or omission by the Commission in making any computation or giving any instruction pursuant to Section 5.09 and Section 6.08 and may rely conclusively on the Rebate Instructions and any computations or instructions furnished to it by the Commission in connection with the requirements of Section 5.09, Section 6.08 and each Tax Certificate;

4. the construction, operation or maintenance of any portion of the Project by the Commission.

(J) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(K) The Trustee agrees to accept and act upon written instructions and/or directions provided by Electronic Means pursuant hereto, provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, and (ii) such originally executed instructions and/or directions shall be signed on behalf of the Commission by an Authorized Representative and shall be signed on behalf of any other party by a person authorized to sign for the party delivering such instructions and/or directions, which person shall provide such documentation as the Trustee shall request in order to evidence such authorization.

SECTION 8.05 Right of Trustee to Rely on Documents and Opinions. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, counsel of or to the Commission, and may request an opinion of counsel, with regard to legal questions, including, without limitation, legal questions relating to proposed modifications or amendments of this Indenture, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it
hereunder in good faith and in accordance therewith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including, without limitation, matters relating to proposed modifications or amendments of this Indenture, the Trustee may request a Certificate of the Commission and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by such Certificate of the Commission, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Trustee may also rely conclusively on any report, statement, requisition, facsimile transmission, electronic mail or certification of any certified public accountant, investment banker, financial consultant, or other expert selected by the Commission or selected by the Trustee with due care in connection with matters required to be proven or ascertained in connection with its administration of the trusts created hereby.

SECTION 8.06 Compensation and Indemnification of Trustee. The Commission covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Commission will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Commission, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trusts created hereby, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Commission under this Section 8.06 shall survive the discharge of the Bonds and this Indenture and the resignation or removal of the Trustee.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS INDENTURE

SECTION 9.01 Amendments Permitted.

(A) (1) This Indenture and the rights and obligations of the Commission, the Holders of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Commission and the Trustee may enter into when the written consent of (i) each Credit Provider then providing a Credit Enhancement for any Series of Bonds, provided that the Credit Enhancement provided by such Credit Provider is in
full force and effect and the Credit Provider is not then failing to make a payment as required in connection therewith; or (ii) the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this Section; and provided, further, that if the Credit Enhancement provided for any Series of Bonds is in full force and effect and if the Credit Provider providing such Credit Enhancement is not failing to make a payment as required in connection therewith, such Credit Provider shall also consent in writing to such modification or amendment, which consent shall not be unreasonably withheld.

(2) No such modification or amendment shall (a) extend the maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture, or deprive the Holders of the Bonds of the lien created by this Indenture on such Revenues and other assets (in each case, except as expressly provided in this Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the Commission and the Trustee of any Supplemental Indenture pursuant to this Section 9.01(A), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Holders of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(B) This Indenture and the rights and obligations of the Commission, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Commission may adopt without the consent of any Bondholders, but with the written consent of each Credit Provider then providing a Credit Enhancement for any Series of Bonds which shall be materially and adversely affected by such amendment, which consent shall not be unreasonably withheld; provided, however, that such written consent shall be required only if the Credit Enhancement provided by such Credit Provider is in full force and effect and if the Credit Provider is not then failing to make a payment as required in connection therewith, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Commission in this Indenture contained other covenants and agreements thereafter to be observed, to pledge
or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Commission;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Commission may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of Article III hereof;

(5) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Commission may deem desirable; subject to the provisions of Section 3.02, Section 3.03 and Section 3.05;

(6) to make modifications or adjustments necessary, appropriate or desirable to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(7) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(8) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(9) to modify the auction provisions applicable to any Series of Bonds in accordance with the terms and provisions set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds;

(10) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(11) if the Commission agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;
(12) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(13) to modify, alter, amend or supplement this Indenture in any other respect, including amendments that would otherwise be described in Section 9.01(A), if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of this Indenture or if notice of the proposed amendments is given to Holders of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of this Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(14) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Any Supplemental Indenture entered into pursuant to this Section shall be deemed not to materially adversely affect the interest of the Holders so long as (i) all Bonds are secured by a Credit Enhancement and (ii) each Credit Provider shall have given its written consent to such Supplemental Indenture as provided in Section 9.01(A).

SECTION 9.02 Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Commission, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03 Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after any Supplemental Indenture becomes effective pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Commission and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of his Bond for such purpose at the Corporate Trust Office or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Commission and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Commission and authenticated by the Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Corporate Trust Office, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same Series, tenor and maturity.
SECTION 9.04 Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

SECTION 10.01 Discharge of Indenture. Bonds of any Series or a portion thereof may be paid by the Commission in any of the following ways:

(A) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Commission shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable hereunder by the Commission, then and in that case, at the election of the Commission (evidenced by a Certificate of the Commission, filed with the Trustee, signifying the intention of the Commission to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Sales Tax Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Commission under this Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Commission, the Trustee shall cause an accounting for such period or periods as may be requested by the Commission to be prepared and filed with the Commission and shall execute and deliver to the Commission all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Commission all moneys or securities or other property held by it pursuant to this Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

SECTION 10.02 Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Commission in respect of such Bond shall cease, terminate and be completely discharged, provided that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and
the Commission shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

The Commission may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Commission may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding anything in this Section 10.02 to the contrary, if the principal of or interest on a Series of Bonds shall be paid by a Credit Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the Commission shall not be deemed to be satisfied or considered paid by the Commission by virtue of such payments, and the right, title and interest of the Commission herein and the obligations of the Commission hereunder shall not be discharged and shall continue to exist and to run to the benefit of such Credit Provider, and such Credit Provider shall be subrogated to the rights of the Holders of the Bonds of such Series.

SECTION 10.03 Deposit of Money or Securities. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Defeasance Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Request of the Commission) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

SECTION 10.04 Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any
Bond and remaining unclaimed for one (1) year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in this Indenture), if such moneys were so held at such date, or one (1) year after the date of deposit of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall be repaid to the Commission free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Commission as aforesaid, the Trustee may (at the cost of the Commission) first mail to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Commission of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Holders thereof and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the Commission) for interest earned on, moneys so held. Any interest earned thereon shall belong to the Commission and shall be deposited upon receipt by the Trustee into the Revenue Fund.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01 Liability of Commission Limited to Sales Tax Revenues. Notwithstanding anything in this Indenture or in the Bonds contained, the Commission shall not be required to advance any moneys derived from any source other than the Sales Tax Revenues and other assets pledged hereunder for any of the purposes in this Indenture mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Indenture.

SECTION 11.02 Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Commission or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Commission or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03 Limitation of Rights. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Commission, the Trustee, each Credit Provider, each Liquidity Provider, each Reserve Facility Provider, the Holders of the Bonds and the holders of any Parity Obligations, including each Counterparty, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Commission, the Trustee, each Credit Provider, each Liquidity Provider, each Reserve Facility Provider, the Holders of the Bonds and the holders of any Parity Obligations, including each Counterparty.
SECTION 11.04 Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05 Destruction or Delivery of Canceled Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Commission of any Bonds, the Trustee may, in its sole discretion, in lieu of such cancellation and delivery, destroy such Bonds, and deliver a certificate of such destruction to the Commission.

SECTION 11.06 Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provisions or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Commission hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07 Notice to Commission and Trustee. Any notice to or demand may be served or presented, and such demand may be made and shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class mail postage prepaid, in a post office letter box, addressed, as the case may be, to the parties as listed below. Any such communication may also be sent by Electronic Means, receipt of which shall be confirmed.

Trustee: U.S. Bank National Association
633 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Division
Telephone: (213) 615-6023
Fax: (213) 615-6197

Commission: San Diego Association of Governments
401 B Street, Suite 800
San Diego, California 92101
Attention: Director of Finance
Telephone: (619) 699-1940
Fax: (619) 699-4890

SECTION 11.08 Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be
signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Commission if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Trustee. The Trustee may establish a record date as of which to measure consent of the Holders in order to determine whether the requisite consents are received.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Commission in accordance therewith or reliance thereon.

SECTION 11.09 Disqualified Bonds. In determining whether the Holders of the requisite aggregate Bond Obligation of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds that are owned or held by or for the account of the Commission, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Commission or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlled by, or under direct or indirect common control with, the Commission. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 11.10 Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal, Redemption Price or purchase price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.11 Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the
corporate trust industry, to the extent practicable, and with due regard for the protection of the
security of the Bonds and the rights of every holder thereof.

SECTION 11.12 Limitations on Rights of Credit Providers, Liquidity Providers, Reserve Facility Providers. A Supplemental Indenture establishing the terms and provisions of a Series of Bonds may provide that any Credit Provider, Liquidity Provider or Reserve Facility Provider may exercise any right under this Indenture given to the Holders of the Bonds to which such Credit Enhancement, Liquidity Facility or Reserve Facility relates. All provisions under this Indenture authorizing the exercise of rights by a Credit Provider, a Liquidity Provider or a Reserve Facility Provider with respect to consents, approvals, directions, waivers, appointments, requests or other actions, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider, Liquidity Provider or Reserve Facility Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider, Liquidity Provider or Reserve Facility Provider under the applicable Credit Enhancement, Liquidity Facility or Reserve Facility or (ii) after the applicable Credit Enhancement, Liquidity Facility or Reserve Facility has been rescinded, repudiated by the provider thereof or terminated, or after a receiver, conservator or liquidator has been appointed for the provider thereof. All provisions relating to the rights of a Credit Provider, Liquidity Provider or Reserve Facility Provider shall be of no further force and effect if all amounts owing to such Credit Provider, Liquidity Provider or Reserve Facility Provider shall have been paid pursuant to the terms of the applicable Credit Enhancement, Liquidity Facility or Reserve Facility and such Credit Enhancement, Liquidity Facility or Reserve Facility shall no longer be in effect.

SECTION 11.13 Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

All references herein to "Articles, "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 11.14 Waiver of Personal Liability. No Board member, officer, agent or employee of the Commission or the Trustee shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such Board member, officer, agent or employee of the Commission or the Trustee from the performance of any of any official duty provided by law or by this Indenture.
SECTION 11.15  Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

SECTION 11.16  Business Day. Except as specifically set forth in this Indenture or a Supplemental Indenture, transfers which would otherwise become due on any day which is not a Business Day shall become due or shall be made on the next succeeding Business Day with the same effect as if made on such prior date.

SECTION 11.17  Effective Date of Indenture. This Indenture shall take effect upon its execution and delivery.

SECTION 11.18  Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.
IN WITNESS WHEREOF, the parties hereto have executed this Indenture by their officers thereunto duly authorized as of the day and year first written above.

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: _______________________
   Chair of the Board of Directors

(Seal)

ATTEST:

__________________________
Secretary

APPROVED AS TO FORM:

By: _______________________
   General Counsel

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _______________________
   Authorized Officer
FIRST SUPPLEMENTAL INDENTURE

between

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

Dated as of March 1, 2008

Relating to

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

SALES TAX REVENUE BONDS

(LIMITED TAX BONDS)

2008 SERIES A-1, 2008 SERIES A-2, 2008 SERIES B-1,
2008 SERIES B-2, 2008 SERIES B-3 AND 2008 SERIES B-4

(Supplementing the Indenture
Dated as of March 1, 2008)
# TABLE OF CONTENTS

<p>| ARTICLE XII | DEFINITIONS ...................................................................................................................... 1 |
| Section 12.01. | Definitions ...................................................................................................................... 1 |
| Section 12.02. | Rules of Construction ................................................................................................... 11 |
| ARTICLE XIII | FINDINGS, DETERMINATIONS AND DIRECTIONS .......................................................... 11 |
| Section 13.01. | Findings and Determinations ...................................................................................... 11 |
| Section 13.02. | Recital in Bonds .......................................................................................................... 11 |
| Section 13.03. | Effect of Findings and Recital .................................................................................... 12 |
| ARTICLE XIV | AUTHORIZATION OF 2008 BONDS ................................................................................ 12 |
| Section 14.01. | Principal Amount, Designation and Series .................................................................... 12 |
| Section 14.02. | Purpose and Application of Proceeds .......................................................................... 13 |
| Section 14.03. | Form, Denomination, Numbers and Letters .................................................................. 13 |
| Section 14.04. | Date, Maturities and Interest Rates ............................................................................. 13 |
| Section 14.05. | Interest Rates on 2008 Bonds ..................................................................................... 15 |
| Section 14.06. | Disposition of Proceeds of 2008 Bonds ...................................................................... 31 |
| ARTICLE XV | REDEMPTION AND PURCHASE OF 2008 BONDS ............................................................... 32 |
| Section 15.01. | Optional Redemption of 2008 Bonds .......................................................................... 32 |
| Section 15.02. | Mandatory Redemption of 2008 Bonds From Mandatory Sinking Account Payments .... 35 |
| Section 15.03. | Purchase In Lieu of Redemption ................................................................................. 39 |
| Section 15.04. | Holder's Option to Tender 2008 Bonds for Purchase ................................................... 39 |
| Section 15.05. | Mandatory Tender of 2008 Bonds for Purchase .......................................................... 40 |
| Section 15.06. | Delivery of Tendered 2008 Bonds ................................................................................. 42 |
| Section 15.07. | 2008 Bonds Deemed Purchased .................................................................................... 42 |
| Section 15.08. | Deposit of 2008 Bonds .................................................................................................. 43 |
| Section 15.09. | Remarketing of Tendered 2008 Bonds .......................................................................... 43 |
| Section 15.10. | Deposits into Accounts in the 2008 Bonds Purchase Fund ........................................... 46 |
| Section 15.11. | Disbursements from the 2008 Bonds Purchase Fund ................................................... 47 |
| Section 15.12. | Delivery of 2008 Bonds ................................................................................................ 48 |
| Section 15.13. | 2008 Liquidity Facilities; Liquidity Facility Bonds ......................................................... 49 |
| Section 15.14. | Alternate Liquidity Facilities ....................................................................................... 51 |
| Section 15.15. | Remarketing Agents for the 2008 Bonds .................................................................... 52 |</p>
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.16.</td>
<td>Auction Agent</td>
<td>53</td>
</tr>
<tr>
<td>15.17.</td>
<td>Broker-Dealers</td>
<td>53</td>
</tr>
<tr>
<td><strong>ARTICLE XVI</strong></td>
<td>PURCHASE OF 2008 BONDS AT DIRECTION OF COMMISSION</td>
<td>54</td>
</tr>
<tr>
<td>16.01.</td>
<td>Mandatory Tender for Purchase of 2008 Bonds at Direction of Commission</td>
<td>54</td>
</tr>
<tr>
<td>16.02.</td>
<td>Delivery of Tendered 2008 Bonds</td>
<td>55</td>
</tr>
<tr>
<td>16.03.</td>
<td>2008 Bonds Deemed Purchased</td>
<td>56</td>
</tr>
<tr>
<td>16.04.</td>
<td>Deposit of 2008 Bonds</td>
<td>56</td>
</tr>
<tr>
<td>16.05.</td>
<td>Payment of Optional Purchase Price of 2008 Bonds</td>
<td>56</td>
</tr>
<tr>
<td>16.06.</td>
<td>2008 Bonds Owned by Commission</td>
<td>57</td>
</tr>
<tr>
<td><strong>ARTICLE XVII</strong></td>
<td>ESTABLISHMENT OF FUNDS AND ACCOUNTS AND APPLICATION THEREOF; 2008 LETTER OF CREDIT</td>
<td>57</td>
</tr>
<tr>
<td>17.01.</td>
<td>Funds and Accounts</td>
<td>57</td>
</tr>
<tr>
<td>17.02.</td>
<td>2008 Project Fund</td>
<td>58</td>
</tr>
<tr>
<td>17.03.</td>
<td>Funding and Application of the 2008 Bonds Reserve Fund; Bond Reserve Requirement for the 2008 Bonds</td>
<td>59</td>
</tr>
<tr>
<td>17.04.</td>
<td>2008 Bonds Purchase Fund</td>
<td>59</td>
</tr>
<tr>
<td>17.05.</td>
<td>2008 Letter of Credit; 2008 Letter of Credit Accounts; Alternate Credit Enhancement</td>
<td>60</td>
</tr>
<tr>
<td><strong>ARTICLE XVIII</strong></td>
<td>2008 INSURANCE</td>
<td>63</td>
</tr>
<tr>
<td>18.01.</td>
<td>Payments Pursuant to the Policy</td>
<td>63</td>
</tr>
<tr>
<td><strong>ARTICLE XIX</strong></td>
<td>MISCELLANEOUS</td>
<td>63</td>
</tr>
<tr>
<td>19.01.</td>
<td>Severability</td>
<td>63</td>
</tr>
<tr>
<td>19.02.</td>
<td>Parties Interested Herein</td>
<td>63</td>
</tr>
<tr>
<td>19.03.</td>
<td>Headings Not Binding</td>
<td>63</td>
</tr>
<tr>
<td>19.04.</td>
<td>Notice Addresses</td>
<td>63</td>
</tr>
<tr>
<td>19.05.</td>
<td>Notices to Rating Agencies</td>
<td>63</td>
</tr>
<tr>
<td>19.06.</td>
<td>Certain References Herein</td>
<td>64</td>
</tr>
<tr>
<td>19.07.</td>
<td>Indenture to Remain in Effect</td>
<td>64</td>
</tr>
<tr>
<td>19.08.</td>
<td>Effective Date of First Supplemental Indenture</td>
<td>64</td>
</tr>
<tr>
<td>19.09.</td>
<td>Execution in Counterparts</td>
<td>64</td>
</tr>
<tr>
<td>EXHIBIT A</td>
<td>FORM OF 2008 BOND ........................................................................................................ 1</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT B</td>
<td>NOTICE ADDRESSES ......................................................................................................... 1</td>
<td></td>
</tr>
<tr>
<td>APPENDIX A</td>
<td>AUCTION PROCEDURES ..................................................................................................... 1</td>
<td></td>
</tr>
</tbody>
</table>
THIS FIRST SUPPLEMENTAL INDENTURE, dated as of March 1, 2008 (this "First Supplemental Indenture"), between the SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION, a public entity duly established and existing under the laws of the State of California (the "Commission") and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee"):

WITNESSETH:

WHEREAS, this First Supplemental Indenture is supplemental to the Indenture, dated as of March 1, 2008 (as supplemented and amended from time to time pursuant to its terms, the "Indenture"), between the Commission and the Trustee;

WHEREAS, the Indenture provides that the Commission may issue Bonds from time to time as authorized by a Supplemental Indenture, which Bonds are to be payable from Revenues and from such other sources as may be specified with respect to a particular Series of Bonds in the Supplemental Indenture authorizing such Series; and

WHEREAS, the Commission desires to provide at this time for the issuance of (i) a Series of Bonds to be designated "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A-1" (the "2008 Series A-1 Bonds"), (ii) a Series of Bonds to be designated "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A-2" (the "2008 Series A-2 Bonds"), (iii) a Series of Bonds to be designated "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-1" (the "2008 Series B-1 Bonds"), (iv) a Series of Bonds to be designated "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-2" (the "2008 Series B-2 Bonds"), (v) a Series of Bonds to be designated "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-3" (the "2008 Series B-3 Bonds"), and (vi) a Series of Bonds to be designated "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-4" (the "2008 Series B-4 Bonds" and, together with the 2008 Series A-1 Bonds, the 2008 Series A-2 Bonds, the 2008 Series B-1 Bonds, the 2008 Series B-2 Bonds and the 2008 Series B-3 Bonds, the "2008 Bonds"), all for the purpose of providing funds to pay for the Costs of the Project and all as provided in this First Supplemental Indenture;

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE XII
DEFINITIONS

Section 12.01. Definitions.

(a) Definitions. Unless the context otherwise requires, or as otherwise provided in subsection (b) of this Section or in Appendix A to this First Supplemental Indenture, all terms which are defined in Section 1.02 of the Indenture shall have the same meanings in this First Supplemental Indenture.
(b) Additional Definitions. Unless the context otherwise requires, the following terms shall, for all purposes of this First Supplemental Indenture, have the following meanings:

"Applicable Spread" has the meaning specified in Section 14.05(a)(vi)(B).

"ARS Conversion Date" has the meaning set forth in Appendix A hereto.

"Auction" has the meaning set forth in Appendix A hereto.

"Auction Agreement" has the meaning set forth in Appendix A hereto.

"Auction Period" has the meaning set forth in Appendix A hereto.

"Auction Period Rate" has the meaning set forth in Appendix A hereto.

"Auction Rate Period" means any period during which the 2008 Bonds bear interest at the Initial Period Rate or an Auction Period Rate, as applicable.

"Authorized Denominations" means, with respect to 2008 Bonds: (i) during an Auction Period, $25,000 and any integral multiple thereof, (ii) during a Daily Rate Period, Weekly Rate Period or Commercial Paper Rate Period, $100,000 and any integral multiple of $5,000 in excess thereof and (iii) during a Term Rate Period, an Index Rate Period or the Fixed Rate Period, $5,000 and any integral multiple thereof; provided, however, that if as a result of a Conversion of a Series of 2008 Bonds from a Term Rate Period to another Interest Rate Determination Method, it is not possible to deliver all the Bonds of a Series required or permitted to be Outstanding in a denomination permitted above, 2008 Bonds of a Series may be delivered, to the extent necessary, in different denominations.

"Broker-Dealer" has the meaning set forth in Appendix A hereto.

"Broker-Dealer Agreement" has the meaning set forth in Appendix A hereto.

"Calendar Week" means the period of seven (7) days from and including Thursday of any week to and including Wednesday of the next following week.

"Commercial Paper Rate" means the interest rate established from time to time pursuant to Section 14.05(a)(iii).

"Commercial Paper Rate Period" means each period during which 2008 Bonds bear interest at a Commercial Paper Rate determined pursuant to Section 14.05(a)(iii).

"Commercial Paper Tender Bonds" shall have the meaning set forth in Section 15.09(a).

"Conversion" means any conversion of the 2008 Bonds from one Interest Rate Determination Method to another, which may be made from time to time in accordance with the terms of Section 14.05(b).
"Conversion Date" means the date any Conversion of 2008 Bonds becomes effective in accordance with Section 14.05(b) (or, with respect to notices, time periods and requirements in connection with the proceedings for such Conversion, the day on which it is proposed that such Conversion occur).

"Conversion Notice" shall have the meaning set forth in Section 14.05(b).

"Daily Put Bonds" shall have the meaning set forth in Section 15.09(a).

"Daily Rate" means the interest rate established from time to time pursuant to Section 14.05(a)(i).

"Daily Rate Index" means, on any Business Day, the SIFMA Swap Index or, if the SIFMA Swap Index is no longer published, an index or rate agreed upon by the Commission and the Remarketing Agent, which Daily Index Rate shall in no event exceed the Maximum Interest Rate.

"Daily Rate Period" means any period during which a Series of 2008 Bonds bears interest at the Daily Rate.

"Expiration" (and other forms of "expire") means, when used with respect to a 2008 Credit Enhancement, the expiration of such 2008 Credit Enhancement in accordance with its terms.

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be affected thereby.

"First Supplemental Indenture" means this First Supplemental Indenture, between the Commission and the Trustee, as amended and supplemented from time to time.

"Fixed Rate" means the fixed rate borne by any Series of 2008 Bonds from the Fixed Rate Conversion Date for such Series of Bonds, which rate shall be established in accordance with Section 14.05(a)(v).

"Fixed Rate Computation Date" means any Business Day during the period from and including the date of receipt of a Conversion Notice relating to a Fixed Rate Conversion to and including the Business Day next preceding the proposed Conversion Date.

"Fixed Rate Conversion Date" means the Conversion Date on which the interest rate on any Series of 2008 Bonds shall be converted to a Fixed Rate.

"Fixed Rate Period" means the period from and including the Fixed Rate Conversion Date of any Series of 2008 Bonds converted to a Fixed Rate to and including their maturity date or earlier date of redemption.

"Flexible Auction Period" has the meaning set forth in Appendix A hereto.
"Index Agent" means the Trustee or such other Person acceptable to the Trustee as may be designated by the Commission to act as the Index Agent for the Trustee.

"Index Bonds" means 2008 Bonds bearing interest at the Index Rate.

"Index Rate" means the interest rate established from time to time pursuant to Section 14.05(a)(vi), provided, however, that in no event may the Index Rate exceed the Maximum Interest Rate.

"Index Rate Continuation Notice" has the meaning given to that term in Section 14.05(a)(vi)(D).

"Index Rate Determination Date" means a date that is two London Banking Days preceding the date of a Conversion to the Index Rate Period, a date that is two London Banking Days preceding each Purchase Date during the Index Rate Period, and a date that is two London Banking Days preceding each Interest Payment Date during the Index Rate Period; provided, that if the Commission obtains an Favorable Opinion of Bond Counsel, "Index Rate Determination Date" shall mean such other date as is determined by the Commission in consultation with the Remarketing Agent in accordance with Section 14.05(b)(1)(C).

"Index Rate Index" means 67% of the Three-Month LIBOR Rate or, if the Three-Month LIBOR Rate is not available, 67% of the Treasury Rate; provided, that if the Commission obtains an Favorable Opinion of Bond Counsel, "Index Rate Index" shall mean such other index as is determined by the Commission in consultation with the Remarketing Agent at the commencement of an Index Rate Period in accordance with Section 14.05(b)(1)(C).

"Index Rate Interest Accrual Period" has the meaning given to that term in Section 14.05(a)(vi)(C).

"Index Rate Period" means any period during which 2008 Bonds bear interest at the Index Rate.

"Initial Period" has the meaning set forth in Appendix A hereto.

"Initial Period Rate" has the meaning set forth in Appendix A hereto.

"Interest Payment Date" means (a) with respect to the 2008 Bonds: (i) in the Daily Rate Period or the Weekly Rate Period, the first Business Day of each calendar month; (ii) in the Commercial Paper Rate Period, the day immediately succeeding the last day of each Commercial Paper Rate Period for such 2008 Bond; (iii) each Conversion Date; (iv) in the Term Rate Period or the Fixed Rate Period, each Semi-Annual Interest Payment Date; (v) in the Index Rate Period, on the first Business Day of each January, April, July and October, or, if the Commission obtains an Favorable Opinion of Bond Counsel, on such other periodic dates as shall be selected by the Commission in accordance with Section 14.05(b)(1)(C); and (vi) in an Auction Rate Period, on such dates as set forth in Appendix A to this First Supplemental Indenture; and (b) in all events, the final maturity date, redemption date or Optional Purchase Date of each 2008 Bond.
"Interest Rate Determination Method" means any of the methods of determining the interest rate on the 2008 Bonds from time to time as described in Section 14.05(a).

"Issue Date" means, with respect to the 2008 Bonds, the date on which the 2008 Bonds are first delivered to the purchasers thereof.

"London Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency) in the City of London, United Kingdom.

"Mandatory Tender Bonds" has the meaning specified in Section 15.09(c).

"Optional Purchase Date" means each date on which the 2008 Bonds would be subject to optional redemption and therefore are subject to purchase at the option of the Commission pursuant to Article XVI.

"Optional Purchase Price" means, with respect to the purchase of 2008 Bonds to be purchased pursuant to Article XVI on any Optional Purchase Date, the principal amount of the 2008 Bonds to be purchased on such Optional Purchase Date, plus accrued interest to such Optional Purchase Date, plus an amount equal to the premium, if any, that would be payable upon the redemption, at the option of the Commission exercised on such Optional Purchase Date, of the 2008 Bonds to be purchased.

"Par Call Date" has the meaning assigned in Section 15.01(a)(5).

"Participant" means, with respect to a Securities Depository, each participant listed in such Securities Depository's book-entry system as having an interest in the 2008 Bonds.

"Purchase Date" means any date on which any 2008 Bond is purchased pursuant to Section 15.04 or Section 15.05.

"Purchase Price" means, with respect to any 2008 Bond tendered or deemed tendered pursuant to Section 15.04 or Section 15.05, an amount equal to 100% of the principal amount of any 2008 Bond tendered or deemed tendered to the Trustee for purchase pursuant to Section 15.04 or 15.05, provided that if any 2008 Bond so tendered or deemed tendered bears interest at an Index Rate, is subject to payment of a Spread Premium and is purchased prior to its Par Call Date, then the Purchase Price shall be equal to 100% of the Spread Premium that would have been applicable to such 2008 Bond had it been optionally redeemed on the Purchase Date. In addition, if the Purchase Date is not an Interest Payment Date, the Purchase Price for each 2008 Bond tendered or deemed tendered shall be increased to include accrued interest thereon to but not including the Purchase Date; provided, however, if such Purchase Date occurs before an Interest Payment Date, but after the Record Date applicable to such Interest Payment Date, then the Purchase Price shall not include accrued interest, which shall be paid to the Holder as of the applicable Record Date.

"Rate" means, with respect to any 2008 Bond, the interest rate applicable to such 2008 Bond as provided in this First Supplemental Indenture.
"Rate Index" means the Daily Rate Index, the Weekly Rate Index, or both, as the context may require.

"Rate Period" means any Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period, Auction Period, Term Rate Period, Index Rate Period or Fixed Rate Period.

"Record Date" means (a) for any Interest Payment Date in respect of any Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period or Index Rate Period, the Business Day next preceding such Interest Payment Date; (b) for any Interest Payment Date in respect of any Term Rate Period or Fixed Rate Period, the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs; and (c) for any Interest Payment Date in respect of any Auction Period, the Business Day immediately preceding the Interest Payment Date.

"Redemption Date" means the date fixed for redemption of Bonds of a Series subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

"Redemption Price" means, with respect to any 2008 Bond or a portion thereof, 100% of the principal amount thereof to be redeemed, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this First Supplemental Indenture (provided that if such 2008 Bond is a 2008 Bond bearing interest at an Index Rate, the Redemption Price for such Bond shall be determined pursuant to Section 15.01(a)(5)).

"Remarketing Agent" means the one or more banks, trust companies or members of the National Association of Securities Dealers, Inc. meeting the qualifications set forth in Section 15.15 and appointed by an Authorized Representative to serve as a Remarketing Agent for any 2008 Bonds.

"Remarketing Agreement" means any agreement or agreements entered into by and between the Commission and a Remarketing Agent for 2008 Bonds.

"Semi-Annual Interest Payment Date" means April 1 or October 1.

"Series of Index Bonds" means a Series of 2008 Bonds in the Index Rate Period.

"Spread Premium" has the meaning specified in Section 15.01(a)(5).

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.
"Term Rate" means the rate of interest on 2008 Bonds established in accordance with Section 14.05(a)(iv).

"Term Rate Computation Date" means any Business Day during the period from and including the date of receipt of a Conversion Notice relating to a Conversion to a Term Rate for any 2008 Bonds to and including the Business Day next preceding the proposed Term Rate Conversion Date.

"Term Rate Conversion Date" means: (i) the Conversion Date on which the interest rate on any 2008 Bonds shall be converted to a Term Rate; and (ii) the date on which a new Term Rate Period and Term Rate are to be established.

"Term Rate Continuation Notice" shall have the meaning given such term in Section 14.05(a)(iv)(B).

"Term Rate Period" means any period during which any 2008 Bonds bear interest at the Term Rate.

"Termination" (and other forms of "terminate") means, when used with respect to any 2008 Liquidity Facility, the replacement, removal, surrender or other termination of such 2008 Liquidity Facility other than an Expiration or an extension or renewal thereof; provided, however, that Termination does not include immediate suspension or termination events.

"Three-Month LIBOR Rate" means the rate for deposits in U.S. dollars with a three-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the Index Rate Determination Date, except that, if such rate does not appear on such page on the Index Rate Determination Date, the Three Month LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. $1,000,000 are offered at approximately 11:00 a.m., London time, on the Index Rate Determination Date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the "Reference Banks") selected by the Index Agent (provided, however, that if the Index Agent is the Trustee, the Trustee may appoint an agent to identify such Reference Banks). The Index Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Index Agent, at approximately 11:00 a.m., New York City time, on the Index Rate Determination Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. $1,000,000 having a three-month maturity. If none of the banks in New York City selected by the Index Agent is then quoting rates for such loans, then the Three Month LIBOR Rate for the ensuing interest period will mean the Three Month LIBOR Rate then in effect in the immediately preceding Index Rate Interest Accrual Period.
"Treasury Rate" means the interest rate applicable to 13-week United States Treasury bills determined by the Remarketing Agent on the basis of the average per annum discount rate at which such 13-week Treasury bills shall have been sold at the most recent Treasury auction.

"2008 Banks" means ______ and _______, with respect to the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds, [respectively], or any provider of a letter of credit provided by the Commission in replacement or substitution for a 2008 Letter of Credit provided with respect to the 2008 Series A-1 Bonds and the Series 2008 A-2 Bonds, and means, with respect to the any other Series of 2008 Bonds, the commercial bank or other financial institution issuing a 2008 Letter of Credit with respect to such Series of Bonds or any provider of a letter of credit provided by the Commission in replacement or substitution for a 2008 Letter of Credit with respect to such other Series of 2008 Bonds.


"2008 Bonds Purchase Fund" means the 2008 Bonds Purchase Fund established pursuant to Section 17.01(d).

["2008 Bonds Reserve Facility" means the surety bond in the amount of $________ issued by ______________________ in satisfaction of [a portion of] the 2008 Bonds Reserve Requirement.]

"2008 Bonds Reserve Fund" means the fund by that name established pursuant to Section 17.01(b).

"2008 Bonds Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the proceeds of the 2008 Bonds (or if the amount of original issue discount or original issue premium applicable to the 2008 Bonds exceeds two percent (2%), ten percent (10%) of the issue price of the 2008 Bonds), (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the Outstanding 2008 Bonds, and (iii) fifty percent (50%) of Maximum Annual Debt Service on the Outstanding 2008 Bonds.


"2008 Commission Account" means, as applicable, the 2008 Series A-1 Commission Account, the 2008 Series A-2 Commission Account, the 2008 Series B-1 Commission Account, the 2008 Series B-2 Commission Account, the 2008 Series B-3 Commission Account, or the 2008 Series B-4 Commission Account, within the 2008 Bonds Purchase Fund established pursuant to Section 17.01(d).

"2008 Credit Agreement" means with respect to the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds, the [Reimbursement Agreement, dated as of March 1, 2008, among the Commission and the 2008 Banks], as supplemented and amended pursuant to its terms, or any agreement pursuant to which an Alternate Credit Enhancement is issued with respect to the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds, and means with respect to any other Series of
2008 Bonds, the 2008 Credit Agreement entered into in connection with such Series of 2008 Bonds or any agreement pursuant to which an Alternate Credit Enhancement is issued with respect to such Series of 2008 Bonds.

"2008 Credit Enhancement" means, with respect to the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds, the 2008 Letter of Credit or any Alternate Credit Enhancement delivered in substitution therefor, and means, with respect to the 2008 Series B-1 Bonds, the 2008 Series B-2 Bonds, the 2008 Series B-3 Bonds and the 2008 Series B-4 Bonds, the 2008 Series B Insurance.

"2008 Credit Provider" means the 2008 Insurer and each of the 2008 Banks.

"2008 Insurance" means, with respect to the 2008 Series A-1 Bonds or the 2008 Series A-2 Bonds, any financial guaranty or municipal bond insurance policy insuring the payment when due of the principal of and interest on the 2008 Series A-1 Bonds or the 2008 Series A-2 Bonds, and means, with respect to the 2008 Series B-1 Bonds, the 2008 Series B-2 Bonds, the 2008 Series B-3 Bonds and the 2008 Series B-4 Bonds, the 2008 Series B Insurance.

["2008 Insurer" means ___________________________.]

"2008 Letter of Credit" means, with respect to the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds, [irrevocable direct-pay Letter of Credit No. ________ issued by the 2008 Banks pursuant to the 2008 Credit Agreement], or any Alternate Credit Enhancement in the form of an irrevocable direct-pay letter of credit provided with respect to the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds pursuant to Section 17.05, and means, with respect to any other Series of 2008 Bonds, the irrevocable direct-pay letter of credit provided with respect to such Series of 2008 Bonds or any Alternate Liquidity Facility provided with respect to such Series of 2008 Bonds pursuant to Section 17.05.

"2008 Letter of Credit Account" means, as applicable, the 2008 Series A-1 Letter of Credit Account or the 2008 Series A-2 Letter of Credit Account established within the Revenue Fund pursuant to Section 17.01(c), or the 2008 Series B-1 Letter of Credit Account, the 2008 Series B-2 Letter of Credit Account, the 2008 Series B-3 Letter of Credit Account, or the 2008 Series B-4 Letter of Credit Account to be established within the Revenue Fund pursuant to Section 17.01(c) in the event a 2008 Letter of Credit is provided with respect to the 2008 Series B-1 Bonds, the 2008 Series B-2 Bonds, the 2008 Series B-3 Bonds or the 2008 Series B-4 Bonds.

"2008 Liquidity Facility" means, with respect to the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds, the 2008 Letter of Credit or any Alternate Liquidity Facility provided with respect to the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds pursuant to Section 15.14, and means, with respect to any other Series of 2008 Bonds, the Liquidity Facility provided with respect to such Series of 2008 Bonds or any Alternate Liquidity Facility provided with respect to such Series of 2008 Bonds pursuant to Section 15.14.

"2008 Liquidity Facility Bonds" means Liquidity Facility Bonds consisting of any 2008 Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a 2008 Liquidity Facility as provided in Section 15.11(a), but excluding any Bonds no longer
considered to be 2008 Liquidity Facility Bonds in accordance with the terms of the applicable 2008 Liquidity Facility and Section 15.13(d).

"2008 Liquidity Facility Purchase Account" means, as applicable, the 2008 Series A-1 Liquidity Facility Purchase Account, the 2008 Series A-2 Liquidity Facility Purchase Account, the 2008 Series B-1 Liquidity Facility Purchase Account, the 2008 Series B-2 Liquidity Facility Purchase Account, the 2008 Series B-3 Liquidity Facility Purchase Account, or the 2008 Series B-4 Liquidity Facility Purchase Account, within the 2008 Bonds Purchase Fund established pursuant to Section 17.01(d).


"2008 Project Fund" means the 2008 Project Fund established pursuant to Section 17.01(a).

"2008 Remarketing Account" means, as applicable, the 2008 Series A-1 Remarketing Account, the 2008 Series A-2 Remarketing Account, the 2008 Series B-1 Remarketing Account, the 2008 Series B-2 Remarketing Account, the 2008 Series B-3 Remarketing Account, or the 2008 Series B-4 Remarketing Account, within the 2008 Bonds Purchase Fund established pursuant to Section 17.01(d).

"2008 Series A-1 Bonds" shall mean the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A-1, authorized by Article XIV of this Indenture.

"2008 Series A-2 Bonds" shall mean the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A-2, authorized by Article XIV of this Indenture.


"2008 Series B-1 Bonds" shall mean the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-1, authorized by Article XIV of this Indenture.

"2008 Series B-2 Bonds" shall mean the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-2, authorized by Article XIV of this Indenture.

"2008 Series B-3 Bonds" shall mean the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-3, authorized by Article XIV of this Indenture.
'"2008 Series B-4 Bonds" shall mean the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-4, authorized by Article XIV of this Indenture.

"USD-ISDA Swap Rate" shall have the meaning set forth in Section 15.01(a)(5).

"Variable Rate" means any of the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Term Rate, the Index Rate, the Initial Period Rate or the Auction Period Rate, as applicable.

"Variable Rate Demand Bonds" means the 2008 Bonds bearing interest at a Daily Rate or a Weekly Rate.

"Weekly Put Bonds" shall have the meaning set forth in Section 15.09(b).

"Weekly Rate" means the variable interest rate on any 2008 Bond established in accordance with Section 14.05(a)(ii).

"Weekly Rate Index" means, on any Business Day, the SIFMA Swap Index or, if the SIFMA Swap Index is no longer published, an index or rate agreed upon by the Commission and the Remarketing Agent, but in no event in excess of the Maximum Interest Rate.

"Weekly Rate Period" means each period during which any 2008 Bonds bear interest at Weekly Rates.

Section 12.02. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. Defined terms shall include any variant of the terms set forth in this Article XII.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this First Supplemental Indenture, refer to the Indenture.

ARTICLE XIII
FINDINGS, DETERMINATIONS AND DIRECTIONS

Section 13.01. Findings and Determinations. The Commission hereby finds and determines that the 2008 Bonds shall be issued pursuant to Section 3.01 and upon the issuance of the 2008 Bonds, any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the issuance thereof, will exist, will have happened and will have been performed, in due time, form and manner, as required by the Constitution and statutes of the State.

Section 13.02. Recital in Bonds. There shall be included in each of the definitive 2008 Bonds, and also in each of the temporary 2008 Bonds, if any are issued, a certification and recital that any and all acts, conditions and things required to exist, to happen and to be performed,
precedent to and in the incurring of the indebtedness evidenced by that 2008 Bond, and in the issuing of that 2008 Bond, exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State and the Act, and that said 2008 Bond, together with all other indebtedness of the Commission payable out of Revenues, is within every debt and other limit prescribed by the Constitution and statutes of the State and the Act, and that such certification and recital shall be in such form as is set forth in the form of the 2008 Bond attached hereto as Exhibit A.

Section 13.03. Effect of Findings and Recital. From and after the issuance of the 2008 Bonds, the findings and determinations herein shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the 2008 Bonds is at issue.

ARTICLE XIV
AUTHORIZATION OF 2008 BONDS

Section 14.01. Principal Amount, Designation and Series. Pursuant to the provisions of this Indenture and the provisions of the Act, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of $150,000,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A-1."

Pursuant to the provisions of this Indenture and the provisions of the Act, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of $150,000,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A-2."

Pursuant to the provisions of this Indenture and the provisions of the Act, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of $75,000,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-1."

Pursuant to the provisions of this Indenture and the provisions of the Act, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of $75,000,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-2."

Pursuant to the provisions of this Indenture and the provisions of the Act, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of $75,000,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-3."
Pursuant to the provisions of this Indenture and the provisions of the Act, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of $75,000,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-4."

At any time after the execution and delivery of this Supplemental Indenture, the Issuer may execute and, upon the order of the Issuer, the Trustee shall authenticate and deliver each Series of 2008 Bonds in the aggregate principal amount set forth above.

Section 14.02. Purpose and Application of Proceeds. The 2008 Bonds are issued for the purpose of financing, refinancing and/or reimbursing the Commission for its prior payment of, the Costs of the Project. In addition, a portion of the proceeds will be applied to pay Costs of Issuance of the 2008 Bonds.

Section 14.03. Form, Denomination, Numbers and Letters. Each Series of the 2008 Bonds shall be issued as fully registered bonds without coupons in book-entry form and in Authorized Denominations and shall be numbered from one upward in consecutive numerical order preceded by the letter "R" prefixed to the number. Each Series of 2008 Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved and adopted as the form of the 2008 Bonds and as the form of the certificate of authentication as such form shall be completed based on the terms of each Series of 2008 Bonds set forth herein.

Section 14.04. Date, Maturities and Interest Rates. The 2008 Series A-1 Bonds shall be dated their Issue Date. The 2008 Series A-1 Bonds shall be issued in the aggregate principal amount of $150,000,000 and shall mature and be payable on April 1, 2038. The 2008 Series A-1 Bonds shall be issued as Variable Rate Bonds and each 2008 Series A-1 Bond shall bear interest at the rate or rates determined in accordance with Section 14.05. Each 2008 Series A-1 Bond shall initially bear interest at a Daily Rate, and the initial Interest Payment Date is [April 1], 2008.

The 2008 Series A-2 Bonds shall be dated their Issue Date. The 2008 Series A-2 Bonds shall be issued in the aggregate principal amount of $150,000,000 and shall mature and be payable on April 1, 2038. The 2008 Series A-2 Bonds shall be issued as Variable Rate Bonds and each 2008 Series A-2 Bond shall bear interest at the rate or rates determined in accordance with Section 14.05. Each 2008 Series A-2 Bond shall initially bear interest at a Daily Rate, and the initial Interest Payment Date is [April 1], 2008.

The 2008 Series B-1 Bonds shall be dated their Issue Date. The 2008 Series B-1 Bonds shall be issued in the aggregate principal amount of $75,000,000 and shall mature and be payable on April 1, 2038. The 2008 Series B-1 Bonds shall be issued as Variable Rate Bonds and each 2008 Series B-1 Bond shall bear interest at the rate or rates determined in accordance with Section 14.05. Each 2008 Series B-1 Bond shall initially be an Auction Rate Bond in an Auction Rate Period, and the Initial Period shall be followed by seven-day Auction Periods with Auction Dates generally on Mondays. The initial Auction Date is ______, 2008, and the initial Interest Payment Date is ______, 2008.
The 2008 Series B-2 Bonds shall be dated their Issue Date. The 2008 Series B-2 Bonds shall be issued in the aggregate principal amount of $75,000,000 and shall mature and be payable on April 1, 2038. The 2008 Series B-2 Bonds shall be issued as Variable Rate Bonds and each 2008 Series B-2 Bond shall bear interest at the rate or rates determined in accordance with Section 14.05. Each 2008 Series B-2 Bond shall initially be an Auction Rate Bond in an Auction Rate Period, and the Initial Period shall be followed by seven-day Auction Periods with Auction Dates generally on Tuesdays. The initial Auction Date is _______, 2008, and the initial Interest Payment Date is _______, 2008.

The 2008 Series B-3 Bonds shall be dated their Issue Date. The 2008 Series B-3 Bonds shall be issued in the aggregate principal amount of $75,000,000 and shall mature and be payable on April 1, 2038. The 2008 Series B-3 Bonds shall be issued as Variable Rate Bonds and each 2008 Series B-3 Bond shall bear interest at the rate or rates determined in accordance with Section 14.05. Each 2008 Series B-3 Bond shall initially be an Auction Rate Bond in an Auction Rate Period, and the Initial Period shall be followed by seven-day Auction Periods with Auction Dates generally on Thursdays. The initial Auction Date is _______, 2008, and the initial Interest Payment Date is _______, 2008.

The 2008 Series B-4 Bonds shall be dated their Issue Date. The 2008 Series B-4 Bonds shall be issued in the aggregate principal amount of $75,000,000 and shall mature and be payable on April 1, 2038. The 2008 Series B-4 Bonds shall be issued as Variable Rate Bonds and each 2008 Series B-4 Bond shall bear interest at the rate or rates determined in accordance with Section 14.05. Each 2008 Series B-4 Bond shall initially be an Auction Rate Bond in an Auction Rate Period, and the Initial Period shall be followed by seven-day Auction Periods with Auction Dates generally on Fridays. The initial Auction Date is _______, 2008, and the initial Interest Payment Date is _______, 2008.

Interest on each 2008 Bond shall be payable on each Interest Payment Date for such 2008 Bond until the principal sum of such 2008 Bond has been paid; provided, however, that if at the maturity date of any 2008 Bond (or if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof, in full accordance with terms of the Indenture, such 2008 Bond shall then cease to bear interest.

Each 2008 Bond shall bear interest from the latest of: (i) its Issue Date; (ii) the most recent Interest Payment Date to which interest has been paid thereon or duly provided for, or (iii) if the date of authentication of such Bond is after a Record Date but prior to the immediately succeeding Interest Payment Date, the Interest Payment Date immediately succeeding such date of authentication.

Each 2008 Bond shall be payable as provided in Section 2.10, including Section 2.10(E), or, in the event the use of the Securities Depository is discontinued, the principal of each 2008 Bond shall be payable in lawful money of the United States of America upon surrender thereof at the Principal Office of the Trustee, and the interest on each 2008 Bond shall be payable in lawful money of the United States of America by the Trustee to the Holder thereof as of the close of business on the Record Date, such interest to be paid by the Trustee to such Holder in immediately available funds (by wire transfer or by deposit to the account of the Holder if such
account is maintained with the Trustee), according to the instructions given by such Holder to the Trustee or, in the event no such instructions have been given, by check mailed by first class mail to the Holder at such Holder’s address as it appears as of the Record Date on the bond registration books kept by the Trustee.

**Section 14.05. Interest Rates on 2008 Bonds.**

Except for 2008 Liquidity Facility Bonds, which shall bear interest at the rate or rates (but not in excess of the Maximum Interest Rate), and be payable at the times, specified in the applicable 2008 Liquidity Facility, the 2008 Bonds shall be Current Interest Bonds and, until converted to a Fixed Rate, the 2008 Bonds shall constitute Variable Rate Indebtedness and shall bear interest at a Variable Rate determined as provided in this First SupplementalIndenture.

The 2008 Bonds shall bear interest as provided herein from and including the Issue Date to but excluding the date of payment in full of such 2008 Bonds (such interest to be computed on the basis of a 365/366-day year and actual days elapsed during any Daily Rate Period, Weekly Rate Period, Index Rate Period or Commercial Paper Rate Period; computed on the basis of a 360-day year of twelve (12) 30-day months during any Term Rate Period or any Auction Rate Period having Auction Periods of more than 180 days; and computed on the basis of a 360-day year and actual days elapsed during any Auction Rate Period having Auction Periods of 180 days or less). Interest shall accrue on the 2008 Bonds from one Interest Payment Date to, but not including, the next Interest Payment Date.

Upon Conversion of a Series of 2008 Bonds to a Fixed Rate, the 2008 Bonds of such Series shall bear interest from and including the Conversion Date to the date of payment in full of such 2008 Bonds (computed on the basis of a 360-day year of twelve (12) 30-day months).

The interest rates on each 2008 Bond shall be determined as provided in Section 14.05(a); provided, that no Rate as so determined shall exceed the Maximum Interest Rate in effect on the date of determination thereof.

At any one time, each 2008 Bond within a Series of 2008 Bonds shall have the same Interest Rate Determination Method and (except 2008 Bonds that are 2008 Liquidity Facility Bonds, 2008 Bonds during a Commercial Paper Rate Period, and 2008 Bonds of different maturities bearing interest at a Fixed Rate) shall bear interest at the same interest rate. Upon issuance, the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds shall bear interest at a Daily Rate, and, subsequent to the Initial Period, the 2008 Series B-1 Bonds, the 2008 Series B-2 Bonds, the 2008 Series B-3 Bonds and the 2008 Series B-4 Bonds shall bear interest at the Auction Period Rate.

**14.05(a) Interest Rate Determination Method.**

14.05(a)(i) **Daily Rate.** Upon the issuance of the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds, and until such 2008 Bonds are successfully converted to another Interest Rate Determination Method pursuant to said Section 14.05(b), such 2008 Bonds shall bear interest at a Daily Rate. Upon a successful Conversion of any Series of 2008 Bonds to bear interest at the Daily Rate pursuant to Section 14.05(b) and until such 2008 Bonds are successfully converted to another Interest Rate Determination Method pursuant to said
Section 14.05(b), such 2008 Bonds shall bear interest at a Daily Rate. During each Daily Rate Period for 2008 Bonds, the Remarketing Agent for such Series shall set a Daily Rate for such 2008 Bonds by 9:30 a.m., New York City time, on each Business Day, which Daily Rate shall be the rate of interest which, if borne by such 2008 Bonds in the Daily Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for Tax-Exempt Securities that are of the same general nature as such 2008 Bonds, or Tax-Exempt Securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of such 2008 Bonds for which the Daily Rate is to be determined, be the lowest interest rate that would enable such Remarketing Agent to place such 2008 Bonds at a price equal to 100% of the aggregate principal amount of such 2008 Bonds (plus accrued interest, if any) on such Business Day. The Daily Rate for any non-Business Day will be the rate for the last Business Day on which a Daily Rate was set.

14.05(a)(ii) Weekly Rate. Upon a successful Conversion of any Series 2008 Bonds to bear interest at the Weekly Rate pursuant to Section 14.05(b) and until such 2008 Bonds are successfully converted to another Interest Rate Determination Method pursuant to Section 14.05(b), such 2008 Bonds shall bear interest at a Weekly Rate. During each Weekly Rate Period, the Remarketing Agent for such Series shall set a Weekly Rate for such 2008 Bonds, by 5:00 p.m., New York City time, on each Wednesday (or the immediately succeeding Business Day, if such Wednesday is not a Business Day) for the next Calendar Week; provided, that, the Weekly Rate for the first Calendar Week (or portion thereof) following a Conversion Date resulting in a change in the Interest Rate Determination Method to a Weekly Rate shall be set by such Remarketing Agent on the Business Day immediately preceding such Conversion Date. Each Weekly Rate shall be the rate of interest that, if borne by such 2008 Bonds in the Weekly Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for Tax-Exempt Securities that are of the same general nature as such 2008 Bonds for which the Weekly Rate is to be determined, or Tax-Exempt Securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of the 2008 Bonds for which the Weekly Rate is to be determined, be the lowest interest rate that would enable the Remarketing Agent to place such 2008 Bonds at a price equal to 100% of the aggregate principal amount of such 2008 Bonds (plus accrued interest, if any) on the first day of such Weekly Rate Period.

14.05(a)(iii) Commercial Paper Rate. Upon a successful Conversion of any 2008 Bonds to bear interest at the Commercial Paper Rate pursuant to Section 14.05(b), and until such 2008 Bonds are successfully converted to another Interest Rate Determination Method pursuant to said Section 14.05(b), such 2008 Bonds shall bear interest at the Commercial Paper Rate or Rates applicable to such 2008 Bonds. The Remarketing Agent for such Series shall select the Commercial Paper Rate Period or Periods for each of such 2008 Bonds on a Business Day selected by the Remarketing Agent not more than five (5) Business Days prior to the first day of such Commercial Paper Rate Period and not later than 12:30 p.m., New York City time, on the first day of such Commercial Paper Rate Period. Each Commercial Paper Rate Period shall be a period of not less than one (1) nor more than 270 days determined by the Remarketing Agent with the intention of yielding the lowest overall interest expense on the applicable 2008 Bonds, taking into account (A) all other Commercial Paper Rate Periods for all the 2008 Bonds of the same Series bearing interest at a Commercial Paper Rate, (B) general economic and market conditions relevant to such 2008 Bonds and (C) such other facts, circumstances and
conditions as such Remarketing Agent determines to be relevant. Notwithstanding the foregoing, no Commercial Paper Rate Period for any 2008 Bond shall be selected with a last day later than the fifth (5th) Business Day prior to the expiration date of any 2008 Liquidity Facility then in effect with respect to such 2008 Bond while bearing interest at the Commercial Paper Rate. The last day of each Commercial Paper Rate Period shall be a day immediately preceding a Business Day. If the Interest Rate Determination Method with respect to any 2008 Bonds is being converted from a Commercial Paper Rate to a new Interest Rate Determination Method, after receipt of the Conversion Notice delivered pursuant to Section 14.05(b), the Remarketing Agent shall determine the Commercial Paper Rate Periods with respect to such 2008 Bonds in such manner that, as soon as possible, all Commercial Paper Rate Periods with respect to such Series of 2008 Bonds shall end on the same date, which date shall be the last day of the then-current Commercial Paper Rate Periods and, upon the establishment of such Commercial Paper Rate Periods, the day next succeeding the last day of all such Commercial Paper Rate Periods shall be the Conversion Date for the new Interest Rate Determination Method. The Remarketing Agent, promptly upon the determination of the last day of such Commercial Paper Rate Periods prior to Conversion to a new Interest Rate Determination Method, shall give written notice of such last day and such Conversion Date to the Notice Parties.

The Remarketing Agent shall set a Commercial Paper Rate for each 2008 Bond bearing interest at the Commercial Paper Rate not later than 12:30 p.m., New York City time, on the first day of each Commercial Paper Rate Period for such Series of 2008 Bonds. The Commercial Paper Rate applicable to each 2008 Bond bearing interest at the Commercial Paper Rate will be the rate determined by the Remarketing Agent to be the lowest interest rate that would enable such Remarketing Agent to place such 2008 Bond on the first day of the applicable Commercial Paper Rate Period at a price equal to 100% of the aggregate principal amount of such Bond.

14.05(a)(iv)(A) Term Rate. Upon a successful Conversion of any 2008 Bonds to bear interest at the Term Rate from another Interest Rate Determination Method pursuant to Section 14.05(b) or the establishment of a new Term Rate Period and a new Term Rate for any 2008 Bonds then bearing interest at a Term Rate, and until such 2008 Bonds are successfully converted to another Interest Rate Determination Method pursuant to Section 14.05(b) or Section 14.05(a)(iv)(F), such 2008 Bonds shall bear interest at a Term Rate. The Commission shall select the duration of each Term Rate Period for any Series of 2008 Bonds and shall include the duration of the Term Rate Period in the Conversion Notice given with respect to such Term Rate Period pursuant to Section 14.05(b) or the Term Rate Continuation Notice given with respect to any new Term Rate and Term Rate Period for 2008 Bonds then bearing interest at a Term Rate. Each Term Rate Period shall commence on the Term Rate Conversion Date and end on the March 31 selected by the Commission which is a minimum of 180 days after the Term Rate Conversion Date, or if the day next succeeding such March 31 is not a Business Day, on the first day after such March 31 which precedes a Business Day, but in no event later than the maturity date of the applicable 2008 Bonds. With respect to each Term Rate Period, the Remarketing Agent will set the Term Rate for the 2008 Bonds by 5:00 p.m., New York City time, on the applicable Term Rate Computation Date. Each Term Rate shall be the rate of interest that, if borne by such 2008 Bonds in such Term Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for Tax-Exempt Securities that are of the same general nature as the Series of
2008 Bonds for which the Term Rate is to be determined, or Tax-Exempt Securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of the Series of 2008 Bonds for which the Term Rate is to be determined, be the lowest interest rate that would enable such Remarketing Agent to place such 2008 Bonds at a price equal to 100% of the aggregate principal amount of such 2008 Bonds on the first day of such Term Rate Period.

14.05(a)(iv)(B) Term Rate Continuation. As of the day following the last day of a Term Rate Period for any 2008 Bonds, unless the Commission has given a Conversion Notice with respect to the Conversion of such 2008 Bonds to another Interest Rate Determination Method pursuant to Section 14.05(b), the Commission may establish a new Term Rate Period and Term Rate for such 2008 Bonds with such right to be exercised by delivery of a written notice of an Authorized Representative (a "Term Rate Continuation Notice") to the Notice Parties no less than thirty-five (35) Business Days prior to the March 31st preceding the effective date of the new Term Rate Period.

The Term Rate Continuation Notice must be accompanied by (i) an Opinion of Bond Counsel stating that the new Term Rate Period is authorized and permitted under this First Supplemental Indenture and will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of the applicable Series of 2008 Bonds, and (ii) a notice of the new 2008 Credit Provider and 2008 Credit Enhancement, if at the same time as a new Term Rate Period and Term Rate are being established for such 2008 Bonds, there will be a change of 2008 Credit Provider or 2008 Credit Enhancement with respect to such 2008 Bonds.

14.05(a)(iv)(C) Limitations. Any establishment of a new Term Rate and Term Rate Period for any Series of 2008 Bonds pursuant to Section 14.05(a)(iv)(B) above must comply with the following:

– the first day of such new Term Rate Period must be an Interest Payment Date on which such 2008 Bonds are subject to mandatory tender pursuant to the applicable provisions of Section 15.05;

– the first day of such new Term Rate Period must be a Business Day;

– the 2008 Credit Enhancement for such 2008 Bonds after the establishment of a new Term Rate and Term Rate Period must cover: accrued interest (computed at the new Term Rate then in effect on the basis of a 360 day year of twelve 30-day months) for the maximum number of days between Interest Payment Dates permitted under the Term Rate, plus such additional number of days, if any, as shall be required by each Rating Agency then rating such 2008 Bonds; provided that if the number of days of interest coverage provided by the 2008 Credit Enhancement is being changed from the number of days previously in place, the Trustee shall have also received a Rating Confirmation on such Series of 2008 Bonds from each of the Rating Agencies then rating such Series of 2008 Bonds; and

– no new Term Rate shall become effective unless the Opinion of Bond Counsel referred to in Section 14.05(a)(iv)(B) is redelivered on (and as of) the first day of the
new Term Rate Period and all such Outstanding 2008 Bonds are successfully remarketed in the
new Term Rate Period at the new Term Rate on the first day of the new Term Rate Period.

14.05(a)(iv)(D) Contents of Term Rate Continuation Notice. The
Commission's Term Rate Continuation Notice must specify: (i) the proposed Term Rate Period;
(ii) whether the 2008 Credit Enhancement then in effect will remain in effect; and (iii) if a new
2008 Credit Enhancement will be in effect after the proposed Term Rate Conversion Date, the
provider of such 2008 Credit Enhancement, the form of such 2008 Credit Enhancement and the
anticipated term of such 2008 Credit Enhancement.

14.05(a)(iv)(E) Notice to Holders. Upon receipt of a Term Rate
Continuation Notice from an Authorized Representative, as soon as possible, but in any event not
less than thirty (30) days prior to the first day of the proposed Term Rate Period, the Trustee
shall give notice by first-class mail to the Holders of the affected 2008 Bonds which notice shall
state in substance:

– that a new Term Rate Period and Term Rate is to be established for such
2008 Bonds on the applicable Term Rate Conversion Date if the conditions specified in this First
Supplemental Indenture are satisfied on or before such date;

– that all affected 2008 Bonds are subject to mandatory tender for purchase
on the first day of the new Term Rate Period (whether or not the proposed new Term Rate Period
becomes effective on such date) at the Purchase Price, which shall be specified therein;

– the first day of the new Term Rate Period;

– that the Commission has delivered to the Trustee an Opinion of Bond
Counsel to the effect that the new Term Rate Period is authorized and permitted under this First
Supplemental Indenture and will not, in and of itself, adversely affect the Tax-Exempt status of
the interest on any of the applicable Series of 2008 Bonds;

– that a new Term Rate Period and Term Rate for such 2008 Bonds shall not
be established unless the Opinion of Bond Counsel referred to above is redelivered to the Trustee
on (and as of) the first day of the new Term Rate Period and all such 2008 Bonds are
successfully remarketed in the new Term Rate Period and at the new Term Rate on the first day
thereof;

– the CUSIP numbers or other identification information of such 2008
Bonds; and

– that, to the extent that there shall be on deposit with the Trustee on the first
day of the new Term Rate Period an amount of money sufficient to pay the Purchase Price
thereof, all such 2008 Bonds not delivered to the Trustee on or prior to such date shall be deemed
to have been properly tendered for purchase and shall cease to constitute or represent a right on
behalf of the Holder thereof to the payment of principal thereof or interest thereon and shall
represent and constitute only the right to payment of the Purchase Price on deposit with the
Trustee, without interest accruing thereon after such date.
14.05(a)(iv)(F) **End of Term Rate.** In the event the Commission has not given a Term Rate Continuation Notice or a Conversion Notice with respect to 2008 Bonds bearing interest at a Term Rate at the time required by Section 14.05(a)(iv)(B) or Section 14.05(b), as applicable, or if the conditions to the effectiveness of a new Term Rate Period and New Term Rate set forth in Section 14.05(a)(iv)(C) are not satisfied, including as a result of the Remarketing Agent failing to establish a Term Rate as herein provided, then on the day following the last day of the current Term Rate Period, a Weekly Rate Period shall automatically commence for such 2008 Bonds; provided, however, that such 2008 Bonds shall not be subject to optional tender and shall bear interest as provided in Section 15.11(d) until such time as such Series of Bonds shall be converted to another Interest Rate Determination Method in accordance with the provisions hereof.

14.05(a)(v) **Fixed Rate.**

14.05(a)(v)(A) The Interest Rate Determination Method for any Series of 2008 Bonds may be converted from any Variable Rate to a Fixed Rate in accordance with the provisions of Section 14.05(b). After such Conversion, such 2008 Bonds shall bear interest at the Fixed Rate and shall not be subject to Conversion to another Interest Rate Determination Method. The interest rate to be borne by such 2008 Bonds of each maturity from the Fixed Rate Conversion Date shall be the rate determined by the applicable Remarketing Agent on the Fixed Rate Computation Date to be the rate that, if borne by such 2008 Bonds, would, in the judgment of the Remarketing Agent having due regard for prevailing market conditions for Tax-Exempt Securities that are comparable to such 2008 Bonds, be the lowest interest rate that would enable such Remarketing Agent to place such 2008 Bonds of such maturity for which the Fixed Rate is to be determined at a price equal to 100% of the aggregate principal amount of such 2008 Bonds on the Fixed Rate Conversion Date.

14.05(a)(v)(B) If the Commission obtains a Favorable Opinion of Bond Counsel with respect to such actions: (i) in determining the Fixed Rate for any 2008 Bond, the applicable Remarketing Agent, subject to the approval of an Authorized Representative, may also determine on or before the Business Day next preceding the determination of the Fixed Rate for such 2008 Bonds, redemption dates and redemption premiums, if any, to be paid upon the optional redemption of such 2008 Bonds which differ from such redemption dates and premiums as are set forth in Section 15.01(a)(4), such redemption dates and redemption premiums, if any, to be, in the best judgment of the Remarketing Agent, consistent with then-current market conditions; and (ii) the Remarketing Agent, subject to the approval of an Authorized Representative, may also determine, on or before the Business Day next preceding the determination of the Fixed Rate for such 2008 Bonds, with respect to any 2008 Bond constituting a Term Bond, a new maturity date for any portion of such 2008 Bond; provided, however, that such new maturity date shall be an April 1 prior to the original maturity date; and provided further that such 2008 Bond shall continue to be subject to mandatory redemption from Mandatory Sinking Account Payments established for such 2008 Bond unless, on any Mandatory Sinking Account Payment due date for such 2008 Bond, such Mandatory Sinking Account Payment is applied to the payment of that portion of such 2008 Bond which now matures on such Mandatory Sinking Account Payment due date.
14.05(a)(vi)(A) **Index Rate.** Upon a successful Conversion of any Series of 2008 Bonds to an Index Rate Period pursuant to Section 14.05(b), or upon the continuation of a Series of 2008 Bonds in an Index Rate Period, and until such 2008 Bonds are successfully converted to another Interest Rate Determination Method pursuant to Section 14.05(b), such 2008 Bonds shall bear interest at the Index Rate applicable to such 2008 Bonds, as determined by the Index Agent. The initial Index Rate for each Index Rate Period with respect to a Series of 2008 Bonds shall apply to the period commencing on the first day of such Index Rate Period and ending on the day immediately prior to the first Interest Payment Date and thereafter, each Index Rate shall apply to the period commencing on and including an Interest Payment Date (whether or not a Business Day) to but not including the following Interest Payment Date.

14.05(a)(vi)(B) **Determination of Applicable Spread.** The Index Rate for a Series of 2008 Bonds shall be based on the Index Rate Index, which shall be designated by the Commission not less than five Business Days prior to the applicable Conversion Date or applicable Purchase Date. The Remarketing Agent shall determine the Applicable Spread to be used in calculating the Index Rate on or before the Index Rate Determination Date preceding the Conversion Date or Purchase Date. The "Applicable Spread" shall be the amount that, when added to or subtracted from the Index Rate Index, will result in the minimum Index Rate that, in the judgment of the Remarketing Agent under then-existing market conditions, will result in the remarketing of such 2008 Bonds on their Conversion Date or Purchase Date at a price equal to 100% of the principal amount thereof. The Remarketing Agent shall provide notice by Electronic Means to the Index Agent, the Trustee (if the Trustee is not also the Index Agent) and the Commission of the Applicable Spread. The Remarketing Agent shall offer for sale and use its best efforts to sell such 2008 Bonds on the applicable Conversion Date at a price equal to 100% of the principal amount thereof, as provided herein and in the applicable Remarketing Agreement.

14.05(a)(vi)(C) **Calculation of Index Rate.** The Index Rate for each Series of Index Bonds shall be calculated on each Index Rate Determination Date by the Index Agent and shall be equal to: (A) the Index Rate Index on the Index Rate Determination Date, as determined by the Index Agent, plus (B) the Applicable Spread that was determined pursuant to the preceding paragraph, and such Index Rate shall be rounded to the nearest one hundred thousandth of one percent (0.00001%). The initial Index Rate shall apply to the period commencing on the Conversion Date or the Purchase Date and ending on the day immediately prior to the first Interest Payment Date, and thereafter, each Index Rate, as determined above, shall apply to the period commencing on and including an Interest Payment Date (whether or not a Business Day) to but not including the following Interest Payment Date (each an "Index Rate Interest Accrual Period"). The Index Agent shall calculate the Index Rate for each Series of Index Bonds as provided above and shall furnish such Index Rate to the Trustee (if the Trustee is not also the Index Agent) and the Commission by Electronic Means no later than the Business Day next succeeding each Index Rate Determination Date. Upon the request of a Holder, the Trustee shall confirm by Electronic Means the Index Rate then in effect. In lieu of the notifications provided in the preceding sentences, the Trustee may make such information available by readily accessible Electronic Means.
The Trustee shall, no later than the third Business Day preceding each Interest Payment Date, notify the Commission in writing of the total amount of interest payable with respect to each Series of Index Bonds on such Interest Payment Date.

The determinations of the initial Index Rate and all subsequent Index Rates shall be conclusive and binding upon the Commission, the Trustee, each 2008 Liquidity Provider, each 2008 Credit Provider, the Remarketing Agent, the Index Agent and the Holders.

14.05(a)(vi)(D) Index Rate Continuation. On any date a Series of 2008 Bonds in an Index Period is subject to optional redemption, or as of the day following the Purchase Date of any Series of 2008 Bonds in an Index Rate Period, unless the Commission has given a Conversion Notice with respect to the Conversion of such Series of 2008 Bonds to another Interest Rate Determination Method pursuant to Section 14.05(b), the Commission may establish a new Index Rate Period for such Series of 2008 Bonds, with such right to be exercised by delivery of a written notice of an Authorized Representative (an "Index Rate Continuation Notice") to the Trustee, the Index Agent (if the Trustee is not the Index Agent), and the Remarketing Agent for such Series of 2008 Bonds no less than thirty-five (35) Business Days prior to the effective date of the new Index Rate Period. The Index Rate Continuation Notice must contain the information required by Sections 14.05(b)(i)(C)(2) and, as and to the extent applicable, 14.05(b)(iii) and must be accompanied by an Opinion of Bond Counsel stating that the new Index Rate Period is authorized and permitted under this First Supplemental Indenture and will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of the applicable Series of 2008 Bonds.

The first day of such new Index Rate Period shall be a Purchase Date on which such 2008 Bonds are subject to optional redemption or to mandatory tender pursuant to the applicable provisions of Section 15.05. Each such 2008 Bond shall be subject to mandatory tender on the first day of such new Index Rate Period pursuant to the applicable provisions of Section 15.05 for purchase at its Purchase Price. No new Index Rate Period shall become effective unless the Opinion of Bond Counsel referred to above is redelivered on (and as of) the first day of the new Index Rate Period and unless all such Outstanding 2008 Bonds are successfully remarketed in the new Index Rate Period at the new Index Rate on the first day of the new Index Rate Period.

14.05(a)(vi)(E) Notice to Holders. Upon receipt of an Index Rate Continuation Notice from an Authorized Representative, as soon as possible, but in any event not less than thirty (30) days prior to the first day of the proposed Index Rate Period, the Trustee shall give notice by first-class mail to the Holders of the affected 2008 Bonds, the Index Agent (if the Trustee is not the Index Agent) and the Remarketing Agent which notice shall (1) state in substance that a new Index Rate Period is to be established for such 2008 Bonds on the applicable Index Rate Conversion Date if the conditions specified in this First Supplemental Indenture are satisfied on or before such date, (2) state that a new Index Rate Period shall not be established unless the Opinion of Bond Counsel referred to above is redelivered to the Trustee on (and as of) the first day of the new Index Rate Period and all such 2008 Bonds are successfully remarketed in the new Index Rate Period and at the new Index Rate on the first day thereof, and (3) contain the additional information required by Sections 14.05(b)(i)(C)(2) and, as and to the extent applicable, 14.05(b)(iii).
14.05(a)(vi)(F) **End of Index Rate.** In the event the Commission has not given an Index Rate Continuation Notice or a Conversion Notice with respect to 2008 Bonds bearing interest at an Index Rate at the time required by Section 14.05(a)(vi)(D) or Section 14.05(b), as applicable, or if the conditions to the effectiveness of a new Index Rate Period and new Index Rate set forth in Section 14.05(a)(vi)(D) are not satisfied, then on the day following the last day of the current Index Rate Period, a new Index Rate Period of seven days shall automatically commence for such 2008 Bonds and such 2008 Bonds shall bear interest at the Maximum Interest Rate until they are successfully remarketed pursuant to the applicable provisions of Section 15.05.

14.05(a)(vii)**Auction Rate Period; Initial Period.** Upon the issuance of the 2008 Series B-1 Bonds, the 2008 Series B-2 Bonds, the 2008 Series B-3 Bonds and the 2008 Series B-4 Bonds and upon a successful Conversion of any Series of 2008 Bonds to an Auction Rate Period pursuant to Section 14.05(b), such Series of 2008 Bonds shall bear interest at an Initial Period Rate determined by the applicable Broker-Dealer for a Series of 2008 Bonds prior to the issuance of such Series or the conversion of such Series to an Auction Rate Period, as applicable. Subsequent to such Initial Period and until successful Conversion of a Series of 2008 Bonds to another Interest Rate Determination Method pursuant to said Section 14.05(b), such Series of 2008 Bonds shall be in an Auction Rate Period and shall bear interest at the Auction Period Rate applicable to such Series of 2008 Bonds, such Auction Period Rate to be determined by the Auction Agent in accordance with Appendix A to this First Supplemental Indenture.

14.05(a)(viii)**Failure to Determine Rate for Certain Rate Periods.**

14.05(a)(viii)(A) If, for any reason, the Daily Rate or the Weekly Rate on any 2008 Bond is not established as provided herein by the Remarketing Agent pursuant to Sections 14.05(a)(i) or (ii) or no Remarketing Agent shall be serving as such hereunder for such 2008 Bonds or any Rate so established is held to be invalid or unenforceable with respect to any such Rate Period, then the interest rate for such Rate Period shall be 100% of the applicable Rate Index on the date such Daily Rate or Weekly Rate was (or would have been) determined as provided above.

14.05(a)(viii)(B) If, for any reason, the Remarketing Agent fails to set the length of any Commercial Paper Rate Period or to establish any Commercial Paper Rate for any 2008 Bond or a court holds any Commercial Paper Rate Period or Commercial Paper Rate for any 2008 Bond to be invalid or unenforceable, a Commercial Paper Rate Period for such 2008 Bond lasting through the next day immediately preceding a Business Day (or until the earlier stated maturity thereof) and the interest rate applicable to such 2008 Bond shall be 100% of the Daily Rate Index.

14.05(a)(ix)**Notice of Rates.** In a timely fashion following the determination of any Rate (other than the Initial Period Rate or the Auction Period Rate), the Remarketing Agent establishing such Rate shall give written notice or notice by Electronic Means thereof to the Commission and the Trustee. Such notice shall also include details as to the principal amount of the 2008 Bonds and the Interest Rate Determination Method at the time applicable. Promptly upon receipt of notice from a Remarketing Agent of any Fixed Rate, the Trustee shall give the Holder of each 2008 Bond being converted to a Fixed Rate notice of the Fixed Rate.
14.05(a)(x) Absence of Remarketing Agent; Binding Determination. If no Remarketing Agent shall be serving hereunder with respect to any Series of 2008 Bonds (other than 2008 Bonds in an Auction Rate Period or a Fixed Rate Period), the determination of the applicable Rate Index shall be made by the Trustee at the direction of the Commission. The determination of any Rate or Rate Index by a Remarketing Agent or, as aforesaid, the Trustee, at the direction of the Commission, with respect to any 2008 Bond, shall be conclusive and binding upon the Commission, the Trustee, the Remarketing Agent, each 2008 Credit Provider, each 2008 Liquidity Provider and the Holder of such 2008 Bond.

14.05(a)(xi) No Liability. In determining the interest rate that any 2008 Bond shall bear as provided in this Section 14.05, neither the Remarketing Agent nor the Trustee shall have any liability to the Commission or the Holder of such 2008 Bond, except for its negligence or willful misconduct.

14.05(b) Conversion of Interest Rate Determination Method.

14.05(b)(i)(A) Right of Conversion. The Interest Rate Determination Method for any Series of Outstanding 2008 Bonds is subject to Conversion from time to time by the Commission, with such right to be exercised by delivery of a written notice of an Authorized Representative (each such notice being a "Conversion Notice") to the Notice Parties as follows:

(1) at least four (4) Business Days prior to the thirtieth (30th) day preceding the effective date of such proposed Conversion, in the event of a Conversion to a Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period, Index Rate Period or Auction Rate Period; and

(2) at least five (5) Business Days prior to the thirtieth (30th) day preceding the effective date of such proposed Conversion, in the event of a Conversion to a Term Rate or a Fixed Rate.

Each Authorized Representative is hereby authorized to execute and deliver a Conversion Notice to change the Interest Rate Determination Method at such times or times as the officer executing the Conversion Notice determines to be in the best interests of the Commission, such determination to be conclusively evidenced by such execution.

The Conversion Notice must be accompanied by (i) an Opinion of Bond Counsel stating that the Conversion is authorized and permitted under this Indenture and will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of such 2008 Bonds to be converted, and (ii) a notice of the new 2008 Liquidity Provider or 2008 Credit Provider, if applicable, and the new 2008 Liquidity Facility or 2008 Credit Enhancement, if at the same time as such 2008 Bonds are being converted there will be a change of 2008 Liquidity Provider, 2008 Credit Provider, 2008 Liquidity Facility or 2008 Credit Enhancement with respect to such 2008 Bonds.

14.05(b)(i)(B) Conversion to and from Auction Rate Period. The Commission, by written direction of an Authorized Representative to the Trustee, the Broker-Dealer, the Auction Agent and the Remarketing Agent, if any, for the 2008 Bonds of a Series
may elect at any time that the Interest Rate Determination Method applicable to all of the 2008 Bonds of such Series shall be changed to an Auction Rate Period. Such direction shall:

(1) specify the effective date of such change to the Auction Rate Period (i.e., the ARS Conversion Date for such 2008 Bonds) which shall be (A) not earlier than the thirtieth (30th) day following the date of receipt by the Trustee of such direction, (B) in the case of a change from a Term Rate Period, on the day immediately following the last day of the then current Term Rate Period or on a date on which the 2008 Bonds of such Series are subject to optional redemption by the Commission;

(2) specify the date on which Holders of 2008 Bonds of such Series are required to deliver their Bonds for mandatory tender on such effective date, and that Holders of such Bonds shall have no right to retain their 2008 Bonds after such date; and

(3) specify the first Auction Date, the first Interest Payment Date following the effective date of such change to the Auction Rate Period, and the length of the Auction Period for the 2008 Bonds of such Series.

A change in the Interest Rate Determination Method of the Bonds of a Series to an Auction Rate Period shall not be effective unless on or prior to the ARS Conversion Date the Trustee shall have received an executed copy of an Auction Agreement and one or more Broker-Dealer Agreements with respect to such 2008 Bonds.

In the event of a change in the Interest Rate Determination Method applicable to the 2008 Bonds of a Series to the Auction Rate Period, the Initial Period shall expire on and include the initial Auction Date (or, if such initial Auction Date is not followed by a Business Day, the next succeeding day that is followed by a Business Day). The initial Auction Date (which shall be the day of the week on which Auctions will generally be conducted) shall be determined by the Commission on or prior to the ARS Conversion Date. The Initial Period Rate shall be determined by the Broker-Dealer for the 2008 Bonds of such Series (which, in the case of multiple Broker-Dealers for the 2008 Bonds of a Series, shall be the Broker-Dealer designated by the Commission) on or prior to the ARS Conversion Date as the lowest rate that, in the judgment of such Broker-Dealer, is necessary to enable the Bonds of such Series to be remarketed on such effective date at a price equal to the principal amount thereof, plus accrued interest, if any, on the ARS Conversion Date. Such determination shall be binding upon the Commission, the Trustee, the Auction Agent, each 2008 Credit Provider, each 2008 Liquidity Provider and the Holders of the 2008 Bonds of such Series. Not later than 5:00 p.m., New York City time, on the date of determination of the Initial Period Rate, the Broker-Dealer shall notify the Trustee, the Commission and the Auction Agent of such Initial Period Rate by Electronic Means. Each Auction Period shall be a daily, 7-day, 28-day, 35-day, three-month, six-month or a Flexible Auction Period, as determined by the Commission on or prior to the ARS Conversion Date, unless the length of such Auction Period is later adjusted or changed to an Auction Period of a different duration in accordance with Appendix A. The Auction Period Rate shall be the rate of interest determined in accordance with Appendix A.
The Commission may revoke its election to effect a Conversion of any Series of 2008 Bonds to an Auction Rate Period by giving written notice of such revocation to the Notice Parties at any time prior to the setting of the Initial Period Rate by the Broker-Dealer.

At the option of the Commission, the Interest Rate Determination Method applicable to the 2008 Bonds of a Series may be converted from an Auction Period Rate to a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Term Rate, an Index Rate, or a Fixed Rate in accordance with this Section 14.05, including, except in the case of such change to a Fixed Rate, the following additional requirements:

(a) If the 2008 Bonds of such Series are in an Auction Period other than a daily Auction Period, the Conversion Date will be the Interest Payment Date immediately following the existing Auction Period. If the 2008 Bonds of such Series are in a daily Auction Period, the Conversion Date will be the next Interest Payment Date.

(b) The Commission will give written notice of any such change in the Interest Rate Determination Method to the Notice Parties not less than seven (7) Business Days prior to the date on which the Trustee is required to notify the Holders of 2008 Bonds of the conversion pursuant to this Section 14.05. Such notice will specify the proposed Conversion Date and the Interest Rate Determination Method to which such change will be made (and the length of any Term Period).

(c) If on the Conversion Date for the 2008 Bonds of such Series any condition precedent to such change required hereunder is not satisfied, notice thereof required by Section 14.05(b)(iv) also shall confirm that the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to such 2008 Bonds which otherwise would have been converted excluding, however, the Auction Date falling on the Business Day next preceding the failed Conversion Date, and that the interest rate will continue to be the Auction Period Rate; provided, however, that the interest rate borne by the 2008 Bonds of such Series during the Auction Period commencing on such failed Conversion Date will be the Maximum Rate (for the first Auction Period), the first Auction Period will be the seven-day Auction Period, and the 2008 Bonds of such Series will continue to have a seven-day Auction Period until the Auction Period is changed pursuant to Section 2.09 of the Auction Procedures or a successful conversion from the Auction Rate Period takes place.

Any change in the Interest Rate Determination Method applicable to the 2008 Bonds of a Series from an Auction Period Rate to a Daily Rate, Weekly Rate, Term Rate, Index Rate or Fixed Rate shall occur on an Interest Payment Date following an Auction Period.

14.05(b)(i)(C) Conversion to Index Rate Period. The following provisions shall apply to the Conversion of a Series of 2008 Bonds to an Index Rate Period:

(1) If the Commission obtains a Favorable Opinion of Bond Counsel with respect to such actions: (i) in determining the initial Index Rate and Applicable Spread for any 2008 Bond, the applicable Remarketing Agent, subject to the approval of an Authorized Representative, may also determine, on or before the Business Day next preceding the determination of the initial Index Rate for such 2008 Bonds, the redemption dates and
redemption premiums, if any, to be paid upon the optional redemption of such 2008 Bonds which differ from such redemption dates and premiums as are set forth in Section 15.01(a)(5), such redemption dates and redemption premiums, if any, to be, in the best judgment of the Remarketing Agent, consistent with then-current marketing conditions, and (ii) the Commission, in consultation with the applicable Remarketing Agent, may determine that the Index Rate Index shall be an index other than 67% of the Three-Month LIBOR Rate, may determine that the Index Rate Interest Accrual Period will differ from the period described in Section 14.05(a)(vi)(C), may determine that the Interest Payment Dates for such 2008 Bonds shall be on periodic dates other than the first business day of each January, April, July, and October, may determine that the Index Rate Determination Date shall be a date other than two London Banking Days preceding each Interest Payment Date, and may designate a Purchase Date prior to maturity for such Series of 2008 Bonds.

(2) The Trustee shall give notice by first-class mail of a proposed conversion of a Series of 2008 Bonds to the Index Rate Period to the Holders of such 2008 Bonds, as provided in Section 14.05(b)(iv). Such notice shall state for such 2008 Bonds: (A) that the interest rate thereon shall be converted to the Index Rate; (B) the proposed Conversion Date, the proposed next Purchase Date, if any, the proposed Index Rate Index, the frequency with which the Index Rate shall be recalculated, the proposed Interest Payment Dates, the duration of the Index Rate Period, and when the Remarketing Agent will determine the Applicable Spread; (C) the earliest Redemption Date (or alternate redemption provisions established in accordance with Section 15.01(a)(5)); (D) that such 2008 Bonds are subject to mandatory tender for purchase on the proposed Conversion Date and setting forth the Purchase Price and the place of delivery for the purchase of such 2008 Bonds; (E) the Purchase Date, if any, of such 2008 Bonds, and (F) all additional information required by Section 14.05(b)(iv).

14.05(b)(i)(D) Conversion from Index Rate Period. Notwithstanding anything herein to the contrary, upon receipt of an Favorable Opinion of Bond Counsel, the Commission may, on any Redemption Date for a Series of Index Bonds, convert said Series of Index Bonds to another Interest Rate Determination Method. The Commission shall provide the Trustee, the Index Agent (if the Index Agent is not the Trustee) and the Remarketing Agent with a written Conversion Notice at least thirty-five (35) days prior to the Conversion Date. Each Conversion Notice delivered pursuant to this Section shall contain the information required by Section 14.05(b)(iii) and the proposed Purchase Date. Each such Index Bond shall be subject to mandatory tender pursuant to the applicable provisions of Section 15.05 at its Purchase Price.

14.05(b)(ii) Limitations. Any Conversion pursuant to this Section 14.05(b) must comply with the following:

14.05(b)(ii)(A) the Conversion Date must be a date on which such 2008 Bonds are subject to mandatory tender pursuant to the applicable provisions of Section 15.05;

14.05(b)(ii)(B) the Conversion Date must be a Business Day and, if the Conversion is from the Commercial Paper Rate, shall be a date determined in accordance with Section 14.05(a)(iii);
14.05(b)(ii)(C) the 2008 Liquidity Facility for such 2008 Bonds after a Conversion to a Variable Rate must cover (except for conversion to an Auction Rate Period or an Index Rate Period) principal plus accrued interest (computed at the Maximum Interest Rate then in effect on the basis of a 365-day year and actual days elapsed or a 360 day year of twelve 30-day months, as applicable) for the maximum number of days between Interest Payment Dates permitted under that Interest Rate Determination Method, plus such additional number of days, if any, as shall be required by each Rating Agency then rating such Series of 2008 Bonds; provided that if the number of days of interest coverage provided by the applicable 2008 Liquidity Facility is being changed from the number of days previously in place, the Trustee shall have also received a Rating Confirmation from each of the Rating Agencies then rating such 2008 Bonds;

14.05(b)(ii)(D) no Conversion shall become effective unless the Opinion of Bond Counsel referred to in Section 14.05(b)(i) is redelivered on (and as of) the Conversion Date and all affected Outstanding 2008 Bonds are successfully purchased or deemed purchased and remarkeeted in the new Interest Rate Determination Method on the Conversion Date; and

14.05(b)(ii)(E) upon Conversion of any Series of 2008 Bonds to a Fixed Rate Period, an Index Rate Period or an Auction Rate Period, an Authorized Representative may provide in the Conversion Notice to the applicable 2008 Liquidity Provider a request for termination of the 2008 Liquidity Facility with respect to such 2008 Bonds to be effective upon such Conversion to a Fixed Rate Period, an Index Rate Period or an Auction Rate Period.

14.05(b)(iii) Contents of Conversion Notice. The Conversion Notice must specify: (A) the proposed Conversion Date; (B) the new Interest Rate Determination Method to take effect; (C) if the Conversion is to a Term Rate, the Term Rate Period; (D) whether the 2008 Credit Enhancement or 2008 Liquidity Facility then in effect will remain in effect; (E) if a new 2008 Credit Enhancement or 2008 Liquidity Facility will be in effect after the proposed Conversion Date, the form of such 2008 Credit Enhancement or 2008 Liquidity Facility and the identity of the new 2008 Credit Provider or 2008 Liquidity Provider; (F) if the Conversion is to a Term Rate Period or Fixed Rate Period, the redemption dates and redemption prices applicable to such Term Rate Period or Fixed Rate Period and (G) if the Conversion is to an Index Rate Period, the Index Rate Index, the optional redemption provisions and the Interest Payment Dates to apply to such 2008 Bonds and appointing an Index Agent and a Remarketing Agent for such 2008 Bonds.

14.05(b)(iv) Notice to Holders. Upon receipt of a Conversion Notice from an Authorized Representative, as soon as possible, but in any event not less than thirty (30) days prior to the proposed Conversion Date, the Trustee shall give notice by first-class mail to the affected Holders of 2008 Bonds, which notice shall state in substance:

14.05(b)(iv)(A) that the Interest Rate Determination Method for the applicable 2008 Bonds shall be converted to the specified Variable Rate or the Fixed Rate, as the case may be, on the applicable Conversion Date if the conditions specified in this First Supplemental Indenture are satisfied on or before such date;

14.05(b)(iv)(B) the applicable Conversion Date;
14.05(b)(iv)(C) that the Commission has delivered to the Trustee an Opinion of Bond Counsel to the effect that the Conversion is authorized and permitted under this Indenture and will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of such 2008 Bonds to be converted;

14.05(b)(iv)(D) that the Interest Rate Determination Method for such 2008 Bonds shall not be converted unless the Opinion of Bond Counsel referred to above is redelivered to the Trustee on (and as of) the Conversion Date and all such 2008 Bonds are successfully purchased and remarketed in the new Interest Rate Determination Method on the Conversion Date;

14.05(b)(iv)(E) the CUSIP numbers or other identification information of such 2008 Bonds;

14.05(b)(iv)(F) that all such 2008 Bonds are subject to mandatory tender for purchase on the Conversion Date at the applicable Purchase Price, which Purchase Price shall be specified in the notice (whether or not the proposed Conversion becomes effective on such date, unless converting from an Auction Rate Period or an Index Rate Period and the proposed Conversion does not occur, in which case the mandatory tender will be cancelled); and

14.05(b)(iv)(G) that, to the extent that there shall be on deposit with the Trustee on the applicable Conversion Date an amount of money sufficient to pay the Purchase Price thereof, all 2008 Bonds to be converted on the Conversion Date not delivered to the Trustee on or prior to the Conversion Date shall be deemed to have been properly tendered for purchase and shall cease to constitute or represent a right on behalf of the Holder thereof to the payment of principal thereof or interest thereon and shall represent and constitute only the right to payment of the Purchase Price on deposit with the Trustee, without interest accruing thereon after the Conversion Date; and

14.05(b)(iv)(H) such additional matters as are required by Section 14.05(b)(i)(B) with respect to 2008 Bonds in an Auction Rate Period or Section 14.05(b)(i)(C)(2), if applicable.

14.05(b)(v) Failure of Conditions to be Met. If the Commission fails to deliver the Opinion of Bond Counsel required by Section 14.05(b)(ii)(D) to the Trustee on or before the Conversion Date or if the Trustee receives written notice to the effect that the Remarketing Agent or Broker-Dealer has not successfully remarketed all of the Outstanding 2008 Bonds of a Series to be converted to the new Interest Rate Determination Method on the Conversion Date, the Interest Rate Determination Method shall not be converted, but such 2008 Bonds of a Series shall be deemed to have been tendered for purchase on the Conversion Date specified in the Conversion Notice (except if converting from an Auction Rate Period or an Index Rate Period) and shall be purchased on the Conversion Date specified in the Conversion Notice and, except as otherwise provided in Section 14.05(a)(iv)(F), such 2008 Bonds shall continue to bear interest at the Interest Rate Determination Method in effect prior to the proposed Conversion Date specified in the Conversion Notice; provided, however, that notwithstanding anything to the contrary provided in this Section 14.05, the rate of interest on such 2008 Bonds shall be determined on the proposed Conversion Date and, if sufficient funds are not available for the purchase of such 2008
Bonds (with the exception of 2008 Bonds in an Index Rate Period or an Auction Rate Period),
the provisions of Section 15.11(d) shall apply. In such event, the Commission and the Holders
of such 2008 Bonds that were to be converted to another Interest Rate Determination Method
shall be restored (except as aforesaid with respect to the purchase of 2008 Bonds) to their former
positions and rights hereunder with respect to such 2008 Bonds, and all rights of the Commission
hereunder shall continue as if no such proceedings for the Conversion of the Interest Rate
Determination Method on such 2008 Bonds had taken place.

In the event of a failed Conversion from an Auction Rate Period, the provisions of
Section 2.04(d) of Appendix A shall apply. If on a Conversion Date from an Auction Rate
Period there has not been a timely withdrawal of the Conversion Notice as set forth in
Section 14.05(b)(ix) and any condition precedent to such Conversion has not been satisfied, the
Trustee is to give notice to the Notice Parties by Electronic Means as soon as practicable and in
any event not later than the next succeeding Business Day that such conversion has not occurred,
that such 2008 Bonds shall not be purchased on the failed Conversion Date, that the Auction
Agent shall continue to implement the Auction Procedures on the Auction Dates with respect to
such 2008 Bonds which otherwise would have been converted (excluding however, the Auction
Date falling on the Business Day next preceding the failed Conversion Date), and that the
interest rate shall continue to be the Auction Period Rate; provided, however, that the interest
rate borne by the 2008 Bonds that otherwise would have been converted during the Auction
Period commencing on such failed Conversion Date shall be the Maximum Interest Rate, and the
Auction Period shall be the seven-day Auction Period as set forth in Section 14.05(b)(i)(B).

In the event of a failed Conversion from an Index Rate Period, such Bonds shall
not be purchased but shall continue in an Index Rate Period with a Purchase Date on the seventh
day after such failed Conversion Date (or the next succeeding Business Day if such seventh day
is not a Business Day) and shall bear interest at the Maximum Interest Rate.

The Trustee shall immediately notify by Electronic Means the Notice Parties of
each such failed Conversion.

14.05(b)(vi)  Notice Failure No Bar.  Failure of a Holder of a 2008 Bond to
receive the notice described in Section 14.05(b)(iv), or any defect therein, shall not affect the
validity of any Rate or any continuation of or change in the Interest Rate Determination Method
for any of the 2008 Bonds or extend the period for tendering any of the 2008 Bonds for purchase,
and the Trustee shall not be liable to any Holder of a 2008 Bond by reason of the failure of such
Holder to receive such notice or any defect therein.

14.05(b)(vii)  No Conversion During Continuance of Event of Default.  No
Conversion shall occur under this Section 14.05(b) if at the time of such Conversion an Event of
Default shall have occurred and be continuing.  The Trustee and the Remarketing Agent may
conclusively rely upon a certificate of an Authorized Representative that no such default exists.

14.05(b)(viii)  Notice to Remarketing Agent or Broker-Dealer.  The Commission
may not elect a change in the Interest Rate Determination Method for any Series of 2008 Bonds
without written notice to the Remarketing Agent or the Broker-Dealer for the affected 2008
Bonds.
14.05(b)(ix) **Rescission of Election.** Notwithstanding anything herein to the contrary, the Commission may rescind any Conversion Notice given pursuant to this Section 14.05(b) prior to the proposed Conversion Date set forth in the Conversion Notice by giving written notice thereof to the Notice Parties two or more Business Days prior to such proposed Conversion Date. If the Trustee receives notice of such rescission prior to the time the Trustee has given notice to the Holders of the affected 2008 Bonds pursuant to Section 14.05(b)(iv), then the Conversion Notice previously delivered by the Commission shall be of no force and effect. Except with respect to 2008 Bonds in an Auction Rate Period or an Index Rate Period, if the Trustee receives notice from the Commission of rescission of the Conversion Notice after the Trustee has given notice to the Holders of the affected 2008 Bonds pursuant to Section 14.05(b)(iv), then such 2008 Bonds shall continue to be subject to mandatory tender for purchase on the Conversion Date specified in the Conversion Notice (unless such Bonds were in an Auction Rate Period or in an Index Rate Period prior to such proposed Conversion Date) and the Rate Period for such 2008 Bonds shall automatically adjust to, or continue as, a Weekly Rate Period on the Conversion Date specified in the Conversion Notice. At any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the proposed Conversion Date from the Auction Rate Period, the Commission may withdraw its Conversion Notice and the Auction for such 2008 Bonds shall be held on such Auction Date as if no Conversion Notice had ever been given. If a rescission is not timely made, any 2008 Bonds in an Auction Rate Period shall continue in the Auction Period in effect prior to the proposed Conversion Date pursuant to Section 14.05(b)(v), and any 2008 Bonds in an Index Rate Period shall continue in the Index Rate Period in effect prior to the proposed Conversion Date. No Opinion of Bond Counsel shall be required in connection with any automatic adjustment to a Weekly Rate Period.

14.05(c) **Conversion of 2008 Liquidity Facility Bonds.** Notwithstanding anything to the contrary contained in the Indenture, if all of the Outstanding 2008 Bonds of any Series are 2008 Liquidity Facility Bonds, such 2008 Bonds may be converted to a Fixed Rate on such Conversion Date as shall be acceptable to the applicable 2008 Liquidity Provider, the Trustee, the Remarketing Agent and the Commission, provided that on such Conversion Date the Commission shall deliver to the Trustee an Opinion of Bond Counsel stating that the Conversion is authorized and permitted under the Indenture and will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any 2008 Bonds of the affected Series.

**Section 14.06. Disposition of Proceeds of 2008 Bonds.** The net proceeds from the sale of the 2008 Bonds in the amount of $_______ shall be received by the Trustee, and the Trustee shall deposit or transfer such funds as follows:

(a) $_______ of such proceeds shall be deposited in the 2008 Project Fund;

(b) $_______ of such proceeds shall be deposited in the Interest Fund;

(c) $_______ of such proceeds shall be deposited in the 2008 Bonds Reserve Fund in satisfaction of the 2008 Bonds Reserve Requirement; and

(d) $_______ of such proceeds shall be transferred to the Subordinate Trustee for deposit upon the order of the Commission.
ARTICLE XV
REDEMPTION AND PURCHASE OF 2008 BONDS

Section 15.01. Optional Redemption of 2008 Bonds.

(a) Optional Redemption of 2008 Bonds.

(1) Commercial Paper Rate Period. 2008 Bonds bearing interest at the Commercial Paper Rate are not subject to optional redemption prior to their respective maturity dates. 2008 Bonds bearing interest at the Commercial Paper Rate are subject to redemption at the option of the Commission in whole or in part on their respective maturity dates at a redemption price equal to the Purchase Price thereof.

(2) Daily Rate Period and Weekly Rate Period. 2008 Bonds bearing interest at a Daily Rate or a Weekly Rate are subject to redemption, at the option of the Commission, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, without premium.

(3) Term Rate Period. 2008 Bonds bearing interest at the Term Rate are subject to redemption, at the option of the Commission, in whole or in part, in Authorized Denominations, on the day following the last day of any Term Rate Period, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, without premium.

(4) Fixed Rate Period. Unless the Commission obtains a Favorable Opinion of Bond Counsel and changes redemption provisions as provided in Section 14.05(a)(v)(B), any Series of 2008 Bonds bearing interest at a Fixed Rate is subject to redemption in whole or in part (and if in part, in such order of maturity and Mandatory Sinking Account Payment dates as the Commission shall specify and within a maturity or Mandatory Sinking Account Payment date by lot or by such other method as the Trustee determines to be fair and reasonable and in Authorized Denominations), at the option of the Commission, on any date, at such times and at such redemption prices as follows:

(a) If, on the Fixed Rate Conversion Date, the remaining term of such 2008 Bonds being converted to a Fixed Rate is greater than eight years, then such 2008 Bonds will not be subject to optional redemption until the first April 1 or October 1 (whichever is earlier) to follow the eighth (8th) anniversary of the conversion of such 2008 Bonds to a Fixed Rate. On such first April 1 or October 1, such 2008 Bonds will be subject to redemption at 102% of the principal amount thereof, plus accrued interest, if any, to the date of redemption, which redemption price will decline by one percent (1%) per annum on each succeeding anniversary of such first April 1 or October 1 until reaching a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the date of redemption, and thereafter at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the date of redemption.

(b) If, on the Fixed Rate Conversion Date, the remaining term of such 2008 Bonds is less than eight years, then such 2008 Bonds will not be subject to optional redemption following Conversion.
(5) **Index Rate Period.** The 2008 Bonds bearing interest at an Index Rate are subject to redemption prior to their respective stated maturity dates, at the option of the Commission, in whole or in part, in Authorized Denominations and in such amounts as may be specified by the Commission (i) on any Business Day prior to the first Business Day of the April next succeeding the date which is nine years after the Conversion Date of a Series of 2008 Bonds to the Index Rate Period (the "Par Call Date"), at a Redemption Price equal to the Spread Premium for such 2008 Bonds and (ii) on any Business Day on or after the Par Call Date, at a Redemption Price equal to the principal amount of such 2008 Bonds called for redemption, without premium, plus in each case accrued interest to the date fixed for redemption (the "Redemption Date"). For purposes of this provision, the "Spread Premium" shall be calculated as follows:

(A) A hypothetical cash flow schedule shall be prepared by the Index Agent by assuming that principal of the Series of 2008 Bonds called for redemption would be payable on the Par Call Date and that interest on the 2008 Bonds would be payable on each quarterly Interest Payment Date until that date at an interest rate per annum equal to the sum of (a) 67% of the USD-ISDA-Swap Rate plus (b) the spread, if any, above the percentage of the Three-Month LIBOR Rate at which such 2008 Bonds bear interest on the calculation date.

(B) Each principal and interest payment in the hypothetical cash flow schedule determined in accordance with the preceding paragraph shall be discounted as of each quarterly payment date to the Redemption Date by the Index Agent at a discount rate equal to the sum of (1) 67% of the USD-ISDA-Swap Rate plus (2) 0.25% per annum.

(C) The sum of the present values as of the Redemption Date determined by the Index Agent pursuant to the preceding paragraph shall be the Spread Premium.

For purposes of this calculation,

"USD-ISDA-Swap Rate" means the rate for U.S. dollars swaps maturing on the Par Call Date expressed as a percentage, that appears on the Reuters Money 3000 Service on the page designated ISDAFIX1 (or such other page as may replace that page on such service for the purpose of displaying comparable rates) at 11:00 a.m., New York City time, on the day which is two Business Days prior to such date. If such rate does not appear on such page on such date, then USD-ISDA-Swap Rate for such maturity and date means the percentage determined on the basis of mid-market semiannual swap rate quotations provided by five leading swap dealers in the New York City interbank market (as selected by the Index Agent or its successors and assigns and subject to the approval of the Commission, which approval shall not be unreasonably withheld) at approximately such time on such day as the mean of the bid and offered rates for the semiannual fixed leg, calculated on a 30/360 day count basis of a fixed-for-floating U.S. dollar interest rate swap transaction with an effective date of the relevant early termination date and a termination date equal to such maturity, in an account that is representative for a single transaction in such market at such time, with an acknowledged dealer of good credit in such
market, where the floating rate, calculated on the basis of a 360-day year for actual days elapsed, is equal to the Three-Month LIBOR Rate.

Notwithstanding the optional redemption provisions set forth above, on or prior to the effective date of the Index Rate Period for a Series of 2008 Bonds, the Commission may provide alternate redemption provisions for such 2008 Bonds in the Index Rate Period pursuant to Section 14.05(b)(i)(C) if it obtains an Favorable Opinion of Bond Counsel.

(6) Auction Rate Period. 2008 Bonds in an Auction Rate Period are subject to redemption, at the option of the Commission, in whole or in part, in Authorized Denominations, at the principal amount thereof together with accrued interest, if any, to the Redemption Date, on the Interest Payment Date following the end of any Auction Period; provided, however, that in the event of a partial redemption of 2008 Bonds in an Auction Rate Period, the aggregate principal amount not so redeemed shall be in an integral multiple of an Authorized Denomination. The Trustee shall provide to the Auction Agent any notice of redemption of such 2008 Bonds at the same time any such notice is first given by the Trustee to any Holder thereof pursuant to Section 4.02.

While any 2008 Bonds are in an Auction Rate Period, in addition to any requirement set forth herein in the event of a redemption or defeasance, notice of such redemption or defeasance shall comply with the following requirements. The Trustee shall notify the Auction Agent by Electronic Means of any notice of redemption or defeasance on the date received and prior to sending the notice to the Securities Depository as Holder of such 2008 Bonds. In the case of a partial redemption or defeasance, the Trustee shall verify with the Auction Agent by Electronic Means the lottery publication date to be used in the notice. The Trustee shall then send the notice of redemption or defeasance to the Securities Depository.

If the Trustee and the Auction Agent are unable to verify a lottery publication date prior to sending a notice of partial redemption or defeasance to the Securities Depository, then such notice shall include, under an item entitled "Publication Date for Securities Depository Purposes," the Securities Depository lottery publication date applicable to such 2008 Bonds, which date shall be two (2) Business Days after the second Auction Date that immediately precedes the date specified in such notice as the date fixed for the redemption or defeasance of such 2008 Bonds (the "Redemption/Defeasance Date") (three (3) Business Days immediately preceding such Redemption/Defeasance Date in the case of 2008 Bonds in a daily Auction Period).

On the lottery publication date prior to the date of redemption or defeasance with respect to such 2008 Bonds, the Trustee shall request the lottery results from the Securities Depository. Upon receipt, the Trustee shall notify the Auction Agent by Electronic Means of such lottery results, i.e. the identities of the participants and the respective principal amounts from the accounts of 2008 Bonds which have been called for redemption or defeasance. At least two (2) Business Days prior to the date of redemption or defeasance with respect to such 2008 Bonds being partially redeemed or defeased, the Auction Agent shall request each eligible Broker-Dealer to disclose to the Auction Agent (upon selection by such participant of the existing Holders whose 2008 Bonds are to be redeemed or defeased) the aggregate principal amount of such 2008 Bonds of each such existing Holder, if any, to be redeemed or defeased.
By the close of business on the day the Auction Agent receives any notice pursuant to this paragraph, the Auction Agent shall forward the contents of such notice to the applicable Broker-Dealer by Electronic Means.

(b) Selection of Bonds for Optional Redemption.

(1) 2008 Bonds. The Commission shall designate which maturities of any Series of 2008 Bonds are to be called for optional redemption pursuant to Section 15.01(a), provided that 2008 Liquidity Facility Bonds shall be redeemed prior to any other 2008 Bonds. If less than all 2008 Bonds of any Series maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the 2008 Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair and shall promptly notify the Commission in writing of the numbers of the 2008 Bonds so selected for redemption. For purposes of such selection, 2008 Bonds of each Series shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event Term Bonds are designated for redemption, the Commission may designate the Mandatory Sinking Account Payments under Section 15.02(a), or portions thereof, that are to be reduced as allocated to such redemption.

(c) Sufficient Funds Required for Optional Redemption. Any optional redemption of 2008 Bonds and notice thereof shall be rescinded and cancelled pursuant to the provisions of Section 4.02 if for any reason on the date fixed for redemption moneys are not available in the Redemption Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the 2008 Bonds called for redemption.

(d) Notice of Optional Redemption; Rescission. Any notice of optional redemption of the 2008 Bonds shall be delivered in accordance with Section 4.02 and may be rescinded as provided in Section 4.02.

Section 15.02. Mandatory Redemption of 2008 Bonds From Mandatory Sinking Account Payments.

(a) Mandatory Redemption of 2008 Bonds. Except as otherwise provided in Section 14.05(a)(v)(B), 2008 Bonds are Term Bonds and are subject to mandatory redemption from Mandatory Sinking Account Payments for such 2008 Bonds, on each date a Mandatory Sinking Account Payment for such 2008 Bonds is due, and in the principal amount equal to the Mandatory Sinking Account Payment due on such date at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium. For any 2008 Bonds in an Auction Rate Period, if any Mandatory Sinking Account Payment is due on a date that is not an Interest Payment Date, the Mandatory Sinking Account Payment date shall be deemed to occur on the Interest Payment Date immediately preceding the Mandatory Sinking Account Payment date, except for any 2008 Bonds in a Flexible Auction Period, which may be redeemed prior to the end of the Flexible Auction Period pursuant to the applicable Mandatory Sinking Account Payment schedule.
Mandatory Sinking Account Payments for 2008 Series A-1 Bonds that are Term Bonds shall be due in such amounts and on such dates as follows:

<table>
<thead>
<tr>
<th>Redemption Date (April 1)</th>
<th>Mandatory Sinking Account Payment</th>
<th>Redemption Date (April 1)</th>
<th>Mandatory Sinking Account Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 Series A-1 Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

† Final Maturity

Mandatory Sinking Account Payments for 2008 Series A-2 Bonds that are Term Bonds shall be due in such amounts and on such dates as follows:

<table>
<thead>
<tr>
<th>Redemption Date (April 1)</th>
<th>Mandatory Sinking Account Payment</th>
<th>Redemption Date (April 1)</th>
<th>Mandatory Sinking Account Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 Series A-2 Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

† Final Maturity
Mandatory Sinking Account Payments for 2008 Series B-1 Bonds that are Term Bonds shall be due in such amounts and on such dates as follows:

### 2008 Series B-1 Bonds

<table>
<thead>
<tr>
<th>Redemption Date (April 1)</th>
<th>Mandatory Sinking Account Payment</th>
<th>Redemption Date (April 1)</th>
<th>Mandatory Sinking Account Payment</th>
</tr>
</thead>
</table>

† Final Maturity

Mandatory Sinking Account Payments for 2008 Series B-2 Bonds that are Term Bonds shall be due in such amounts and on such dates as follows:

### 2008 Series B-2 Bonds

<table>
<thead>
<tr>
<th>Redemption Date (April 1)</th>
<th>Mandatory Sinking Account Payment</th>
<th>Redemption Date (April 1)</th>
<th>Mandatory Sinking Account Payment</th>
</tr>
</thead>
</table>

† Final Maturity
Mandatory Sinking Account Payments for 2008 Series B-3 Bonds that are Term Bonds shall be due in such amounts and on such dates as follows:

<table>
<thead>
<tr>
<th>2008 Series B-3 Bonds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Redemption Date</strong></td>
<td><strong>Mandatory Sinking Account Payment</strong></td>
</tr>
<tr>
<td>(April 1)</td>
<td><strong>(April 1)</strong></td>
</tr>
</tbody>
</table>

† Final Maturity

Mandatory Sinking Account Payments for 2008 Series B-4 Bonds that are Term Bonds shall be due in such amounts and on such dates as follows:

<table>
<thead>
<tr>
<th>2008 Series B-4 Bonds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Redemption Date</strong></td>
<td><strong>Mandatory Sinking Account Payment</strong></td>
</tr>
<tr>
<td>(April 1)</td>
<td><strong>(April 1)</strong></td>
</tr>
</tbody>
</table>

† Final Maturity

(b) **Selection of Bonds for Mandatory Sinking Account Redemption.** If less than all 2008 Bonds of any Series maturing by their terms on any one date are to be redeemed at any one time with Mandatory Sinking Account Payments, the Trustee shall select the 2008 Bonds of such maturity date to be redeemed by lot in any manner that it deems appropriate, provided that 2008 Liquidity Facility Bonds shall be redeemed prior to any other 2008 Bonds, and the Trustee shall promptly notify the Commission in writing of the numbers of the 2008 Bonds so selected for redemption. For purposes of such selection, 2008 Bonds of each Series shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.
Section 15.03. Purchase In Lieu of Redemption. In lieu of mandatory redemption, the Commission may surrender to the Trustee for cancellation 2008 Bonds purchased on the open market, and such 2008 Bonds shall be cancelled by the Trustee. If any 2008 Bonds are so cancelled, the Commission may designate the Mandatory Sinking Account Payments or portions thereof within such Series of the 2008 Bonds so purchased that are to be reduced as a result of such cancellation. The Commission covenants and agrees that any 2008 Bonds so purchased on the open market in lieu of mandatory redemption will be surrendered promptly to the Trustee for cancellation.

Section 15.04. Holder's Option to Tender 2008 Bonds for Purchase.

(a) During any Daily Rate Period, any 2008 Bond or (subject to subsection (c) of this Section) a portion thereof, may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in immediately available funds, upon (A) delivery by the Holder or Beneficial Owner of such 2008 Bond to the Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written notice or notice by Electronic Means by 11:00 a.m. (New York City time) on the Purchase Date, which states the principal amount of such 2008 Bond to be tendered for purchase and the Purchase Date, and (B) delivery of such 2008 Bond to the Trustee on the Purchase Date in accordance with Section 15.06. The Trustee shall keep a written record of the notice described in clause (A) of this subsection (a).

(b) During any Weekly Rate Period, any 2008 Bond or (subject to subsection (c) of this Section) a portion thereof, may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in accordance with Section 15.11 in immediately available funds, upon (A) delivery by the Holder or Beneficial Owner of such 2008 Bond to the Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written notice or notice by Electronic Means by 5:00 p.m. (New York City time) on any Business Day at least seven (7) days prior to the Purchase Date, which states the principal amount of such 2008 Bond to be tendered for purchase and the Purchase Date, and (B) delivery of such 2008 Bond to the Trustee on the Purchase Date in accordance with Section 15.06. The Trustee shall keep a written record of the notice described in clause (A) of this subsection (b).

(c) If any 2008 Bond is to be purchased in part pursuant to subsection (a) or subsection (b) of this Section, the amount so purchased and the amount not so purchased must each be an Authorized Denomination.

(d) Any instrument delivered to the Trustee in accordance with this Section shall be irrevocable with respect to the purchase for which such instrument was delivered and shall be binding upon the Securities Depository and any subsequent Holder or Beneficial Owner of the 2008 Bond to which it relates, including any 2008 Bond issued in exchange therefor or upon the registration of transfer thereof, and as of the date of such instrument, the Holder or Beneficial Owner of the 2008 Bonds specified therein shall not have any right to optionally tender for purchase such 2008 Bonds prior to the date of purchase specified in such notice. The Commission, the Remarketing Agent and the Trustee may conclusively assume that any person (other than a Holder) providing notice of optional tender pursuant to subsection (a) or subsection (b) of this Section is the Beneficial Owner of the 2008 Bond to which such notice
relates, and none of the Commission, the Remarketing Agent or the Trustee shall assume any liability in accepting such notice from any person whom it reasonably believes to be a Beneficial Owner of 2008 Bonds.

Section 15.05. Mandatory Tender of 2008 Bonds for Purchase.

(a) The 2008 Bonds shall be subject to mandatory tender for purchase at the applicable Purchase Price, at the following times and upon the occurrence of any of the events stated below:

(1) with respect to any Series of 2008 Bonds, on the Conversion Date for such 2008 Bonds to a new Interest Rate Determination Method specified in a Conversion Notice (whether or not the proposed Conversion becomes effective on such date, unless converting from Auction Rate Period or an Index Rate Period and the proposed Conversion does not occur, in which case the mandatory tender will be cancelled);

(2) with respect to 2008 Bonds bearing interest at a Daily Rate, a Weekly Rate or a Commercial Paper Rate: (A) on the fifth (5th) Business Day preceding (i) the scheduled expiration of a 2008 Liquidity Facility, (ii) the Termination of a 2008 Liquidity Facility at the election of the Commission as permitted by such 2008 Liquidity Facility; (B) on the date of the provision of an Alternate Liquidity Facility for such 2008 Bonds pursuant to Section 15.14 and the resultant Termination of the existing 2008 Liquidity Facility; provided, however, that, notwithstanding any other provision of this Indenture to the contrary, no mandatory tender for purchase shall be required pursuant to this subsection if a Rating Confirmation shall be delivered by each Rating Agency then rating the Series of 2008 Bonds with respect to which an Alternate Liquidity Facility is being provided pursuant to Section 15.14, and (C) on the date of the provision of an Alternate Credit Enhancement in the form of a letter of credit for such 2008 Bonds pursuant to Section 17.05 and the resultant Termination of the existing 2008 Letter of Credit;

(3) with respect to each 2008 Bond bearing interest at a Commercial Paper Rate, on each Interest Payment Date immediately following each Commercial Paper Rate Period for such 2008 Bond;

(4) with respect to each 2008 Bond bearing interest at a Term Rate, on the Interest Payment Date immediately following each Term Rate Period for such 2008 Bond;

(5) with respect to 2008 Bonds bearing interest at a Daily Rate, a Weekly Rate or a Commercial Paper Rate, upon receipt by the Trustee of written notice from the 2008 Liquidity Provider for any such 2008 Bonds that an event of default or an event of Termination (other than an immediate termination or suspension) has occurred under the related 2008 Liquidity Facility with the effect that the obligations of such 2008 Liquidity Provider to purchase such 2008 Bonds or otherwise provide for the Purchase Price of such 2008 Bonds under such 2008 Liquidity Facility shall terminate on the date specified in such notice, in which event such 2008 Bonds shall be subject to purchase on a Business Day selected by the Trustee which date shall be not more than five (5) Business Days after receipt of such notice, but in no event later
than the Business Day preceding the Termination date specified in the notice received from such 2008 Liquidity Provider; and

(6) with respect to 2008 Bonds bearing interest at an Index Rate, on the Purchase Date designated by the Commission pursuant to Section 14.05(a)(vi)(D) or Section 14.05(b)(i)(D).

(b) Notice of mandatory tender for purchase on the Conversion Date shall be given by the Trustee to the Holders as provided in Section 14.05(b)(iv).

(c) The Trustee shall give notice by first class mail to the Holders of affected 2008 Bonds of each Termination of a 2008 Liquidity Facility and each expiration of a 2008 Liquidity Facility making 2008 Bonds subject to mandatory tender pursuant to Section 15.05(a)(2), which notice shall (i) state the date of such Termination, substitution or expiration; (ii) state that unless a Rating Confirmation is received with respect to the substitution (in which event no mandatory tender for purchase shall occur), such 2008 Bonds shall be subject to mandatory tender for purchase on the specified Purchase Date at the applicable Purchase Price (which shall be specified in such notice); and (iii) be mailed by the Trustee not later than the fifteenth (15th) day prior to such Termination, substitution or expiration.

(d) The Trustee shall give notice by first class mail to the Holders of affected 2008 Bonds of each Termination of 2008 Credit Enhancement provided in the form of a letter of credit and each expiration of such 2008 Credit Enhancement making 2008 Bonds subject to mandatory tender pursuant to Section 15.05(a)(2), which notice shall (i) state the date of such Termination, substitution or expiration; (ii) state that such 2008 Bonds shall be subject to mandatory tender for purchase on the specified Purchase Date at the applicable Purchase Price (which shall be specified in such notice); (iii) state whether any Alternate Credit Enhancement or Alternate Liquidity Facility will be provided with respect to such 2008 Bonds, the provider or providers thereof, and the rating expected to apply to the 2007A Bonds after such Alternate Credit Enhancement or Alternate Liquidity Facility is delivered, and (iv) be mailed by the Trustee not later than the fifteenth (15th) day prior to such Termination, substitution or expiration.

(e) No notice need be given to the Holders of any 2008 Bond bearing interest at a Commercial Paper Rate of the mandatory tender for purchase of such 2008 Bond on an Interest Payment Date for such 2008 Bond.

(f) Upon the expiration of the then current Term Rate Period for a Series of 2008 Bonds, the Trustee shall give notice by first class mail to the Holder of such 2008 Bonds at the address shown on the bond registration books maintained by the Trustee not later than the fifteenth (15th) day prior to the date on which such 2008 Bonds are subject to mandatory tender for purchase pursuant to Section 15.05(a)(4), which notice shall state that such 2008 Bonds are subject to mandatory tender on the specified Purchase Date at the applicable Purchase Price (which shall be specified in such notice).
(g) The Trustee shall give notice by first class mail within two (2) Business Days of receipt of a notice from a 2008 Liquidity Provider pursuant to Section 15.05(a)(5), to the Holders of the affected 2008 Bonds at their addresses shown on the bond registration books maintained by the Trustee which notice shall: (1) state such 2008 Bonds are subject to mandatory tender for purchase pursuant to Section 15.05(a)(5) at the applicable Purchase Price (which shall be specified in such notice); and (2) state the Purchase Date.

(h) With respect to a Series of 2008 Bonds in an Index Rate Period, the Trustee shall give notice by first-class mail, not later than the thirtieth (30th) day prior to the date on which such 2008 Bonds are subject to mandatory tender pursuant to Section 15.05(a)(6), which notice shall state that such 2008 Bonds are subject to mandatory tender for purchase on the specified Purchase Date at the applicable Purchase Price (which Purchase Price shall be specified in such notice).

Section 15.06. Delivery of Tendered 2008 Bonds. With respect to any 2008 Bond that is registered in book-entry form with a Securities Depository, delivery of such 2008 Bond to the Trustee in connection with any optional or mandatory tender for purchase pursuant to Section 15.04 or 15.05 shall be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of the Securities Depository for such 2008 Bond or any Participant of such Securities Depository to reflect the transfer of the beneficial ownership interest in such 2008 Bond to the account of the Trustee, or to the account of a Participant of such Securities Depository acting on behalf of the Trustee. With respect to any 2008 Bond that is not registered in book-entry form with a Securities Depository, delivery of such 2008 Bond to the Trustee in connection with any optional or mandatory tender for purchase pursuant to Section 15.04 or 15.05 shall be effected by physical delivery of such 2008 Bond to the Trustee at its Principal Office, by 1:00 p.m. (New York City time) on the Purchase Date, accompanied by an instrument of transfer thereof, in a form satisfactory to the Trustee, executed in blank by the Holder thereof with the signature of such Holder guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs.

Section 15.07. 2008 Bonds Deemed Purchased.

(a) If moneys sufficient to pay the Purchase Price of 2008 Bonds to be purchased pursuant to Section 15.04 or 15.05 shall be held by the Trustee on the applicable Purchase Date, such 2008 Bonds shall be deemed to have been purchased for all purposes of the Indenture, irrespective of whether or not such 2008 Bonds shall have been delivered to the Trustee or transferred on the books of a Securities Depository for such 2008 Bonds, and neither the former Holder or Beneficial Owner of such 2008 Bonds nor any other person shall have any claim thereon, under the Indenture or otherwise, for any amount other than the Purchase Price thereof.

(b) In the event of non-delivery of any 2008 Bond to be purchased pursuant to Section 15.04 or 15.05, the Trustee shall segregate and hold uninvested the moneys for the Purchase Price of such 2008 Bond in trust, without liability for interest thereon, for the benefit of the former Holders or Beneficial Owners of such 2008 Bond, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such 2008 Bond. Any moneys that the
Trustee shall segregate and hold in trust for the payment of the Purchase Price of any 2008 Bond and remaining unclaimed for two (2) years after the date of purchase shall be paid automatically to the Commission. After the payment of such unclaimed moneys to the Commission, the former Holder or Beneficial Owner of such 2008 Bond shall look only to the Commission for the payment thereof.

Section 15.08. Deposit of 2008 Bonds. The Trustee agrees to accept and hold all 2008 Bonds delivered to it pursuant to Section 15.04 or 15.05 in trust for the benefit of the respective Holders or Beneficial Owners which shall have so delivered such 2008 Bonds until the Purchase Price of such 2008 Bonds shall have been delivered to or for the account of or to the order of such Holders or Beneficial Owners pursuant to Section 15.11. Any 2008 Bonds registered for transfer to new purchasers and delivered to the Trustee as described in Section 15.12 shall be held in trust by the Trustee for the benefit of such new purchasers until delivery to such new purchasers.

Section 15.09. Remarketing of Tendered 2008 Bonds.

(a) Daily Put or Commercial Paper Tender Bonds.

(i) Not later than 11:15 a.m. (New York City time) on each Business Day on which the Trustee receives a notice from a Holder or Beneficial Owner of a 2008 Bond to be tendered pursuant to Section 15.04(a) (the "Daily Put Bonds"), and on each day any 2008 Bonds bearing interest at a Commercial Paper Rate are subject to mandatory tender pursuant to Section 15.05(a)(3) (the "Commercial Paper Tender Bonds"), the Trustee shall give notice by Electronic Means to the Remarketing Agent and the Commission, specifying the principal amount of 2008 Bonds for which it has received such notice and the names of the Holder or Holders thereof. The Remarketing Agent shall thereupon offer for sale and use its best efforts to find purchasers for such Daily Put Bonds or Commercial Paper Tender Bonds, other than 2008 Liquidity Facility Bonds, which shall be remarketed pursuant to Section 15.13.

(ii) Not later than 11:30 a.m. (New York City time) on the Purchase Date described in subparagraph (i) above, the Trustee shall give notice by Electronic Means to the Remarketing Agent and the Commission of the accrued amount of interest payable with respect to the Daily Put Bonds or Commercial Paper Tender Bonds, as applicable, as of such Purchase Date and confirming the aggregate principal amount of the Daily Put Bonds or Commercial Paper Tender Bonds.

(iii) Not later than 12:00 noon (New York City time) on any Purchase Date for Daily Put Bonds or Commercial Paper Tender Bonds, the Remarketing Agent shall give notice by Electronic Means to the Commission and the Trustee of the principal amount of any Daily Put Bonds or Commercial Paper Tender Bonds, as applicable, which have not been remarketed in accordance with the applicable Remarketing Agreement and its commitment to deliver funds from the Daily Put Bonds or Commercial Paper Tender Bonds that have been remarketed to the Trustee by 2:00 p.m. (New York City time) on such day pursuant to Section 15.10.

(iv) If a Remarketing Agent's notice pursuant to subparagraph (iii) above indicates that such Remarketing Agent has on hand less remarketing proceeds than are needed to
purchase all the Daily Put Bonds or Commercial Paper Tender Bonds to be purchased on any Purchase Date, the Trustee shall demand payment under the applicable 2008 Liquidity Facility then in effect with respect to the tendered 2008 Bonds in sufficient time (as set forth by the terms of the 2008 Liquidity Facility) so as to provide by 2:00 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to subparagraph (iii) above, to pay the Purchase Price of the Daily Put Bonds or Commercial Paper Tender Bonds, as applicable. The Trustee shall immediately after such demand for payment give notice by Electronic Means to the Commission of the amount, if any, of such demand.

(b) **Weekly Put Bonds.**

(i) Not later than 10:30 a.m. (New York City time) on each Business Day succeeding a day on which the Trustee receives a notice from a Holder or Beneficial Owner of 2008 Bonds to be tendered pursuant to Section 15.04(b) (the "Weekly Put Bonds"), the Trustee shall give notice by Electronic Means to the Remarketing Agent and the Commission, specifying the principal amount of 2008 Bonds for which it has received such notice, the names of the Holder or Holders thereof and the Purchase Date. The Remarketing Agent shall thereupon offer for sale and use its best efforts to find purchasers for such Weekly Put Bonds, other than 2008 Liquidity Facility Bonds, which shall be remarketed pursuant to Section 15.13.

(ii) Not later than 11:00 a.m. (New York City time) on the Business Day immediately preceding the Purchase Date described in subparagraph (i) above, the Trustee shall give notice by Electronic Means to the Remarketing Agent and the Commission of the accrued amount of interest payable with respect to the Weekly Put Bonds as of such Purchase Date and confirming the aggregate principal amount of the Weekly Put Bonds.

(iii) Not later than 11:30 a.m. (New York City time) on any Purchase Date for Weekly Put Bonds, the Remarketing Agent shall give notice by Electronic Means to the Commission and the Trustee of the principal amount of Weekly Put Bonds that have not been remarketed in accordance with the applicable Remarketing Agreement and its commitment to deliver funds from the Weekly Put Bonds that have been remarkedeted to the Trustee by 2:00 p.m. (New York City time) on the Purchase Date pursuant to Section 15.10.

(iv) If a Remarketing Agent's notice pursuant to subparagraph (iii) above indicates that such Remarketing Agent has on hand less remarketing proceeds than are needed to purchase all the Weekly Put Bonds to be purchased on any Purchase Date, the Trustee shall demand payment under the applicable 2008 Liquidity Facility then in effect with respect to the Weekly Put Bonds in sufficient time (as set forth by the terms of the 2008 Liquidity Facility) so as to provide by 2:00 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to subparagraph (iii) above, to pay the Purchase Price of the Weekly Put Bonds. The Trustee shall immediately after such demand for payment give notice by Electronic Means to the Commission of the amount, if any, of such demand.
(c) **Mandatory Tender Bonds.**

(i) Not later than 9:30 a.m. (New York City time) on each Purchase Date occurring pursuant to Section 15.05 with the exception of subsection 15.05(a)(3), the Trustee shall give notice by Electronic Means to the Remarketing Agent and the Commission specifying the principal amount of all Outstanding 2008 Bonds that are subject to mandatory tender (the "Mandatory Tender Bonds") on such Purchase Date pursuant to any subsection of Section 15.05 except subsection 15.05(a)(3) and the names of the registered Holder or Holders thereof. The Remarketing Agent shall thereupon offer for sale and use its best efforts to find purchasers for such Mandatory Tender Bonds (if there is still an obligation to remarket), other than 2008 Liquidity Facility Bonds, which shall be remarkeeted pursuant to Section 15.13.

(ii) Not later than 10:00 a.m. (New York City time) on each Purchase Date described in subparagraph (i) above, the Trustee shall give notice by Electronic Means to the Remarketing Agent and the Commission of the accrued amount of interest payable with respect to the Mandatory Tender Bonds as of the Purchase Date and confirming the aggregate principal amount of the Mandatory Tender Bonds. With respect to Mandatory Tender Bonds that are in an Index Rate Period, the Trustee shall also give notice by Electronic Means to the Remarketing Agent and the Commission of the premium, if any, payable with respect to such Mandatory Tender Bonds as of the Purchase Date.

(iii) Not later than 11:30 a.m. (New York City time) on any Purchase Date with respect to Mandatory Tender Bonds, the Remarketing Agent shall give notice by Electronic Means to the Trustee and the Commission of the principal amount of Mandatory Tender Bonds that have not been remarkeeted in accordance with the Remarketing Agreement and its written commitment to deliver funds from the Mandatory Tender Bonds that have been remarkeeted to the Trustee by 2:00 p.m. (New York City time) on the Purchase Date pursuant to Section 15.10.

(iv) If a Remarketing Agent's notice pursuant to subparagraph (iii) above indicates that such Remarketing Agent has on hand less remarketing proceeds than are needed to purchase all the Mandatory Tender Bonds to be purchased on such Purchase Date, the Trustee shall demand payment under the applicable 2008 Liquidity Facility then in effect with respect to the Mandatory Tender Bonds in sufficient time (as set forth by the terms of the 2008 Liquidity Facility) so as to provide by 2:00 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to subparagraph (iii) above, to pay the Purchase Price of the Mandatory Tender Bonds. The Trustee shall immediately after such demand for payment give notice to the Commission of the amount, if any, of such demand.

(d) **Optional Commission Deposit.** If a Remarketing Agent's notice pursuant to subparagraph (a)(iii), (b)(iii) or (c)(iii) above indicates that such Remarketing Agent has remarkeeted less than all the Daily Put Bonds, Commercial Paper Tender Bonds, Weekly Put Bonds, or Mandatory Tender Bonds to be purchased on any Purchase Date and the Trustee does not receive sufficient funds from, or has received notice from a 2008 Liquidity Provider that it will not provide sufficient funds from, draws on the applicable 2008 Liquidity Facility to pay the Purchase Price of all such 2008 Bonds that have not been remarkeeted by 2:00 p.m.
(New York City time) on the Purchase Date, the Trustee shall immediately (but in no event later than 2:30 p.m. (New York City time)) give notice by Electronic Means to the Commission specifying the principal amount and the Purchase Price of such 2008 Bonds for which moneys will not be available in the 2008 Bonds Purchase Fund and requesting the Commission to deposit with the Trustee as soon as possible on such Purchase Date, preferably by 3:00 p.m. (New York City time), an amount sufficient to pay that portion of the Purchase Price for which moneys will not be available in the 2008 Bonds Purchase Fund, such notice to be confirmed immediately by Electronic Means to the Commission. Such deposit by the Commission shall be at the sole option of the Commission.

(e) **Limitation.** If a 2008 Liquidity Facility is in effect with respect to a Series of 2008 Bonds, the Remarketing Agent with respect to such Series of 2008 Bonds shall not remarket any tendered 2008 Bonds to the Commission or any affiliate of the Commission. Each Remarketing Agent shall remarket the 2008 Bonds, as provided herein, at not less than the Purchase Price thereof, except for 2008 Liquidity Facility Bonds, which shall be remarketed pursuant to Section 15.13.

(f) **Commission Deposit of Premium with respect to Index Bonds.** On any date when 2008 Bonds in an Index Rate Period Bonds are being redeemed or purchased pursuant to Section 14.05(a)(vi)(D) or Section 14.05(b)(i)(D), the Commission shall deposit with the Trustee as soon as possible on such date, but in no event later than 2:00 p.m. (New York City time) on such date, an amount that, when combined with the proceeds of remarketing of such 2008 Bonds, will be sufficient to pay the Purchase Price payable with respect to such 2008 Bonds, such amount to be deposited by the Trustee in the 2008 Bonds Purchase Fund, receipt of such deposit by the Trustee to be confirmed immediately by Electronic Means to the Commission. Notwithstanding any other provision of this Indenture, any failure by the Commission to make such a deposit shall not constitute an Event of Default.

**Section 15.10. Deposits into Accounts in the 2008 Bonds Purchase Fund.**

(a) The terms of any sale by a Remarketing Agent of any 2008 Bond tendered or deemed tendered for purchase pursuant to Section 15.04 or 15.05 shall provide for the payment of the Purchase Price for such tendered or deemed tendered 2008 Bond by such Remarketing Agent to the Trustee for deposit in the applicable 2008 Remarketing Account of the 2008 Bonds Purchase Fund in immediately available funds at or before 2:00 p.m. (New York City time) on the Purchase Date. Each Remarketing Agent shall cause to be paid to the Trustee on each Purchase Date for tendered or deemed tendered 2008 Bonds all amounts representing proceeds of the remarketing of such 2008 Bonds, based upon the notice given by such Remarketing Agent pursuant to Section 15.09(a)(iii), 15.09(b)(iii), 15.09(c)(iii), as the case may be. All such amounts shall be deposited in the applicable 2008 Remarketing Account.

(b) The Trustee shall deposit in the 2008 Series A-1 Liquidity Facility Purchase Account all amounts received under a 2008 Liquidity Facility pursuant to Section 15.09(a)(iv), 15.09(b)(iv) or 15.09(c)(iv), as the case may be, and related to the 2008 Series A-1 Bonds. The Trustee shall deposit in the 2008 Series A-2 Liquidity Facility Purchase Account all amounts received under a 2008 Liquidity Facility pursuant to
Section 15.09(a)(iv), 15.09(b)(iv) or 15.09(c)(iv), as the case may be, and related to the 2008 Series A-2 Bonds. The Trustee shall deposit in the 2008 Series B-1 Liquidity Facility Purchase Account all amounts received under a 2008 Liquidity Facility pursuant to Section 15.09(a)(iv), 15.09(b)(iv) or 15.09(c)(iv), as the case may be, and related to the 2008 Series B-1 Bonds. The Trustee shall deposit in the 2008 Series B-2 Liquidity Facility Purchase Account all amounts received under a 2008 Liquidity Facility pursuant to Section 15.09(a)(iv), 15.09(b)(iv) or 15.09(c)(iv), as the case may be, and related to the 2008 Series B-2 Bonds. The Trustee shall deposit in the 2008 Series B-3 Liquidity Facility Purchase Account all amounts received under a 2008 Liquidity Facility pursuant to Section 15.09(a)(iv), 15.09(b)(iv) or 15.09(c)(iv), as the case may be, and related to the 2008 Series B-3 Bonds. The Trustee shall deposit in the 2008 Series B-4 Liquidity Facility Purchase Account all amounts received under a 2008 Liquidity Facility pursuant to Section 15.09(a)(iv), 15.09(b)(iv) or 15.09(c)(iv), as the case may be, and related to the 2008 Series B-4 Bonds.

(c) Upon receipt of any notice from the Trustee pursuant to Section 15.09(d) that insufficient funds will be on deposit in the 2008 Bonds Purchase Fund to pay the full Purchase Price of all 2008 Bonds to be purchased on a Purchase Date, the Commission shall, at its sole option, deliver or cause to be delivered to the Trustee immediately available funds in an amount equal to such deficiency prior to 3:00 p.m. (New York City time) on the applicable Purchase Date. All such funds shall be deposited in the applicable 2008 Commission Account.

(d) All funds received from the Commission pursuant to Section 15.09(f) shall be deposited in the applicable 2008 Commission Account.

(e) The Trustee shall hold amounts in the 2008 Bonds Purchase Fund uninvested.

Section 15.11. Disbursements from the 2008 Bonds Purchase Fund.

(a) Application of Moneys. Moneys in the 2008 Bonds Purchase Fund (other than the proceeds of any remarketing of 2008 Liquidity Facility Bonds, which shall be paid to the applicable 2008 Liquidity Provider on the remarketing date) shall be applied at or before 3:00 p.m. (New York City time) to the purchase of 2008 Bonds as provided herein by the Trustee, on each Purchase Date, as follows:

First – Moneys constituting funds in any 2008 Remarketing Account shall be used by the Trustee on any Purchase Date to purchase 2008 Bonds of the Series to which such 2008 Remarketing Account relates tendered or deemed tendered for purchase pursuant to Section 15.04 or 15.05 at the Purchase Price thereof.

Second – In the event such moneys in any 2008 Remarketing Account on any Purchase Date are insufficient to purchase all 2008 Bonds of the Series to which such 2008 Remarketing Account relates, moneys in the applicable 2008 Liquidity Facility Purchase Account on such Purchase Date shall be used by the Trustee at that time to purchase such remaining 2008 Bonds of such Series at the Purchase Price thereof.
Third – If the amount of money in any 2008 Remarketing Account and 2008 Liquidity Facility Purchase Account on any Purchase Date is insufficient to pay in full the Purchase Price of all 2008 Bonds of such Series tendered or deemed tendered for purchase pursuant to Section 15.04 or 15.05 on such Purchase Date, moneys in the applicable 2008 Commission Account on such Purchase Date, if any, shall be used by the Trustee at that time to purchase such remaining 2008 Bonds of such Series at the Purchase Price thereof.

Notwithstanding anything to the contrary in this Section, if the 2008 Bonds tendered or deemed tendered for purchase pursuant to Section 15.04 or 15.05 are registered in book-entry form, payment of the Purchase Price of such 2008 Bonds shall be made in accordance with the rules and procedures of the Securities Depository.

(b) **Nondeliveries.** The Trustee shall, as to any 2008 Bonds that are not registered in book-entry form and that have not been delivered to it as required by Section 15.06, (i) notify the Remarketing Agent in writing of such nondelivery and (ii) place a stop transfer against an appropriate amount of 2008 Bonds registered in the name of the Holder of such 2008 Bonds on the bond registration books maintained by the Trustee. The Trustee shall place and maintain such stop transfer commencing with the lowest serial number 2008 Bond registered in the name of such Holder until stop transfers have been placed against an appropriate amount of 2008 Bonds until the appropriate 2008 Bonds are delivered to the Trustee as required by Section 15.06. Upon such delivery, the Trustee shall make any necessary adjustments to such bond registration books.

(c) **Limitation.** Notwithstanding anything contained herein to the contrary, while any 2008 Liquidity Facility is in effect with respect to a Series of 2008 Bonds, the Trustee shall not use proceeds obtained by remarketing any such 2008 Bonds to the Commission or any affiliate of the Commission to pay any portion of the Purchase Price of the tendered 2008 Bonds, and no such proceeds shall be deposited in any 2008 Remarketing Account.

(d) **Insufficient Funds.** If sufficient funds are not available for the purchase of all Bonds of a Series of 2008 Bonds tendered or deemed tendered and required to be purchased on any Purchase Date (with the exception of 2008 Bonds in an Index Rate Period or an Auction Rate Period), all 2008 Bonds of such Series shall bear interest at the lesser of the SIFMA Swap Index plus three percent and the Maximum Interest Rate from the date of such failed purchase until all such 2008 Bonds are purchased as required in accordance with this Indenture, and all tendered 2008 Bonds of such Series shall be returned to their respective Holders. Notwithstanding any other provision of this Indenture, such failed purchase and return shall not constitute an Event of Default. Thereafter, the Trustee shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Provider, if any, for such Series of 2008 Bonds.

**Section 15.12. Delivery of 2008 Bonds.**

(a) If the 2008 Bonds are not registered in book-entry form, a principal amount of 2008 Bonds equal to the amount of 2008 Bonds successfully remarketed by each Remarketing Agent shall be delivered to the Trustee for registration or transfer to such persons as shall be designated by the Remarketing Agent. Such 2008 Bonds shall be held
available at the office of the Trustee and shall be picked up at a location in Los Angeles, California designated by the Trustee by the applicable Remarketing Agent at or after 1:00 p.m. (New York City time) on the Purchase Date against delivery of funds for deposit into the applicable 2008 Remarketing Account of the 2008 Bonds Purchase Fund equal to the Purchase Price of the 2008 Bonds that have been remarketed. If the 2008 Bonds are registered in book-entry form, transfer of ownership of the remarked 2008 Bonds shall be effected in accordance with the procedures of the Securities Depository against delivery of funds for deposit into the applicable 2008 Remarketing Account of the 2008 Bonds Purchase Fund equal to the Purchase Price of the 2008 Bonds that have been remarked.

(b) Any 2008 Bonds purchased with funds in any 2008 Liquidity Facility Purchase Account of the 2008 Bonds Purchase Fund shall be delivered and held in accordance with Section 15.13. Any 2008 Bonds purchased with funds in any 2008 Commission Account of the 2008 Bonds Purchase Fund shall be delivered and held in accordance with the instructions of the Commission furnished to the Trustee. Such 2008 Bonds shall be held available for registration of transfer and delivery by the Trustee in such manner as may be agreed between the Trustee and the applicable 2008 Liquidity Provider or the Commission, as the case may be.

Section 15.13. 2008 Liquidity Facilities; Liquidity Facility Bonds.

(a) Unless all the Outstanding Bonds of any Series of 2008 Bonds are 2008 Liquidity Facility Bonds or are in an Auction Rate Period, an Index Rate Period or a Fixed Rate Period, the Commission shall provide, or cause to be provided, to the Trustee a 2008 Liquidity Facility for such Series of 2008 Bonds. The Commission shall not reduce the amount of a 2008 Liquidity Facility or permit a substitution of a 2008 Liquidity Provider thereunder without obtaining a Rating Confirmation with respect to such action unless such action is considered a substitution of a 2008 Liquidity Facility subjecting the 2008 Bonds affected thereby to mandatory purchase pursuant to Section 15.05(a)(2). The Commission shall have the right at any time to provide, pursuant to Section 15.14, an Alternate Liquidity Facility for any 2008 Liquidity Facility then in effect. If there shall have been delivered to the Trustee (i) an Alternate Liquidity Facility meeting the requirements of Section 15.14 and (ii) the opinions and documents required by Section 15.14, then the Trustee shall accept such Alternate Liquidity Facility and, if so directed by the Commission, on or after the effective date of such Alternate Liquidity Facility promptly surrender the 2008 Liquidity Facility being so substituted in accordance with the respective terms thereof for cancellation; provided the Trustee shall not surrender any 2008 Liquidity Facility until all draws or requests to purchase 2008 Bonds made under such 2008 Liquidity Facility have been honored in accordance with the terms thereof, including all draws required to be made in connection with such substitution. In the event that the Commission elects to provide an Alternate Liquidity Facility with respect to one or more Series of 2008 Bonds, the affected 2008 Bonds shall be subject to the mandatory tender provisions of Section 15.05(a)(2). Notwithstanding the foregoing, if at any time there shall cease to be any Bonds of any Series of 2008 Bonds Outstanding or if all the Outstanding Bonds of any Series of 2008 Bonds have been converted to a Fixed Rate Period, an Index Rate Period or an Auction Rate Period, or a 2008 Liquidity Facility shall be terminated pursuant to its terms, the Trustee shall promptly surrender such 2008 Liquidity Facility in accordance with its terms for cancellation. The
Trustee shall comply with the procedures set forth in each 2008 Liquidity Facility relating to the termination thereof.

(b) In the event that a 2008 Liquidity Facility is in effect with respect to a Series of 2008 Bonds, the Trustee shall make a demand for payment under such 2008 Liquidity Facility, subject to and in accordance with its terms, in order to receive payment thereunder on each Purchase Date for such Series of 2008 Bonds as provided in Section 15.09(a)(iv), Section 15.09(b)(iv) or Section 15.09(c)(iv), as applicable.

(c) Each such demand for payment shall be made pursuant to and in accordance with this Indenture. The Trustee shall give notice of each such demand for payment to the Commission at the time of each such demand. The proceeds of each such demand shall be deposited in the applicable 2008 Liquidity Facility Purchase Account within the 2008 Bonds Purchase Fund and used in the order of priority established by Section 15.11. At the time of making any demand under a 2008 Liquidity Facility pursuant to Section 15.13(b), the Trustee shall direct the applicable 2008 Liquidity Provider to pay the proceeds of such demand directly to the Trustee for deposit in the applicable 2008 Liquidity Facility Purchase Account. The Trustee shall comply with all provisions of each 2008 Liquidity Facility in order to realize upon any demand for payment thereunder, and will not demand payment under any 2008 Liquidity Facility of any amounts for payment of: (i) 2008 Liquidity Facility Bonds; or (ii) 2008 Bonds held by the Commission or actually known by the Trustee to be held by any affiliate of the Commission or any nominee of the Commission unless such 2008 Liquidity Facility specifically permits such demand.

(d) Any 2008 Bonds purchased with payments made under a 2008 Liquidity Facility pursuant to Section 15.13(b) shall constitute 2008 Liquidity Facility Bonds and shall be registered in the name of, or as otherwise directed by, the applicable Liquidity Provider and delivered to or upon the order of, or as otherwise directed by, such Liquidity Provider.

(e) Unless otherwise provided in a 2008 Liquidity Facility, 2008 Liquidity Facility Bonds shall be remarketed by the applicable Remarketing Agent prior to any other 2008 Bonds of such Series tendered for purchase pursuant to Section 15.04 or 15.05 and shall be remarketed in accordance with the terms of the applicable Remarketing Agreement. Upon (i) receipt by the Commission and the Trustee of written notification from a 2008 Liquidity Provider that a 2008 Liquidity Facility has been fully reinstated with respect to principal and interest and (ii) release by the applicable 2008 Liquidity Provider of any 2008 Liquidity Facility Bonds that the Remarketing Agent has remarked, such 2008 Bonds shall be made available to the purchasers thereof and shall no longer constitute 2008 Liquidity Facility Bonds for purposes of this Indenture. The proceeds of any remarketing of 2008 Liquidity Facility Bonds shall be paid to the applicable 2008 Liquidity Provider by the Trustee on such remarketing date in immediately available funds with interest on the sale price being calculated as if such 2008 Bond were not a 2008 Liquidity Facility Bond; provided, however, if all such 2008 Bonds are 2008 Liquidity Facility Bonds, at the principal amount thereof plus accrued interest, and the remarketing date will be considered an Interest Payment Date.
(f) Each of the Commission and the Trustee agrees that it will, promptly upon receipt, send to the applicable 2008 Liquidity Provider (by Electronic Means) a copy of every notice received by it hereunder relating to any 2008 Liquidity Facility Bonds.

(g) Notwithstanding anything to the contrary herein or in the 2008 Bonds, all obligations of the Commission under or in connection with any 2008 Liquidity Facility (including, without limitation, the payment of any reimbursement obligations to any 2008 Liquidity Provider and the payment of any 2008 Liquidity Facility Bonds) shall be governed by the terms of the applicable 2008 Liquidity Facility.

(h) The Trustee shall provide to the Remarketing Agent and to each Rating Agency then rating any Series of 2008 Bonds written notice of the extension of any 2008 Liquidity Facility in effect with respect to such Series of 2008 Bonds.

(i) Whenever requested in writing by the Commission, the Trustee shall submit to the applicable 2008 Liquidity Provider a reduction certificate or other appropriate documentation necessary under the applicable 2008 Liquidity Facility to reduce the principal amount of any Series of 2008 Bonds and related interest to reflect any purchase or redemption of such 2008 Bonds by the Commission and the cancellation of such 2008 Bonds.

(j) If at any time any Rating Agency reduces the short-term ratings of a 2008 Liquidity Provider below "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch, the Commission shall use its best efforts to replace such 2008 Liquidity Provider.


(a) So long as any 2008 Bonds bear interest at a Variable Rate (other than 2008 Bonds in an Auction Rate Period, an Index Rate Period or a Fixed Rate Period), on or prior to the expiration or termination of any existing 2008 Liquidity Facility, including any renewals or extensions thereof (other than an expiration of such 2008 Liquidity Facility at the final maturity of the 2008 Bonds to which such 2008 Liquidity Facility relates), the Commission shall provide to the Trustee (with a copy to the applicable Remarketing Agent) a renewal or extension of the term of the existing 2008 Liquidity Facility for such Series of 2008 Bonds or an Alternate Liquidity Facility for such Series of 2008 Bonds meeting the requirements set forth in subsection (b) of this Section.

(b) The Commission may at any time provide an Alternate Liquidity Facility for a Series of 2008 Bonds in accordance with the provisions hereof and upon delivery to the Trustee of the items specified in subsection (c) of this Section.

Any such Alternate Liquidity Facility must meet the following conditions:

(i) The obligations of a 2008 Liquidity Provider under an Alternate Liquidity Facility to purchase 2008 Bonds or otherwise provide for the Purchase Price of 2008 Bonds tendered or deemed tendered pursuant to Section 15.04 or Section 15.05 shall not be subject to suspension or termination on less than fifteen (15) days' notice to the Commission and the Trustee; provided, however, that the obligations of a 2008 Liquidity Provider to purchase 2008 Bonds...
Bonds or otherwise provide for the Purchase Price of such 2008 Bonds may be immediately suspended or terminated (A) without such notice upon the occurrence of such events as may be provided in a 2008 Liquidity Facility and which are disclosed to the Holders of such 2008 Bonds in connection with the provision of such 2008 Liquidity Facility or, (B) if applicable, upon the remarketing of such 2008 Bonds upon the mandatory tender thereof as a result of provision of such Alternate Liquidity Facility pursuant to Section 15.05(a)(2);

(ii) such Alternate Liquidity Facility must take effect on or before the Purchase Date for the 2008 Bonds established pursuant to Section 15.05(a)(2); and

(iii) such Alternate Liquidity Facility must be in an amount sufficient to pay the maximum Purchase Price of the affected 2008 Bonds which will be applicable during the Rate Period commencing on such substitution.

(c) Prior to the date of the delivery of such Alternate Liquidity Facility to the Trustee pursuant to subsection (b) of this Section, the Commission shall cause to be furnished to the Trustee (i) an Opinion of Bond Counsel addressed to the Trustee to the effect that the delivery of such Alternate Liquidity Facility to the Trustee is authorized under this Indenture and complies with the terms hereof and will not, in and of itself, adversely affect the Tax-Exempt status of interest on the affected 2008 Bonds and (ii) an opinion or opinions of counsel to the Liquidity Provider for such Alternate Liquidity Facility addressed to the Trustee, to the effect that such Alternate Liquidity Facility has been duly authorized, executed and delivered by the applicable Liquidity Provider and constitutes the valid, legal and binding obligation of such Liquidity Provider enforceable against such Liquidity Provider in accordance with its terms and (iii) if the affected 2008 Bonds are not subject to mandatory tender for purchase, the Rating Confirmation required by Section 15.05(a)(2).

(d) The Trustee shall give notice by first class mail to the Holders of the affected 2008 Bonds of the proposed substitution of a 2008 Liquidity Facility not later than the fifteenth (15th) day prior to the substitution date.

Section 15.15. Remarketing Agents for the 2008 Bonds. The Commission shall appoint and employ one or more Remarketing Agents for 2008 Bonds of a Series in a Daily Rate Period, a Weekly Rate Period, a Commercial Paper Rate Period, a Term Rate Period and an Index Rate Period for which the Commission has designated a Purchase Date pursuant to Section 14.05(b)(i)(C)(1). Initially the Commission appoints Lehman Brothers Inc. as the Remarketing Agent for the 2008 Series A-1 Bonds and Goldman Sachs & Co. as the Remarketing Agent for the 2008 Series A-2 Bonds. All references in this First Supplemental Indenture to the term "Remarketing Agent" shall mean the one or more banks, trust companies or members of the National Association of Securities Dealers Inc. appointed by the Commission to perform the duties and obligations of the Remarketing Agent hereunder with respect to the 2008 Series A-1 Bonds, the 2008 Series A-2 Bonds, the 2008 Series B-1 Bonds, the 2008 Series B-2 Bonds, the 2008 Series B-3 Bonds or the 2008 Series B-4 Bonds, as applicable; provided that any such bank, trust company or member of the National Association of Securities Dealers, Inc. so appointed shall be organized and doing business under the laws of any state of the United States of America and shall have, together with its parent, if any, a capitalization of at least fifteen million dollars ($15,000,000) as shown in its or its parent's most recently published annual
report. The Commission shall execute and deliver to each Remarketing Agent a Remarketing Agreement, which shall designate the Series of 2008 Bonds for which it shall act as Remarketing Agent and the Remarketing Agent's principal office and in which such Remarketing Agent shall agree: (i) to perform the duties and comply with the requirements imposed upon it by such Remarketing Agreement and this Indenture; and (ii) to keep such books and records with respect to its activities as Remarketing Agent as shall be consistent with prudent industry practice and to make such books and records available for inspection by each of the Commission and the Trustee at all reasonable times.

Section 15.16. Auction Agent.

(a) The Auction Agent shall be appointed by the Trustee at the written direction of the Commission, to perform the functions specified herein. The Auction Agent will signify its acceptance of the duties and obligations imposed upon it hereunder by entering into an Auction Agreement, which will set forth such procedural and other matters relating to the implementation of the Auction Procedures as will be satisfactory to the Commission and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Series 2008 Bonds in an Auction Rate Period with the same rights as if such entity were not the Auction Agent.

(c) The Auction Agent must be (i) a bank or trust company organized under the laws of the United States or any state or territory thereof and having a combined capital stock, surplus and undivided profits of at least $30,000,000, or (ii) a member of NASD having a capitalization of at least $30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by the Indenture and a member of or a participant in the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created hereby by giving at least ninety (90) days' notice to the Notice Parties. The Auction Agent may be removed by the Commission by such notice, delivered to the Notice Parties as may be agreed to between the Auction Agent, the Trustee and the Commission. Upon any such resignation or removal, the Trustee shall at the written direction of the Commission appoint a successor Auction Agent meeting the requirements hereof. In the event of the resignation or removal of the Auction Agent, the Auction Agent will pay over, assign and deliver any moneys and 2008 Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties until its successor has been appointed by the Trustee.

Section 15.17. Broker-Dealers.

(a) The Commission shall appoint and employ the services of one or more Broker-Dealers for 2008 Bonds of a Series in an Auction Rate Period. Initially the Commission appoints UBS Securities LLC as the Broker-Dealer for the 2008 Series B-1 Bonds and the 2008 Series B-3 Bonds and J.P. Morgan Securities Inc. as the Broker-Dealer for the 2008 Series B-2 Bonds and the 2008 Series B-4 Bonds. One or more Broker-Dealers shall be appointed by the Commission with respect to 2008 Bonds of other Series in an Auction Rate Period on or prior to the ARS Conversion Date for such Series of 2008 Bonds.
Each Broker-Dealer will signify its acceptance of the duties and obligations imposed upon it hereunder by entering into a Broker-Dealer Agreement, which will set forth such procedural and other matters relating to the performance of its functions as will be satisfactory to the Commission and the Trustee.

(b) Any Broker-Dealer may at any time resign and be discharged of the duties and obligations created hereby by giving such notice to the Commission and the Trustee as may be agreed to between the Broker-Dealer and the Commission. Any Broker-Dealer may be removed by the Commission by such notice, delivered to the Commission and the Trustee as may be agreed to between the Broker-Dealer and the Commission. Upon any such resignation or removal, the Commission will appoint a successor Broker-Dealer. In the event of the resignation or removal of any Broker-Dealer, such Broker-Dealer will pay over, assign and deliver any moneys and 2008 Bonds held by it in such capacity to its successor.

ARTICLE XVI
PURCHASE OF 2008 BONDS AT DIRECTION OF COMMISSION

Section 16.01. Mandatory Tender for Purchase of 2008 Bonds at Direction of Commission.

(a) In addition to the provisions relating to the mandatory tender for purchase of 2008 Bonds pursuant to Section 15.05, the 2008 Bonds, or any of them, shall be subject to mandatory tender for purchase by the Commission, in whole or in part (such that the portion that is subject to mandatory tender for purchase pursuant to this Section 16.01 and the portion not subject to such mandatory tender shall each be in an Authorized Denomination), at the applicable Optional Purchase Price on each Optional Purchase Date. In the event that the Commission determines to purchase any 2008 Bonds on any Optional Purchase Date, the Commission shall provide the Trustee with written notice of such determination at least forty-five (45) days prior to the Optional Purchase Date, which notice shall specify the Series of 2008 Bonds and the principal amount of such 2008 Bonds of each maturity that are to be purchased and the Optional Purchase Date on which such purchase is to occur.

(b) When the Trustee shall receive notice from the Commission of its determination to purchase 2008 Bonds pursuant to subsection (a) of this Section, the Trustee shall give notice, in the name of the Commission, of the mandatory tender for purchase of such 2008 Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days before the Optional Purchase Date to the Holders of any 2008 Bonds or portions of 2008 Bonds to be purchased at their addresses appearing in the bond registration books maintained by the Trustee, with a copy to the Notice Parties. Such notice shall specify the Series of 2008 Bonds and the maturities of such 2008 Bonds to be purchased, the Optional Purchase Date, the Optional Purchase Price and the place or places where the Optional Purchase Price due upon such tender for purchase shall be payable and, if less than all of the 2008 Bonds of any Series and like maturity are to be purchased, the letters and numbers or other distinguishing marks of such 2008 Bonds so to be purchased, and, in the case of 2008 Bonds to be purchased in part only, such notice shall also specify the respective portions of the principal amount thereof to be purchased. Such notice shall further state that on such Optional Purchase Date there shall become due and payable upon each
2008 Bond to be purchased, the Optional Purchase Price thereof, or the Optional Purchase Price of the specified portions of the principal amount thereof to be purchased in the case of 2008 Bonds to be purchased in part only, and that from and after such Optional Purchase Date interest on such 2008 Bond for the benefit of the current Holder of such 2008 Bond or the portion of such 2008 Bond to be purchased shall cease to accrue and be payable.

Receipt of such notice of mandatory tender for purchase shall not be a condition precedent to the mandatory tender for purchase of the 2008 Bonds and failure of any Holder of a 2008 Bond to receive any such notice or any defect in such notice shall not affect the validity of the proceedings for the mandatory tender for purchase of the 2008 Bonds pursuant to this Section.

(c) If at the time the Trustee sends any notice of mandatory tender for purchase of the 2008 Bonds pursuant to this Section, the Commission has not deposited with the Trustee an amount sufficient to pay the full Optional Purchase Price of the 2008 Bonds, or the portions thereof, to be purchased, such notice shall state that such mandatory tender for purchase is conditional upon the receipt by the Trustee on or prior to the Optional Purchase Date fixed for such purchase of moneys sufficient to pay the Optional Purchase Price of such 2008 Bonds, or the portions thereof to be purchased, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Commission shall not be required to purchase such 2008 Bonds. In the event that such notice of mandatory tender for purchase contains such a condition and such moneys are not so received, no purchase of the 2008 Bonds identified in the notice of mandatory tender for purchase shall be made and the Trustee shall, within a reasonable time thereafter, give notice, to the Remarketing Agent and to the persons and in the manner in which the notice of tender was given, that such moneys were not so received and that there will be no purchase of 2008 Bonds pursuant to the notice of mandatory tender for purchase.

(d) If less than all of the Outstanding 2008 Bonds of any Series are to be called for mandatory tender for purchase pursuant to this Section, the principal amount and maturity of such 2008 Bonds to be purchased shall be selected by the Commission in its sole discretion. If less than all of any Series of 2008 Bonds of like maturity shall be called for mandatory tender for purchase pursuant this Section, except as otherwise provided by the Securities Depository, the particular 2008 Bonds or portions of 2008 Bonds to be purchased shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that in selecting portions of 2008 Bonds for purchase, the Trustee shall treat each 2008 Bond of the same Series as representing that number of 2008 Bonds of the minimum Authorized Denomination for the 2008 Bonds which is obtained by dividing the principal amount of such 2008 Bond by the minimum Authorized Denomination for the 2008 Bonds.

Section 16.02. Delivery of Tendered 2008 Bonds. With respect to any 2008 Bond that is registered in book-entry form, delivery of such 2008 Bond to the Trustee in connection with any mandatory tender for purchase pursuant to Section 16.01 shall be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of the Securities Depository for such 2008 Bond or any Participant thereof to reflect the transfer of the beneficial ownership interest in such 2008 Bond to the account of the Trustee, on behalf of the
Commission, or to the account of a Participant acting on behalf of the Commission. With respect to any 2008 Bond that is not registered in book-entry form, delivery of such 2008 Bond to the Trustee in connection with any mandatory tender for purchase pursuant to Section 16.01 shall be effected by physical delivery of such 2008 Bond to the Trustee at its Principal Office, by 1:00 p.m. (New York City time) on the Optional Purchase Date, accompanied by an instrument of transfer thereof, in a form satisfactory to the Trustee, executed in blank by the Holder thereof with the signature of such Holder guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs.

Section 16.03. 2008 Bonds Deemed Purchased

(a) If moneys sufficient to pay the Optional Purchase Price of 2008 Bonds to be purchased pursuant to Section 16.01 on an Optional Purchase Date shall be held by the Trustee on such Optional Purchase Date, such 2008 Bonds shall be deemed to have been purchased for all purposes of this Indenture, irrespective of whether or not such 2008 Bonds shall have been delivered to the Trustee or transferred on the books of the Securities Depository for the 2008 Bonds, and neither the former Holder or former Beneficial Owner of such 2008 Bonds nor any other person shall have any claim thereunder, under this Indenture or otherwise, for any amount other than the Optional Purchase Price thereof.

(b) In the event of non-delivery of any 2008 Bond to be purchased pursuant to Section 16.01, the Trustee shall segregate and hold uninvested the moneys for the Optional Purchase Price of such 2008 Bond in trust, without liability for interest thereon, for the benefit of the former Holders or Beneficial Owners of such 2008 Bond, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Optional Purchase Price of such 2008 Bond. Any moneys that the Trustee shall segregate and hold in trust for the payment of the Optional Purchase Price of any 2008 Bond remaining unclaimed for two (2) years after the Optional Purchase Date shall be paid automatically to the Commission. After the payment of such unclaimed moneys to the Commission, the former Holder or former Beneficial Owner of such 2008 Bond shall look only to the Commission for the payment thereof.

Section 16.04. Deposit of 2008 Bonds. The Trustee agrees to accept and hold all 2008 Bonds delivered to it pursuant to Section 16.01 in trust for the benefit of the respective Holders or Beneficial Owners which shall have so delivered such 2008 Bonds until the Optional Purchase Price of such 2008 Bonds shall have been delivered to or for the account of or to the order of such Holders or Beneficial Owners pursuant to Section 16.05. Any 2008 Bonds purchased pursuant to Section 16.01 and registered for transfer to the Trustee shall be held in trust by the Trustee for the benefit of the Commission until delivery to the Commission.

Section 16.05. Payment of Optional Purchase Price of 2008 Bonds.

(a) Moneys held by the Trustee for the payment of the Optional Purchase Price of 2008 Bonds subject to mandatory tender for purchase pursuant to Section 16.01 shall be applied at or before 3:00 p.m. (New York City time) to the purchase of such 2008 Bonds. Except as otherwise provided with respect to 2008 Bonds that are registered in book-entry form, payment of the Optional Purchase Price of 2008 Bonds tendered for purchase pursuant
to Section 16.01 shall be made only upon the surrender of such 2008 Bonds to the Trustee. Notwithstanding anything to the contrary in this Section, if the 2008 Bonds to be tendered for purchase pursuant to Section 16.01 are registered in book-entry form, payment of the Optional Purchase Price for tendered 2008 Bonds shall be made in accordance with the rules and procedures of the Securities Depository.

(b) The Trustee shall, as to any 2008 Bonds that are not registered in book-entry form and that have not been delivered to it as required by Section 16.02, place a stop transfer against an appropriate amount of 2008 Bonds registered in the name of the Holder of such 2008 Bonds on the bond registration books maintained by the Trustee. The Trustee shall place and maintain such stop transfer commencing with the lowest serial number 2008 Bond registered in the name of such Holder until stop transfers have been placed against an appropriate amount of 2008 Bonds until the appropriate 2008 Bonds are delivered to the Trustee. Upon such delivery, the Trustee shall make any necessary adjustments to such bond registration books.

Section 16.06. 2008 Bonds Owned by Commission.

(a) Any 2008 Bonds purchased by the Commission pursuant to Section 16.01 shall not be cancelled by the Trustee unless such cancellation is directed by an Authorized Representative but shall remain Outstanding for all purposes of the Indenture.

(b) The Commission covenants and agrees that it shall not transfer or cause the transfer of any 2008 Bond purchased by the Commission pursuant to Section 16.01 unless the Commission delivers to the Trustee a Favorable Opinion of Bond Counsel with respect to such transfer.

(c) The Commission covenants and agrees that, in the event that at any time there are insufficient funds in the Revenue Fund, the Principal Fund, the Interest Fund or the Redemption Fund, as applicable, to pay the principal of and interest then due on the Outstanding 2008 Bonds, it will surrender or cause to be surrendered to the Trustee for cancellation any 2008 Bonds held by the Commission.

ARTICLE XVII
ESTABLISHMENT OF FUNDS AND ACCOUNTS AND APPLICATION THEREOF; 2008 LETTER OF CREDIT

Section 17.01. Funds and Accounts. The following funds and accounts are hereby established in connection with the 2008 Bonds:

(a) To ensure the proper application of such portion of proceeds from the sale of the 2008 Bonds to be applied to pay Costs of the Project and Costs of Issuance of the 2008 Bonds, there is hereby established the 2008 Project Fund, such fund to be held by the Trustee.

(b) To provide for a reserve fund for the 2008 Bonds, there is hereby established and maintained with the Trustee a fund designated as the "2008 Bonds Reserve Fund."
(c) To ensure proper application of funds drawn under the 2008 Letter of Credit to pay principal of and interest on the 2008 Bonds, the Trustee shall create within the Revenue Fund six separate accounts designated the "2008 Series A-1 Letter of Credit Account," the "2008 Series A-2 Letter of Credit Account," the "2008 Series B-1 Letter of Credit Account," the "2008 Series B-2 Letter of Credit Account," the "2008 Series B-3 Letter of Credit Account," and the "2008 Series B-4 Letter of Credit Account," such accounts to be held by the Trustee.


Section 17.02. 2008 Project Fund. The monies set aside and placed in the 2008 Project Fund shall remain therein until from time to time expended for the purpose of paying the Costs of the Project and Costs of Issuance of the 2008 Bonds and shall not be used for any other purpose whatsoever.

(a) Before any payment from the 2008 Project Fund shall be made by the Trustee, the Commission shall file or cause to be filed with the Trustee a requisition of the Commission (each a "Requisition"), such Requisition to be signed by an Authorized Representative and to include: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Commission in the case of reimbursement for costs theretofore paid by the Commission; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts have been incurred by the Commission and are presently due and payable and that each item thereof is a proper charge against the 2008 Project Fund and has not been previously paid from said fund; and (vi) that there has not been filed with or served upon the Commission notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

(b) When the Commission determines that that portion of the Project funded with the 2008 Bonds has been completed, a Certificate of the Commission shall be delivered to the
Trustee by the Commission stating: (i) the fact and date of such completion; (ii) that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the 2008 Project Fund is to be maintained in the full amount of such claims until such dispute is resolved); and (iii) that the Trustee is to transfer the remaining balance in the 2008 Project Fund, less the amount of any such retention, to the 2008 Bonds Reserve Fund, to the extent of any deficiency therein, and then to the Revenue Fund.

Section 17.03. Funding and Application of the 2008 Bonds Reserve Fund; Bond Reserve Requirement for the 2008 Bonds. [The Trustee shall hold the 2008 Bonds Reserve Facility on deposit in the 2008 Bonds Reserve Fund, such 2008 Bonds Reserve Facility to be in the amount of $______, which is equal to the 2008 Bonds Reserve Requirement.] All amounts in the 2008 Bonds Reserve Fund (including all amounts which may be obtained from any Reserve Facility on deposit in the 2008 Bonds Reserve Fund) shall be used and withdrawn by the Trustee solely: (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the 2008 Bonds; or, (ii) together with any other moneys available therefor, (x) for the payment of all of the 2008 Bonds then Outstanding, (y) for the defeasance or redemption of all or a portion of the 2008 Bonds then Outstanding, provided, however, that if funds on deposit in the 2008 Bonds Reserve Fund are applied to the defeasance or redemption of a portion of the 2008 Bonds, the amount on deposit in the 2008 Bonds Reserve Fund immediately subsequent to a partial defeasance or redemption shall equal the 2008 Bonds Reserve Requirement applicable to all 2008 Bonds Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the 2008 Bonds.]

Section 17.04. 2008 Bonds Purchase Fund. Moneys in the 2008 Bonds Purchase Fund shall be applied as provided in this Section.

(a) Remarketing Accounts. All moneys received by the Trustee on behalf of purchasers of 2008 Bonds pursuant to Section 15.10(a), other than the Commission, shall be (i) deposited in the applicable 2008 Remarketing Account within the 2008 Bonds Purchase Fund, (ii) held in trust in accordance with the provisions hereof and (iii) paid out in accordance with Section 15.11.

(b) Liquidity Facility Purchase Accounts. All moneys received by the Trustee as payments under any 2008 Liquidity Facility for the purchase of 2008 Bonds pursuant to Section 15.09(a)(iv), Section 15.09(b)(iv) or Section 15.09(c)(iv) shall be (i) deposited in the applicable 2008 Liquidity Facility Purchase Account within the 2008 Bonds Purchase Fund, (ii) held in trust in accordance with the provisions hereof and (iii) paid out in accordance with Section 15.11.

(c) Commission Accounts. All moneys received by the Trustee from the Commission for the purchase of 2008 Bonds pursuant to Section 15.10(c) shall be (i) deposited in the applicable 2008 Commission Account within the 2008 Bonds Purchase Fund, (ii) held in trust in accordance with the provisions hereof and (iii) paid out in accordance with Section 15.11.
The moneys in the 2008 Bonds Purchase Fund shall be used solely to pay the Purchase Price of 2008 Bonds as provided herein (or to reimburse a Liquidity Provider, if any, for payments made under the applicable 2008 Liquidity Facility for such purpose) and may not be used for any other purposes. All amounts held in the 2008 Bonds Purchase Fund, including the 2008 Remarking Accounts, the 2008 Liquidity Facility Purchase Accounts and 2008 Commission Accounts therein, shall be held in trust by the Trustee for the benefit of the Holders or Beneficial Owners of 2008 Bonds to which such account relates tendered or deemed tendered for purchase pursuant to Section 15.04 and 15.05 (provided that any amounts held in a 2008 Remarking Account that are derived from the remarketing of 2008 Liquidity Facility Bonds shall be held in trust for the benefit of the applicable 2008 Liquidity Provider).

Moneys in the 2008 Bonds Purchase Fund shall be held uninvested pending application thereof as provided in this Section 17.04.

Section 17.05. 2008 Letter of Credit; 2008 Letter of Credit Accounts; Alternate Credit Enhancement

(a) The Trustee shall hold and maintain the 2008 Letter of Credit for the benefit of the Bondholders whose 2008 Bonds are enhanced by such 2008 Letter of Credit until the 2008 Letter of Credit expires in accordance with its terms. The Trustee shall diligently enforce all terms, covenants and conditions of the 2008 Letter of Credit, including payment when due of any draws on the 2008 Letter of Credit, and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, the 2008 Letter of Credit, and will not consent to, agree to or permit any amendment or modification of the 2008 Letter of Credit which would materially adversely affect the rights or security of the Holders of the 2008 Bonds enhanced by such 2008 Letter of Credit. If at any time during the term of the 2008 Letter of Credit any successor Trustee shall be appointed and qualified under this Indenture, the resigning or removed Trustee shall request that the 2008 Banks transfer the 2008 Letter of Credit to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment. If at any time the 2008 Letter of Credit shall expire in accordance with its terms or there shall have been delivered to the Trustee an Alternate Credit Enhancement or Alternate Liquidity Facility for the Series of 2008 Bonds to which such 2008 Letter of Credit related, then the Trustee shall accept such Alternate Credit Enhancement or Alternate Liquidity Facility and promptly surrender the previously held 2008 Letter of Credit to the 2008 Banks, in accordance with the terms of such 2008 Letter of Credit, for cancellation. If at any time there shall cease to be any 2008 Bonds Outstanding hereunder, the Trustee shall promptly surrender the 2008 Letter of Credit to the 2008 Banks, in accordance with the terms of such 2008 Letter of Credit, for cancellation. The Trustee shall comply with the procedures set forth in such 2008 Letter of Credit relating to the termination thereof.

(b) The Trustee shall draw moneys under the 2008 Letter of Credit in accordance with the terms thereof in an amount necessary to make timely payments of principal of and interest on the 2008 Bonds enhanced by such 2008 Letter of Credit, other than 2008 Liquidity Facility Bonds or 2008 Bonds held by the Commission, unless such 2008 Letter of Credit specifically permits such demand, when due whether at maturity, interest payment date, redemption or otherwise.
(c) All moneys received by the Trustee as principal or interest draws under the 2008 Letter of Credit provided for a Series of Bonds shall be deposited in the respective 2008 Letter of Credit Account for such Series of Bonds. The Commission shall not have any rights to or interest in any 2008 Letter of Credit Account. Each 2008 Letter of Credit Account shall be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under this Indenture or otherwise, and over which the Trustee shall have the exclusive and sole right of withdrawal for the exclusive benefit of the Holders of the 2008 Bonds with respect to which such drawing was made. Moneys in each 2008 Letter of Credit Account shall be held uninvested. No moneys from any 2008 Letter of Credit Account may in any circumstance be used to pay principal or interest on any 2008 Liquidity Facility Bonds. All moneys deposited in a 2008 Letter of Credit Account shall be disbursed to pay the principal or Mandatory Sinking Account Payments of, or interest on, the related Series of 2008 Bonds when due.

(d) Immediately after making a drawing under the 2008 Letter of Credit for a Series of 2008 Bonds which has been honored, the Trustee shall reimburse the Bank for the amount of the drawing using moneys, if any, contained in:

1. the Interest Fund, if the drawing was to pay interest on the 2008 Bonds enhanced by such 2008 Letter of Credit;
2. the Principal Fund, if the drawing was to pay principal on the 2008 Bonds enhanced by such 2008 Letter of Credit;
3. the Mandatory Sinking Account, if the drawing was to pay Mandatory Sinking Account Payments on the 2008 Bonds enhanced by such 2008 Letter of Credit; and
4. the Redemption Fund, if the drawing was to redeem 2008 Bonds enhanced by such 2008 Letter of Credit.

(e) If the Trustee has made a proper drawing on the 2008 Letter of Credit and the 2008 Banks wrongfully fail to make a payment for debt service due on the 2008 Bonds by [2:00 p.m.] New York City time on the applicable Interest Payment Date, Maturity Date, Mandatory Sinking Account Payment date or other date when payment is due, or the 2008 Letter of Credit has been repudiated, the Trustee shall immediately notify the Commission and request payment of the debt service due in immediately available funds by [2:30 p.m.] New York City time.

(f) The initial 2008 Letter of Credit serves as a 2008 Credit Enhancement and a 2008 Liquidity Facility for the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds. The Commission is not required to maintain the 2008 Letter of Credit or to maintain 2008 Credit Enhancement in the form of a letter of credit with respect to any Series of 2008 Bonds. In the event that the Commission allows the 2008 Letter of Credit or any Alternate Credit Enhancement provided in the form of a letter of credit to terminate, the affected 2008 Bonds shall be subject to the mandatory tender provisions of Section 15.05(a)(2). The Commission may at any time provide an Alternate Liquidity Facility in accordance with the provisions of Section 15.14 and may at any time provide 2008 Credit Enhancement or Alternate Credit.
Enhancement, in each case in the form of a letter of credit supporting the payment of principal of and interest on one or more Series of 2008 Bonds, in accordance with the provisions hereof and upon delivery to the Trustee of the items specified in subsection (g) below.

Any 2008 Credit Enhancement or Alternate Credit Enhancement in the form of a letter of credit must meet the following conditions:

(i) The obligations of the 2008 Credit Provider under such 2008 Credit Enhancement to pay principal of and interest on such 2008 Bonds shall be irrevocable and shall not be subject to suspension or termination; provided, however, that such obligations may be suspended or terminated (A) upon the occurrence of such events as may be provided in such 2008 Credit Enhancement and which are disclosed to the Holders of such 2008 Bonds in connection with the provision of such 2008 Credit Enhancement or, (B) upon the remarketing of such 2008 Bonds upon the mandatory tender thereof as a result of provision of an Alternate Credit Enhancement pursuant to Section 15.05(a)(2);

(ii) such 2008 Credit Enhancement or Alternate Credit Enhancement must take effect on or before the Purchase Date for the affected 2008 Bonds established pursuant to Section 15.05(a)(2); and

(ii) such 2008 Credit Enhancement or Alternate Credit Enhancement must be in an amount sufficient to pay the Maximum Annual Debt Service of the affected 2008 Bonds that will be applicable during the Rate Period commencing on such substitution.

(g) Prior to the date of the delivery of such 2008 Credit Enhancement or Alternate Credit Enhancement to the Trustee pursuant to subsection (f) of this Section, the Commission shall cause to be furnished to the Trustee (i) an Opinion of Bond Counsel addressed to the Trustee to the effect that the delivery of such 2008 Credit Enhancement or Alternate Credit Enhancement to the Trustee is authorized under this Indenture and complies with the terms hereof and will not, in and of itself, adversely affect the Tax-Exempt status of interest on the affected 2008 Bonds and (ii) an opinion or opinions of counsel to the 2008 Credit Provider for such 2008 Credit Enhancement or Alternate Credit Enhancement addressed to the Trustee, to the effect that such 2008 Credit Enhancement or Alternate Credit Enhancement has been duly authorized, executed and delivered by the applicable 2008 Credit Provider and constitutes the valid, legal and binding obligation of such 2008 Credit Provider enforceable against such 2008 Credit Provider in accordance with its terms and (iii) evidence of the ratings expected to apply to the affected 2008 Bonds after delivery of such 2008 Credit Enhancement or Alternate Credit Enhancement. The Trustee shall give notice by first class mail to the Holders of the affected 2008 Bonds of the proposed provision of 2008 Credit Enhancement or Alternate Credit Enhancement not later than the fifteenth (15th) day prior to the date of such provision.
ARTICLE XVIII
2008 INSURANCE

Section 18.01. Payments Pursuant to the Policy.

(a) [To come]

ARTICLE XIX
MISCELLANEOUS

Section 19.01. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this First Supplemental Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this First Supplemental Indenture, and the application of any such covenant, agreement or provision, or portion thereof, to other Persons or circumstances, shall be deemed severable and shall not be affected thereby, and this First Supplemental Indenture and the 2008 Bonds issued pursuant hereto shall remain valid, and the Holders of the 2008 Bonds shall retain all valid rights and benefits accorded to them under this Indenture, the Act, and the Constitution and statutes of the State.

Section 19.02. Parties Interested Herein. Nothing in this First Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Commission, the Trustee, each 2008 Credit Provider, each 2008 Liquidity Provider and the Holders of the 2008 Bonds, any right, remedy or claim under or by reason of this First Supplemental Indenture or any covenant, condition or stipulation hereof; and all the covenants, stipulations, promises and agreements in this First Supplemental Indenture contained by and on behalf of the Commission shall be for the sole and exclusive benefit of the Commission, the Trustee, each 2008 Credit Provider, each 2008 Liquidity Provider and the Holders of the 2008 Bonds.

Section 19.03. Headings Not Binding. The headings in this First Supplemental Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this First Supplemental Indenture.

Section 19.04. Notice Addresses. Except as otherwise provided herein, it shall be sufficient service or giving of notice, request, complaint, demand or other paper if the same shall be duly mailed by registered or certified mail, postage prepaid, addressed to the Notice Address for the appropriate party or parties as provided in Exhibit B hereto. Any such entity by notice given hereunder may designate any different addresses to which subsequent notices, certificates or other communications shall be sent, but no notice directed to any one such entity shall be thereby required to be sent to more than two addresses. Any such communication may also be sent by Electronic Means, receipt of which shall be confirmed.

Section 19.05. Notices to Rating Agencies. The Trustee shall provide notice to the Rating Agencies of the following events with respect to the 2008 Bonds:

(1) Change in Trustee or Remarketing Agent;
(2) Amendments to the Indenture;

(3) Expiration, termination, substitution or extension of a 2008 Liquidity Facility or any 2008 Liquidity Provider thereunder;

(4) Conversion of an Interest Rate Determination Method of any Series of 2008 Bonds;

(5) Redemption or defeasance of any 2008 Bonds; and

(6) Any mandatory tender of any 2008 Bonds.

Section 19.06. Certain References Herein. All references herein to the Remarketing Agent or the Broker-Dealer should be read as references to the applicable Remarketing Agent or Broker-Dealer for the affected Series of 2008 Bonds. All references herein to the Conversion Date or the ARS Conversion Date should be read as references to the applicable Conversion Date or ARS Conversion Date for the affected Series of 2008 Bonds.

Section 19.07. Indenture to Remain in Effect. Save and except as amended and supplemented by this First Supplemental Indenture, the Indenture shall remain in full force and effect.

Section 19.08. Effective Date of First Supplemental Indenture. This First Supplemental Indenture shall take effect upon its execution and delivery.

Section 19.09. Execution in Counterparts. This First Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.
IN WITNESS WHEREOF, the parties hereto have executed this First Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: ________________________________
   Chair of the Board of Directors

(Seal)

ATTEST:

_______________________________
Secretary

APPROVED AS TO FORM:

By: ________________________________
   General Counsel

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: ________________________________
   Authorized Officer
EXHIBIT A
FORM OF 2008 BOND

No. R--__________ $__________

San Diego County Regional Transportation Commission
Sales Tax Revenue Bond
(Limited Tax Bond)

INTEREST RATE MATURITY ISSUE DATE CUSIP
Variable April 1, 20__________, 2008

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: Dollars
EXHIBIT B

NOTICE ADDRESSES

To the Commission:
San Diego Association of Governments
401 B Street, Suite 800
San Diego, California 92101
Attention: Director of Finance
Telephone: (619) 699-1940
Fax: (619) 699-4890

To the Trustee:
U.S. Bank National Association
633 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Division
Telephone: (213) 615-6023
Fax: (213) 615-6197

To the 2008 Insurer:
[To come]

To the Rating Agencies:
[Standard & Poor's Ratings Services
55 Water Street, 38th Floor
New York, New York 10041
Telephone No.: 212-438-2000
Facsimile No.: 212-438-2157
pubfin_structured@standardandpoors.com

Moody's Investors Service
MSPG Surveillance
99 Church Street, 9th Floor
New York, New York 10007

Fitch Ratings
One State Street Plaza
New York, New York 10004

To the Remarketing Agents:

Lehman Brothers Inc.
745 Seventh Avenue, 7th Floor
New York, New York 10019-6801
Attention: Municipal Short-Term Desk

J.P. Morgan Securities Inc.
560 Mission Street, 3rd Floor
San Francisco, California 94105
Attention: ____________________

UBS Securities LLC
1285 Avenue of the Americas, 15th Floor
New York, New York 10019
Attn: Manager, Municipal Short Term
Underwriting Desk

Goldman Sachs & Co.
[To come]

To the Broker-Dealers:
[To come]

To the 2008 Liquidity Providers:
See Exhibit C to the 2008 Liquidity Agreement.
APPENDIX A

AUCTION PROCEDURES
NEW ISSUE—BOOK ENTRY ONLY

ENHANCED RATINGS:

<table>
<thead>
<tr>
<th>Enhanced (Expected)</th>
<th>Insured (Expected)</th>
<th>UNenhanced/Uninsured</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 Variable Rate Demand Bonds:</td>
<td>2008 Auction Rate Bonds:</td>
<td>2008 Bonds:</td>
</tr>
<tr>
<td>Moody’s: “/___”</td>
<td>Moody’s: “Aaa”</td>
<td>Moody’s: “/___”</td>
</tr>
<tr>
<td>Standard &amp; Poor’s: “/___”</td>
<td>Standard &amp; Poor’s: “AAA”</td>
<td>Standard &amp; Poor’s: “/___”</td>
</tr>
<tr>
<td>(See “RATINGS”)</td>
<td>(See “RATINGS”)</td>
<td>(See “RATINGS”)</td>
</tr>
</tbody>
</table>

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008 Bonds. See “TAX MATTERS.”

$600,000,000
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SALES TAX REVENUE BONDS (LIMITED TAX BONDS)

<table>
<thead>
<tr>
<th>$300,000,000</th>
<th>$300,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable Rate Demand Bonds</td>
<td>Auction Rate Bonds</td>
</tr>
<tr>
<td>2008 Series A</td>
<td>2008 Series B</td>
</tr>
</tbody>
</table>

This cover page contains general information only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The San Diego County Regional Transportation Commission (the “Commission”) will issue the Bonds described herein (the “Series 2008 Bonds”) pursuant to an Indenture, dated as of March 1, 2008 (as amended and supplemented, including by a First Supplemental Indenture, dated as of March 1, 2008, the “Indenture”), between the Commission and U.S. Bank National Association, as trustee.

The 2008 Bonds are limited obligations of the Commission payable from the receipts of a one-half of one percent (0.5%) retail transactions and use tax (the “Sales Tax”) imposed in the County of San Diego (the “County”) for transportation and related purposes. Collection of the Sales Tax commenced April 1, 1988; the Sales Tax is scheduled to expire on March 31, 2048. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS” herein.

Proceeds from the sale of the 2008 Bonds will be used by the Commission to (i) pay for projects it is authorized to fund pursuant to the San Diego County Regional Transportation Commission Act (Public Utilities Code Section 132000 et seq.), (ii) pay all or a portion of the Commission’s subordinated commercial paper notes outstanding as of the date of closing of the Series 2008 Bonds, (iii) fund capitalized interest on the Series 2008 Bonds, (iv) fund a deposit to the reserve fund securing the Series 2008 Bonds, and (v) pay the costs of issuing the Series 2008 Bonds.

The 2008 Bonds will be dated their date of delivery. The series designations, principal amounts, interest rate determination methods, interest payment dates, maturity dates, authorized denominations, auction periods, insurer, liquidity arrangements and other information relating to the Series 2008 Bonds are summarized in the Summary of Offering beginning on the inside cover page. Investors may purchase Series 2008 Bonds in book-entry form only.

Series 2008 Bonds are subject to mandatory sinking fund redemption by the Commission prior to maturity as described in this Official Statement. Series 2008 Bonds also are subject to optional redemption or purchase by the Commission prior to maturity as described in this Official Statement. 2008 Variable Rate Demand Bonds and 2008 Auction Rate Bonds also are subject to mandatory tender for purchase and remarketing if their Interest Rate Determination Method is changed by the Commission.

Payment of principal of and interest on the 2008 Auction Rate Bonds will be insured by a financial guaranty insurance policy to be issued by [BOND INSURER].

Payment of principal of and interest on the 2008 Variable Rate Demand Bonds will be payable from draws under an irrevocable, direct draw letter of credit (the “Credit Facility”) issued by [CREDIT BANK]. The Credit Facility expires on ____________, 20__. The Series 2008 Bonds are offered when, as and if issued by the Commission and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission, and certain other conditions. Certain legal matters will be passed upon for the Commission by its general counsel and by Nossaman, Guthner, Knox & Elliott, LLP, Disclosure Counsel to the


The Series 2008 Bonds are offered when, as and if issued by the Commission and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission, and certain other conditions. Certain legal matters will be passed upon for the Commission by its general counsel and by Nossaman, Guthner, Knox & Elliott, LLP, Disclosure Counsel to the
Commission, for the Underwriters by their counsel, Nixon Peabody LLP, and for the Credit Bank by its counsel, ____________. It is expected that the Series 2008 Bonds will be available for delivery on or about March __, 2008.

Lehman Brothers  
(Series A-1 Remarketing Agent and Series A Senior Manager)

Goldman, Sachs & Co.  
(Series A-2 Remarketing Agent and Series A Co-Manager)

JPMorgan  
(Series B-2 and B-4 Broker-Dealer and Series B Senior Manager)

UBS Investment Bank  
(Series B-1 and B-3 Broker-Dealer and Series B Co-Manager)

Dated: March __, 2008
SUMMARY OF OFFERING

$600,000,000
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SALES TAX REVENUE BONDS (LIMITED TAX BONDS)

$300,000,000 2008 Variable Rate Demand Bonds

<table>
<thead>
<tr>
<th>Authorized Denominations:</th>
<th>$150,000,000 2008 Series A-1 Bonds</th>
<th>$150,000,000 2008 Series A-2 Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity Date:</td>
<td>April 1, 2038</td>
<td>April 1, 2038</td>
</tr>
<tr>
<td>Price:</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Authorized Denominations:</td>
<td>$100,000 or any integral multiple of $5,000 in excess thereof</td>
<td>$100,000 or any integral multiple of $5,000 in excess thereof</td>
</tr>
<tr>
<td>Initial Interest Rate</td>
<td>Daily Rate</td>
<td>Daily Rate</td>
</tr>
<tr>
<td>Determination Method:</td>
<td>First Business Day of each calendar month commencing April 1, 2008</td>
<td>First Business Day of each calendar month commencing April 1, 2008</td>
</tr>
<tr>
<td>Record Date for Interest</td>
<td>Business Day prior to Interest Payment Date</td>
<td>Business Day prior to Interest Payment Date</td>
</tr>
<tr>
<td>Payments:</td>
<td>[CREDIT BANK]</td>
<td>[CREDIT BANK]</td>
</tr>
<tr>
<td>Credit Bank:</td>
<td>Lehman Brothers Inc.</td>
<td>Goldman, Sachs &amp; Co.</td>
</tr>
<tr>
<td>Remarketing Agent:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CUSIP No.:</td>
<td>1:</td>
<td></td>
</tr>
</tbody>
</table>

* Upon satisfaction of certain conditions set forth in the Indenture, the 2008 Variable Rate Demand Bonds of each Series may bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Auction Period Rate, the Index Rate, the Term Rate or the Fixed Rate), provided however, that all Series 2008 Bonds of the same Series must be in the same Interest Rate Determination Method. See “DESCRIPTION OF THE SERIES 2008 BONDS.”

† CUSIP numbers have been assigned by an organization not affiliated with the Commission and are included solely for the convenience of the public. Neither the Commission nor the Underwriters take any responsibility for the accuracy of such numbers.
### SUMMARY OF OFFERING (continued)

#### $300,000,000 2008 Auction Rate Bonds

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturity Date</th>
<th>Price</th>
<th>Authorized Denominations</th>
<th>Interest Rate Determination Method*</th>
<th>Initial Interest Payment Date</th>
<th>Interest Payment Dates Generally</th>
<th>Record Date for Interest Payments</th>
<th>Initial Auction Date</th>
<th>Auction Date Generally</th>
<th>Length of Auction Period</th>
<th>Bond Insurer</th>
<th>Broker-Dealer</th>
<th>CUSIP No.†</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-1</td>
<td>April 1, 2038</td>
<td>100%</td>
<td>$25,000 or any integral multiple thereof</td>
<td>Auction Period Rate</td>
<td>April __, 2008</td>
<td>Each ___</td>
<td>Business Day prior to Interest Payment Date</td>
<td>_____, 2008</td>
<td>Each Monday</td>
<td>Seven days</td>
<td>[BOND INSURER]</td>
<td>UBS Securities LLC</td>
<td></td>
</tr>
<tr>
<td>B-2</td>
<td>April 1, 2038</td>
<td>100%</td>
<td>$25,000 or any integral multiple thereof</td>
<td>Auction Period Rate</td>
<td>April __, 2008</td>
<td>Each ___</td>
<td>Business Day prior to Interest Payment Date</td>
<td>_____, 2008</td>
<td>Each Tuesday</td>
<td>Seven days</td>
<td>[BOND INSURER]</td>
<td>J.P. Morgan Securities Inc.</td>
<td></td>
</tr>
<tr>
<td>B-3</td>
<td>April 1, 2038</td>
<td>100%</td>
<td>$25,000 or any integral multiple thereof</td>
<td>Auction Period Rate</td>
<td>April __, 2008</td>
<td>Each ___</td>
<td>Business Day prior to Interest Payment Date</td>
<td>_____, 2008</td>
<td>Each Thursday</td>
<td>Seven days</td>
<td>[BOND INSURER]</td>
<td>UBS Securities LLC</td>
<td></td>
</tr>
<tr>
<td>B-4</td>
<td>April 1, 2038</td>
<td>100%</td>
<td>$25,000 or any integral multiple thereof</td>
<td>Auction Period Rate</td>
<td>April __, 2008</td>
<td>Each ___</td>
<td>Business Day prior to Interest Payment Date</td>
<td>_____, 2008</td>
<td>Each Friday</td>
<td>Seven days</td>
<td>[BOND INSURER]</td>
<td>J.P. Morgan Securities Inc.</td>
<td></td>
</tr>
</tbody>
</table>

* Upon satisfaction of certain conditions set forth in the Indenture, the 2008 Auction Rate Bonds of each Series may bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Auction Period Rate, the Index Rate, the Term Rate or the Fixed Rate), provided however, that all Series 2008 Bonds of the same Series must be in the same Interest Rate Determination Method. See “DESCRIPTION OF THE SERIES 2008 BONDS.”

This Official Statement is not intended to provide information about the 2008 Auction Rate Bonds after conversion to another Interest Rate Determination Method. While in an ARS Rate Period the Series 2008 Bonds are subject to mandatory tender for purchase upon conversion to a different Interest Rate Determination Method, in authorized denominations at the purchase price equal to the principal amount thereof, without premium, plus accrued interest to the Purchase Date (the “Purchase Price”). See “DESCRIPTION OF THE SERIES 2008 BONDS.”

† CUSIP numbers have been assigned by an organization not affiliated with the Commission and are included solely for the convenience of the public. Neither the Commission nor the Underwriters take any responsibility for the accuracy of such numbers.
This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2008 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the Commission, the Broker-Dealers, the Remarketing Agents, the Insurer and the Credit Bank and other sources that are believed by the Commission to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Commission, the Insurer, the Credit Bank or the Underwriters.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2008 Bonds.

This Official Statement speaks only as of its date. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made in conjunction herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Commission or other matters described herein since the date hereof. This Official Statement is submitted with respect to the sale of the Series 2008 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Commission. Preparation of this Official Statement and its distribution have been duly authorized and approved by the Commission.

All descriptions and summaries of documents and statutes hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and statute. Certain capitalized terms used but not defined herein are defined in APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-Definitions.”

In connection with the offering of the Series 2008 Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market prices of the Series 2008 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2008 Bonds to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the Summary of Offering beginning on the inside cover page and such public offering prices may be changed from time to time by the Underwriters.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Offering Memorandum constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or
implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Commission in any way, regardless of the level of optimism communicated in the information. The Commission is not obligated to issue nor does it plan to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

BOARD MEMBERS

CHAIR: Hon. Mary Teresa Sessom
FIRST VICE-CHAIR: Hon. Lori Holt Pfeiffer
SECOND VICE-CHAIR: Hon. Jerome Stocks

CITY OF CARLSBAD
Hon. Matt Hall, Councilmember
(A) Hon. Bud Lewis, Mayor
(A) Hon. Ann Kulchin, Mayor Pro Tem

CITY OF LEMON GROVE
Hon. Mary Teresa Sessom, Mayor
(A) Jerry Jones, Councilmember
(A) Hon. Jerry Selby, Councilmember

CITY OF CHULA VISTA
Hon. Cheryl Cox, Mayor
(A) Hon. Jerry Rindone, Deputy Mayor
(A) Hon. John McCann, Councilmember

CITY OF NATIONAL CITY
Hon. Ron Morrison, Mayor
(A) Hon. Frank Parra, Councilmember
(A) Hon. Louie Natividad, Councilmember

CITY OF CORONADO
Hon. Phil Monroe, Councilmember
(A) Hon. Carrie Downey, Mayor Pro Tem
(A) Hon. Al Ovrom, Councilmember

CITY OF OCEANSIDE
Hon. Jim Wood, Mayor
(A) Hon. Jerry Kern, Councilmember
(A) Hon. Jack Feller, Councilmember

CITY OF DEL MAR
Hon. Crystal Crawford, Councilmember
(A) Hon. David Drucker, Deputy Mayor
(A) Hon. Henry Abarbanel, Councilmember

CITY OF POWAY
Hon. Mickey Cagigana, Mayor
(A) Hon. Don Higginson, Councilmember
(A) Hon. Robert Emsry, Councilmember

CITY OF EL CAJON
Hon. Mark Lewis, Mayor
(A) Hon. Jillian Hanson-Cox, Councilmember

CITY OF SAN DIEGO
Hon. Jerry Sanders, Mayor
Hon. Jim Madoffer, Councilmember
(A) Hon. Anthony Young, Council President Pro Tem
(A) Hon. Scott Peters, Council President

CITY OF SAN MARCOS
Hon. Jim Desmond, Mayor
(A) Hon. Hal Martin, Vice Mayor
(A) Hon. Rebecca Jones, Councilmember

CITY OF ENCINITAS
Hon. Jerome Stocks, Deputy Mayor
(A) Hon. Teresa Burth, Councilmember

CITY OF SANTÉE
Hon. Jack Dale, Councilmember
(A) Hon. Hal Ryan, Councilmember
(A) Hon. John Minto, Councilmember

CITY OF Santee
Hon. Jack Dale, Councilmember
(A) Hon. Hal Ryan, Councilmember
(A) Hon. John Minto, Councilmember

CITY OF SAN DIEGO UNIFIED PORT DISTRICT
Hon. Jack Dale, Councilmember
(A) Hon. Hal Ryan, Councilmember
(A) Hon. John Minto, Councilmember

COUNTY OF SAN DIEGO
Hon. Greg Cox, Chairman
Hon. Dianne Jacob, Vice Chairwoman
(A) Hon. Pam Slater-Price, Chair Pro Temp
(A) Hon. Bill Horn, Supervisor

CALIFORNIA DEPARTMENT OF TRANSPORTATION
(Advisory Member)
Will Kempton, Director
(A) Pedro Orso-Delgado, District 11 Director

METROPOLITAN TRANSIT SYSTEM
(Advisory Member)
Harry Mathis, Chairman
(A) Hon. Jerry Rindone, Vice Chairman
(A) Hon. Bob Emery, Board Member

NORTH SAN DIEGO COUNTY TRANSPORTATION DEVELOPMENT BOARD
(Advisory Member)
Hon. Ed Gallo, Chairman
(A) Hon. Jerome Stocks, Planning Committee Chair
(A) Hon. David Druker, Monitoring Committee Chair

IMPERIAL COUNTY
(Advisory Member)
Hon. Victor Carrillo, Chairman
(A) Hon. David Ouzan, Councilmember, City of Calexico

UNITED STATES DEPARTMENT OF DEFENSE
(Advisory Member)
CAPT Steve Wirsching, USN, CEC, Southwest Division Naval Facilities Engineering Command
(A) CAPT Robert Fahey, USN, CEC, Southwest Division Naval Facilities Engineering Command

SAN DIEGO UNIFIED PORT DISTRICT
(Advisory Member)
Laurie Black, Commissioner
(A) Mike Najera, Commissioner
CITY OF IMPERIAL BEACH
Hon. Jim Janney, Mayor
(A) Patricia McCoy, Councilmember
(A) Hon. Mayda Winter, Mayor Pro Temp

CITY OF SOLANA BEACH
Hon. Lesa Heebner, Councilmember
(A) Hon. Dave Roberts, Deputy Mayor
(A) Hon. Mike Nichols, Councilmember

SAN DIEGO COUNTY WATER AUTHORITY
(Advisory Member)
Marilyn Dailey, Commissioner
(A) Mark Muir, Commissioner
(A) Gary Croucher, Commissioner

CITY OF LA MESA
Hon. Art Madrid, Mayor
(A) Hon. David Allan, Councilmember
(A) Hon. Mark Arapostathis, Councilmember

CITY OF VISTA
Hon. Judy Ritter, Councilmember
(A) Hon. Bob Campbell, Councilmember
(A) Hon. Steve Cronke, Councilmember

MEXICO (CONSUL GENERAL OF MEXICO)
(Advisory Member)
Hon. Remedios Gomez-Arnau, Consul General of Mexico
MANAGEMENT

EXECUTIVE DIRECTOR
Gary L. Gallegos

CHIEF DEPUTY EXECUTIVE DIRECTOR
Diane Eidam

GENERAL COUNSEL
Julie Wiley

DIRECTOR OF MOBILITY MANAGEMENT AND PROJECT IMPLEMENTATION
John ("Jack") A. Boda

DIRECTOR OF FINANCE
Renee Wasmund

DIRECTOR OF LAND USE AND TRANSPORTATION PLANNING
Bob Leiter

CHIEF ECONOMIST
Marney P. Cox

TRANSNET PROGRAM MANAGER
Charles Stoll

FINANCIAL ADVISOR
Public Financial Management Inc.
Newport Beach, California

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

TRUSTEE
U.S. Bank National Association
Los Angeles, California
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION AND PURPOSE OF THE SERIES 2008 BONDS</td>
<td>1</td>
</tr>
<tr>
<td>DESCRIPTION OF THE SERIES 2008 BONDS</td>
<td>3</td>
</tr>
<tr>
<td>General</td>
<td>3</td>
</tr>
<tr>
<td>Redemption Terms of the Series 2008 Bonds</td>
<td>5</td>
</tr>
<tr>
<td>Purchase In Lieu of Redemption</td>
<td>6</td>
</tr>
<tr>
<td>General Redemption Provisions</td>
<td>6</td>
</tr>
<tr>
<td>DEBT SERVICE SCHEDULE</td>
<td>8</td>
</tr>
<tr>
<td>SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS</td>
<td>8</td>
</tr>
<tr>
<td>Pledge of Sales Tax Revenues</td>
<td>8</td>
</tr>
<tr>
<td>Revenue Fund: Allocation of Sales Tax Revenues</td>
<td>8</td>
</tr>
<tr>
<td>Reserve Funds</td>
<td>11</td>
</tr>
<tr>
<td>Additional Bonds and Parity Obligations</td>
<td>11</td>
</tr>
<tr>
<td>Outstanding Senior Lien Debt</td>
<td>13</td>
</tr>
<tr>
<td>Subordinate Obligations</td>
<td>13</td>
</tr>
<tr>
<td>BOND INSURANCE POLICY</td>
<td>13</td>
</tr>
<tr>
<td>Payment Pursuant to the Bond Insurance Policy</td>
<td>13</td>
</tr>
<tr>
<td>CREDIT FACILITY AND CREDIT FACILITY AGREEMENT</td>
<td>13</td>
</tr>
<tr>
<td>General</td>
<td>13</td>
</tr>
<tr>
<td>Alternate Credit Facility</td>
<td>14</td>
</tr>
<tr>
<td>SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION</td>
<td>14</td>
</tr>
<tr>
<td>General</td>
<td>14</td>
</tr>
<tr>
<td>Executive Staff</td>
<td>15</td>
</tr>
<tr>
<td>THE SALES TAX</td>
<td>16</td>
</tr>
<tr>
<td>Authorization, Application and Collection of the Sales Tax</td>
<td>16</td>
</tr>
<tr>
<td>Historical Taxable Sales</td>
<td>17</td>
</tr>
<tr>
<td>Historical Sales Tax Revenues</td>
<td>17</td>
</tr>
<tr>
<td>SUMMARY OF FINANCING PLAN</td>
<td>19</td>
</tr>
<tr>
<td>Estimated Sources and Uses of Funds</td>
<td>19</td>
</tr>
<tr>
<td>Anticipated Issuances of Additional Bonds</td>
<td>19</td>
</tr>
<tr>
<td>COMMISSION INVESTMENT PORTFOLIO</td>
<td>20</td>
</tr>
<tr>
<td>ADDITIONAL TERMS OF THE SERIES 2008 BONDS</td>
<td>21</td>
</tr>
<tr>
<td>Interest Rate Determination Methods</td>
<td>21</td>
</tr>
<tr>
<td>Conversion of Interest Rate Determination Method for 2008 Variable Rate Demand Bonds and 2008 Auction Rate Bonds</td>
<td>23</td>
</tr>
<tr>
<td>Optional Tender Provisions</td>
<td>25</td>
</tr>
<tr>
<td>Mandatory Tender Provisions</td>
<td>26</td>
</tr>
<tr>
<td>Funding Optional and Mandatory Tenders of 2008 Variable Rate Bonds</td>
<td>26</td>
</tr>
<tr>
<td>Mechanics and Timing of Optional and Mandatory Tenders</td>
<td>27</td>
</tr>
<tr>
<td>Mandatory Tender for Commission Purchase of Series 2008 Variable Rate Bonds at Election of Commission</td>
<td>27</td>
</tr>
<tr>
<td>CERTAIN CONSIDERATIONS AFFECTING THE 2008 AUCTION RATE BONDS</td>
<td>28</td>
</tr>
<tr>
<td>Certain Considerations Affecting Auction Rate Securities</td>
<td>28</td>
</tr>
</tbody>
</table>
TABLE OF CONTENTS (continued)

CERTAIN CONSIDERATIONS AFFECTING THE 2008 VARIABLE RATE DEMAND BONDS ....................................................................................................................................................... 33
  Remarketing Agent Practices and Procedures .......................................................................................................................... 33
  General ....................................................................................................................................................................................... 35
  Purchase of Tendered 2008 Variable Rate Demand Bonds by the Liquidity Providers ............................................................. 35
  Events of Default, Suspension and Termination .......................................................................................................................... 36
  Consequences of Events of Default, Suspension and Termination .................................................................................................. 36
  Extension, Reduction, Adjustment or Termination of Credit Facility ............................................................................................ 36
  Limitations of Credit Facility Agreement ................................................................................................................................. 36

REMARKETING AGENTS .................................................................................................................................................................. 37

BROKER-DEALERS AND AUCTION AGENT ..................................................................................................................................... 37

RISK FACTORS .................................................................................................................................................................................................................................................. 38
  Economy of the County and the State ........................................................................................................................................... 38
  The Sales Tax ................................................................................................................................................................................. 38
  Proposition 218 .............................................................................................................................................................................. 38
  Further Initiatives ........................................................................................................................................................................... 38
  No Acceleration Provision ............................................................................................................................................................ 38
  Loss of Tax Exemption .................................................................................................................................................................. 39
  Limitations of Credit Facility and Related Risks ................................................................................................................................. 39

ABSENCE OF MATERIAL LITIGATION .............................................................................................................................................. 39

TAX MATTERS ................................................................................................................................................................................................. 39

LEGAL MATTERS ........................................................................................................................................................................................................................................ 41

RATINGS ................................................................................................................................................................................................................................................. 41

UNDERWRITING ................................................................................................................................................................................................. 42

FINANCIAL ADVISOR .................................................................................................................................................................................................................................. 42

RELATIONSHIP OF CERTAIN PARTIES .............................................................................................................................................. 42

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS .............................................................................................................. 43

CONTINUING DISCLOSURE ........................................................................................................................................................................... 43

MISCELLANEOUS .................................................................................................................................................................................................................................. 44

APPENDIX A – SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
  AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED
  JUNE 30, 2007

APPENDIX B – INFORMATION REGARDING THE COUNTY OF SAN DIEGO

APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE
  INDENTURE

APPENDIX D – BOOK-ENTRY ONLY SYSTEM

APPENDIX E – PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT
TABLE OF CONTENTS
(continued)

<table>
<thead>
<tr>
<th>APPENDIX</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>THE INSURER</td>
</tr>
<tr>
<td>H</td>
<td>FORM OF BOND INSURANCE POLICY</td>
</tr>
<tr>
<td>I</td>
<td>THE BANK</td>
</tr>
<tr>
<td>J</td>
<td>COMMISSION AUCTION PROCEDURES</td>
</tr>
</tbody>
</table>
OFFICIAL STATEMENT

$600,000,000
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SALES TAX REVENUE BONDS (LIMITED TAX BONDS)

$300,000,000
Variable Rate Demand Bonds
2008 Series A

$300,000,000
Auction Rate Bonds
2008 Series B

INTRODUCTION AND PURPOSE OF THE SERIES 2008 BONDS

This Official Statement, including the cover page and all appendices hereto (the “Official Statement”), provides certain information concerning the issuance and sale by the San Diego County Regional Transportation Commission (the “Commission”) of $600,000,000 aggregate principal amount of San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) (the “Series 2008 Bonds”), comprised of:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Series</th>
<th>Initial Interest Rate Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>$150,000,000</td>
<td>2008 Series A-1 Bonds</td>
<td>Daily Rate</td>
</tr>
<tr>
<td>150,000,000</td>
<td>2008 Series A-2 Bonds</td>
<td>Daily Rate</td>
</tr>
<tr>
<td>75,000,000</td>
<td>2008 Series B-1 Bonds</td>
<td>Auction Rate</td>
</tr>
<tr>
<td>75,000,000</td>
<td>2008 Series B-2 Bonds</td>
<td>Auction Rate</td>
</tr>
<tr>
<td>75,000,000</td>
<td>2008 Series B-3 Bonds</td>
<td>Auction Rate</td>
</tr>
<tr>
<td>75,000,000</td>
<td>2008 Series B-4 Bonds</td>
<td>Auction Rate</td>
</tr>
</tbody>
</table>

The following Series 2008 Bonds are also referred to herein as the “2008 Variable Rate Demand Bonds:”


The following Series 2008 Bonds are also referred to herein as the “2008 Auction Rate Bonds:”


The Series 2008 Bonds are being issued pursuant to the Indenture, dated as of March 1, 2008, between the Commission and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Indenture, dated as of March 1, 2008 (the “First Supplemental Indenture”), between the Commission and the Trustee. The Indenture, as so supplemented and as further supplemented from time to time pursuant to its terms is hereinafter referred to as the “Indenture.” All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,” or, if not defined therein, in the Indenture.

Pursuant to Sections 132000 and following of the Public Utilities Code of the State of California Sections 54300 and following of the Government Code of the State of California, and Sections 53570 and following of the Government Code of the State of California (the “Act”), the Commission is authorized to issue indebtedness payable in whole or in part from Sales Tax Revenues (defined below). The
Commission's debt issuing capacity and authority are separate and distinct from both the City of San Diego and the County of San Diego (the “County”).

The Series 2008 Bonds are limited obligations of the Commission secured by a pledge of sales tax revenues (herein called the “Sales Tax Revenues”) derived from a one-half of one percent (0.5%) retail transactions and use tax (the “Sales Tax”), imposed in accordance with the Act and the California Transactions and Use Tax Law (Revenue and Taxation Code Sections 7251 and following ), net of an administrative fee paid to the California State Board of Equalization (the “BOE”) in connection with the collection and disbursement of the Sales Tax. On November 3, 1987, a majority of the voters approved the San Diego Transportation Improvement Program Ordinance and Expenditure Plan (as amended, the "1987 Ordinance") which imposed the Sales Tax in the County for a twenty-year period. The Sales Tax was scheduled to expire on April 1, 2008. On November 2, 2004, more than two-thirds of the voters approved 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") which provided for an extension of the Sales Tax to March 31, 2048. The Series 2008 Bonds are further secured by a pledge of certain amounts held by the Trustee under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS–Pledge of Sales Tax Revenues and Certain Amounts Held by Trustee” herein.

Additional Bonds and other obligations secured by a pledge of the Sales Tax Revenues on a parity with the Series 2008 Bonds may be issued or incurred. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS – Additional Bonds and Parity Obligations” herein. The Series 2008 Bonds and any additional bonds hereafter authorized by, and at any time Outstanding under the Indenture, are referred to collectively herein as the “Bonds.” In 2005, the Commission authorized the issuance from time to time of San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds) (the "Subordinate Commercial Paper Notes") that are secured by a lien on the Sales Tax Revenues that is subordinate to the lien of the Bonds and Parity Obligations. The Subordinate Commercial Paper Notes are currently authorized to be issued in an aggregate principal amount of up to $335,000,000 outstanding at any one time and, as of March 1, 2008, were outstanding in the aggregate principal amount of $_______. A portion of the proceeds of the Series 2008 Bonds will be used to pay such outstanding Subordinate Commercial Paper Notes at their respective dates of maturity.

The Commission has also entered into an interest rate swap agreement (the "Subordinate Swap Agreement") with Morgan Stanley Capital Services Inc. ("Morgan Stanley") pursuant to which the Commission pays a fixed interest rate and Morgan Stanley pays a variable interest rate. The Commission's obligation to make regularly-scheduled interest payments under the Subordinate Swap Agreement is secured on a parity with the Subordinate Commercial Paper Notes. The Subordinate Swap Agreement terminates on April 1, 2008.

Pursuant to an Indenture, dated as of October 1, 1992 (the “Existing Indenture”), the Commission from time to time has issued its Sales Tax Revenue Bonds (Limited Tax Bonds) which were secured by a pledge of the Sales Tax Revenues (the “Existing Bonds”). On February __, 2008, the Commission deposited funds pursuant to an escrow agreement with U.S. Bank National Association, as trustee under the Existing Indenture, which along with certain interest earnings on the investment of such funds were sufficient to defease all the principal of the Existing Bonds and discharge the lien of the Existing Indenture on Sales Tax Revenues.

In November, 2005, the Commission entered into three interest rate swap agreements in an initial aggregate notional amount of $600,000,000 (the “Initial Swaps”) pursuant to which the Commission agreed to pay to the counterparties a fixed rate of interest and the counterparties agree to pay the
Commission a floating rate of interest. The Initial Swaps are effective as of April 1, 2008, and the notional amounts amortize in tandem with the amortization of the Series 2008 Bonds.

The Commission will apply the proceeds of the Series 2008 Bonds to (i) pay for projects it is authorized to fund pursuant to the San Diego County Regional Transportation Commission Act (Public Utilities Code Section 132000 et seq.), (ii) refund on a current basis all of the principal amount of the Commission’s Subordinate Commercial Paper Notes outstanding as of the date of closing of the Series 2008 Bonds, (iii) fund capitalized interest on the Series 2008 Bonds, (iv) fund a Reserve Fund for the Series 2008 Bonds, and (v) pay the costs of issuing the Series 2008 Bonds. See “SUMMARY OF FINANCING PLAN.”

Payment of principal of and interest on the 2008 Auction Rate Bonds will be insured under a financial guaranty insurance policy to be issued by [BOND INSURER] (“[BOND INSURER]”). See “BOND INSURANCE POLICY,” Appendix G – “THE INSURER” and Appendix H – “FORM OF BOND INSURANCE POLICY.” Payment of principal of and interest on the 2008 Variable Rate Demand Bonds will be payable from draws under an irrevocable, direct draw letter of credit to be issued by [CREDIT BANK] (“Credit Bank”). See “THE BANK”, Appendix I – “THE BANK”.

DESCRIPTION OF THE SERIES 2008 BONDS

General

The Series 2008 Bonds are being issued by the Commission pursuant to an Indenture, dated as of March 1, 2008, as supplemented by a First Supplemental Indenture, dated as of March 1, 2008 (the “First Supplemental Indenture” and, together with the Indenture, the “Indenture”), between the Commission and U.S. Bank National Association, as trustee (the “Trustee”).

The Series 2008 Bonds will be dated their date of delivery and will mature on the dates and in the principal amounts shown in the Summary of Offering beginning on the inside cover page of this Official Statement.

The Series 2008 Bonds will be issued in book-entry form only and will be registered in the name of a nominee of The Depository Trust Company (“DTC”), which will act as securities depository for the Series 2008 Bonds. Investors may purchase Series 2008 Bonds in book-entry form only. Beneficial Owners of the Series 2008 Bonds will not receive certificates representing their ownership interests in the Series 2008 Bonds purchased. Payments of principal, purchase price and interest on the Series 2008 Bonds will be made to DTC, and DTC is to distribute such payments to its Direct Participants. Disbursement of such payments to Beneficial Owners of the Series 2008 Bonds is the responsibility of DTC’s Direct and Indirect Participants and not the Commission. See APPENDIX D – “BOOK-ENTRY ONLY SYSTEM.”

See “ADDITIONAL TERMS OF SERIES 2008 VARIABLE RATE BONDS” for further information, including Interest Rate Determination Methods, conversion from one Interest Rate Determination Method to another, optional tender provisions, mandatory tender provisions, and cross-references to other important information about practices and procedures of the Commission, the Broker-Dealers and the Auction Agent for the 2008 Auction Rate Bonds, and the Remarketing Agents for the 2008 Variable Rate Demand Bonds.
2008 Variable Rate Demand Bonds

The 2008 Variable Rate Demand Bonds will initially bear interest at the Daily Rate determined as described below under “ADDITIONAL TERMS OF SERIES 2008 VARIABLE RATE BONDS—Interest Rate Determination Methods.” Interest on Series 2008 Bonds bearing interest at a Daily Rate or a Weekly Rate will be payable on the first Business Day of each calendar month, commencing on April 1, 2008. Interest on Series 2008 Bonds bearing a Daily Rate or a Weekly Rate will be computed on the basis of a 365/366-day year and actual days elapsed. The record date for Series 2008 Bonds bearing interest at the Daily Rate or the Weekly Rate will be the Business Day immediately preceding the Interest Payment Date. The 2008 Variable Rate Demand Bonds will be issued in fully registered form in denominations of $100,000 and any integral multiple of $5,000 in excess thereof.

2008 Auction Rate Bonds

The 2008 Auction Rate Bonds will initially bear interest at the Initial Rates determined as described below under “ADDITIONAL TERMS OF SERIES 2008 VARIABLE RATE BONDS—Interest Rate Determination Methods.” Interest on Series 2008 Bonds bearing interest at an Auction Period Rate will accrue for each Auction Period and will be payable in arrears on each succeeding Interest Payment Date. Interest on Series 2008 Bonds bearing interest at an Auction Period Rate will be computed on the basis of a 360-day year and actual days elapsed during any ARS Rate Period having Auction Periods of 180 days or less and on the basis of a 360 day year of twelve 30-day months during any ARS Rate Period of more than 180 days. The Commission may from time to time on any Interest Payment Date change the duration of the Auction Period with respect to all of the Series 2008 Bonds of a Series in the Auction Rate Mode. The Initial Period (the “Initial Period”) for the 2008 Auction Rate Bonds will commence on the date of delivery and will end on and include the day immediately preceding the initial Interest Payment Date for the applicable Series set forth in the Summary of Offering beginning on the inside cover page of this Official Statement. The general duration of each Auction Period with respect to the 2008 Auction Rate Bonds initially will be seven days. The Interest Payment Dates corresponding to an Auction Period of seven-day duration will be the Business Day immediately following each Auction Period. The initial Interest Payment Date for each Series of the 2008 Auction Rate Bonds is set forth in the Summary of Offering beginning on the inside cover page of this Official Statement. The record date for Series 2008 Bonds bearing interest at the Auction Period Rate will be the Business Day prior to the Interest Payment Date. The 2008 Auction Rate Bonds will be issued in fully registered form in the denominations of $25,000 and any integral multiple thereof.

Conversion of Variable Rate Demand Bonds and Auction Rate Bonds

Upon satisfaction of conditions set forth in the Indenture, the 2008 Variable Rate Demand Bonds of any Series and the 2008 Auction Rate Bonds of any Series may be changed at the election of the Commission to bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Auction Period Rate, the Index Rate, the Term Rate or the Fixed Rate), provided however, that all Series 2008 Bonds of the same Series must have the same Interest Rate Determination Method and (except for any 2008 Credit facility Bonds and Series 2008 Bonds bearing interest at a Commercial Paper Rate) will bear interest at the same interest rate.

This Official Statement is not intended to provide information about the 2008 Variable Rate Demand Bonds or the 2008 Auction Rate Bonds after conversion to another Interest Rate Determination Method (except with respect to the conversion of any 2008 Variable Rate Demand Bonds to a Weekly Rate).
Redemption Terms of the Series 2008 Bonds

2008 Variable Rate Demand Bonds

Optional Redemption. The Series 2008 Bonds bearing interest at a Daily Rate or a Weekly Rate are subject to optional redemption by the Commission, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, without premium.

Mandatory Redemption. The 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds are subject to mandatory redemption by the Commission on each date a Mandatory Sinking Fund Payment for such Series is due, in the principal amount equal to such Mandatory Sinking Fund Payment, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

2008 Series A-1 Bonds

<table>
<thead>
<tr>
<th>Redemption Date</th>
<th>Mandatory Sinking Fund Payment</th>
<th>Redemption Date</th>
<th>Mandatory Sinking Fund Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(April 1)</td>
<td></td>
<td>(April 1)</td>
<td></td>
</tr>
</tbody>
</table>

† Final Maturity

2008 Series A-2 Bonds

<table>
<thead>
<tr>
<th>Redemption Date</th>
<th>Mandatory Sinking Fund Payment</th>
<th>Redemption Date</th>
<th>Mandatory Sinking Fund Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(April 1)</td>
<td></td>
<td>(April 1)</td>
<td></td>
</tr>
</tbody>
</table>

† Final Maturity

2008 Auction Rate Bonds

Optional Redemption. The Series 2008 Bonds bearing interest at an Auction Period Rate are subject to optional redemption by the Commission, in whole or in part, in Authorized Denominations on the Interest Payment Date following the end of any Auction Period, at a redemption price equal to the principal amount thereof plus accrued interest, if any, without premium.

Mandatory Redemption. The 2008 Series B-1 Bonds, the 2008 Series B-2 Bonds, the 2008 Series B-3 Bonds and the 2008 Series B-4 Bonds are subject to mandatory redemption by the Commission in Authorized Denominations on each date a Mandatory Sinking Fund Payment for such Series is due, in the principal amount equal to such Mandatory Sinking Fund Payment, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

2008 Series B-1 Bonds

<table>
<thead>
<tr>
<th>Redemption Date</th>
<th>Mandatory Sinking Fund Payment</th>
<th>Redemption Date</th>
<th>Mandatory Sinking Fund Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(April 1)</td>
<td></td>
<td>(April 1)</td>
<td></td>
</tr>
</tbody>
</table>

† Final Maturity
Redemption Date
(April 1)

Mandatory
Sinking Fund
Payment

Redemption Date
(April 1)

Mandatory
Sinking Fund
Payment

† Final Maturity

Redemption Date
(April 1)

Mandatory
Sinking Fund
Payment

Redemption Date
(April 1)

Mandatory
Sinking Fund
Payment

† Final Maturity

Redemption Date
(April 1)

Mandatory
Sinking Fund
Payment

Redemption Date
(April 1)

Mandatory
Sinking Fund
Payment

† Final Maturity

If any Mandatory Sinking Fund Payment is due on a date that is not an Interest Payment Date, the Mandatory Sinking Fund Payment date will occur on the next preceding Interest Payment Date, except for Series 2008 Bonds in a Flexible Auction Period, which may be redeemed prior to the end of the Flexible Auction Period pursuant to the sinking fund redemption schedule.

Purchase In Lieu of Redemption

In lieu of mandatory redemption, the Commission may surrender to the Trustee for cancellation Series 2008 Bonds purchased on the open market, and such Series 2008 Bonds shall be cancelled by the Trustee. If any Series 2008 Bonds are so cancelled, the Commission may designate the Mandatory Sinking Fund Payment or portions thereof within such Series of the Series 2008 Bonds so purchased that are to be reduced as a result of such cancellation.

General Redemption Provisions

Selection for Redemption. The Commission will designate which Series and which maturities of such Series of Series 2008 Bonds are to be redeemed; provided that 2008 Variable Rate Demand Bonds registered in the name of the Credit Bank must be redeemed prior to redeeming any other Series 2008 Bonds bearing interest at a Daily Rate or a Weekly Rate. If less than all Series 2008 Bonds of a Series maturing on any one date are to be redeemed at any one time, DTC’s practice is to determine by lot the amount of the interest of each DTC Direct Participant in the Series to be redeemed. For purposes of such selection, the Series 2008 Bonds of such Series shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. The Commission may designate the Mandatory Sinking Fund Payment, or portions thereof, that are to be reduced as a result of such redemption.

Notice of Redemption. The Trustee will send each notice of redemption by first class mail not less than 30 nor more than 60 days prior to the redemption date, to the Remarketing Agents, the Broker-Dealers, the Auction Agent and DTC. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect
Participants to Beneficial Owners of Series 2008 Bonds will be governed by arrangements among them, and the Commission and the Trustee will not have any responsibility or obligation to send a notice of redemption except to DTC. Failure of DTC to receive any notice of redemption or any defect therein will not affect the sufficiency of any proceedings for redemption.

**Conditional Notice of Redemption; Rescission.** Any notice of optional redemption of the Series 2008 Bonds may be conditional and if any condition stated in the notice of redemption is not satisfied on or prior to the redemption date, said notice will be of no force and effect and the Commission is not required to, nor will it, redeem such Series 2008 Bonds. The Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

In addition, the Commission may, at its option, on or prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption by Written Request of the Commission to the Trustee, and the Trustee is to mail notice of such cancellation to the recipients of the notice of redemption as described herein under “DESCRIPTION OF THE SERIES 2008 BONDS—General Redemption Provisions”.

Any optional redemption of the Series 2008 Bonds and notice thereof will be rescinded and cancelled pursuant to the provisions of the Indenture if for any reason on the date fixed for redemption moneys are not available in the Redemption Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal, and premium due on the Series 2008 Bonds called for redemption.

**Effect of Redemption.** Notice of redemption having been duly given pursuant to the Indenture and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Series 2008 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice the Series 2008 Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice, together with interest accrued thereon to the date fixed for redemption. Interest on such Series 2008 Bonds so called for redemption shall cease to accrue, and said Series 2008 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of such Series 2008 Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and interest accrued to the date fixed for redemption from funds held by the Trustee for such payment.

All Series 2008 Bonds redeemed pursuant to the provisions described herein shall be cancelled upon surrender.

See “ADDITIONAL TERMS OF SERIES 2008 VARIABLE RATE BONDS” for information concerning interest rate determination methods, conversion of interest rate determination methods, and optional and mandatory tender provisions relating to the 2008 Variable Rate Demand Bonds and the 2008 Auction Rate Bonds.
DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements on the Series 2008 Bonds.

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal Amount (1)</th>
<th>Interest Amount (2)</th>
<th>Annual Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Includes mandatory sinking fund payments.

(2) Interest on the Series 2008 Bonds is calculated based on the rate of ________ established pursuant to the hereinafter identified Initial Swaps.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS

Pledge of Sales Tax Revenues

The Bonds are limited obligations of the Commission and are payable as to principal and interest exclusively from Revenues, consisting of Sales Tax Revenues and Swap Revenues, and from all amounts, including proceeds of the Bonds, held in the funds and accounts established under the Indenture (other than the Rebate Fund and any Purchase Fund established for Bonds subject to purchase), subject to certain provisions of the Indenture. “Sales Tax Revenues” means the amounts available for distribution to the Commission on and after July 1, 1988 on account of the Sales Tax after deducting amounts payable by the Commission to the BOE for costs and expenses for its services in connection with the Sales Tax. For a general discussion of the Sales Tax, see “THE SALES TAX.” For a discussion of the historical and forecasted Sales Tax Revenues, see “THE SALES TAX—Historical Sales Tax Revenues and “THE SALES TAX—Forecasted Sales Tax Revenues.”

The Indenture provides that the pledge of Revenues for the payment of the Bonds, and any debt or other obligations of the Commission payable from Sales Tax Revenues on a parity with the Bonds (such debt or other obligations being hereinafter referred to as “Parity Obligations”), shall constitute a first lien on and security interest in the Revenues and such other amounts and shall immediately attach thereto and shall be effective, binding and enforceable from and after initial delivery by the Trustee of the Bonds or Parity Obligations, without the need for any physical delivery, recordation, filing or further act.


Revenue Fund; Allocation of Sales Tax Revenues

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Commission has assigned the Sales Tax Revenues to the Trustee and shall cause the Board of Equalization to transmit the same directly to the Trustee each month, net of the Board of Equalization administrative fee which is deducted quarterly. The Trustee will forthwith deposit all Sales Tax Revenues in the Revenue Fund, maintained and held in trust by the Trustee, when and as such Sales Tax Revenues are received by the
Trustee. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues.” The Sales Tax Revenues are to be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and Parity Obligations and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture. Investment income on amounts held by the Trustee (other than amounts held in the Rebate Fund or any Purchase Fund or Project Fund or for which particular instructions are provided) will also be deposited in the Revenue Fund.

So long as any Bonds remain Outstanding and Parity Obligations, Subordinate Obligations, and all other amounts payable under the Indenture remain unpaid, in each month following receipt and deposit of the Sales Tax Revenues in the Revenue Fund, the Trustee is required to set aside the moneys in the Revenue Fund in the following respective funds, amounts and order of priority (provided that deficiencies in any previously required deposit may be made up prior to the deposit to a fund subsequent in priority and further provided that set asides or transfers required with respect to outstanding Parity Obligations shall be made on a parity basis each month, as provided in the Indenture):

1. **Interest Fund.** The Indenture requires the Trustee to make monthly deposits in the Interest Fund in an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on Outstanding fixed interest rate bonds during the next ensuing six-months until the requisite half-yearly amount of interest on all such bonds is on deposit, provided that the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on the first Interest Payment Date with respect to such fixed rate Series of Bonds, plus (b) the aggregate amount of interest of accrued during that month on Outstanding variable rate bonds calculated, if the actual rate of interest is not known, at the interest rate specified by the Commission, or if the Commission has not specified an interest rate, at the maximum interest rate borne by such variable rate bonds during the month prior to the month of deposit plus one hundred (100) basis points; subject to such adjustments as are provided pursuant to the provisions of the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Allocation of Sales Tax Revenues.” All Swap Revenues received with respect to the Initial Swaps are to be deposited in the Interest Fund.

2. **Principal Fund; Sinking Accounts.** The Indenture also requires the Trustee to make monthly deposits in the Principal Fund in an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six (6) months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve (12) months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.
In the event that the Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds then Outstanding and maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Sales Tax Revenues.”

3. Bond Reserve Funds. The Indenture also requires the Trustee to make deposits to any of the Bond Reserve Funds established pursuant to the provisions of the Indenture as soon as possible in each month in which any deficiency in any Bond Reserve Fund occurs, until the balance in such Bond Reserve Fund is at least equal to the applicable Bond Reserve Requirement. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Allocation of Sales Tax Revenues.”

4. Subordinate Obligations Fund. The Indenture also requires the Trustee to establish a Subordinate Obligations Fund. The Trustee shall deposit in the Subordinate Obligations Fund any Sales Tax Revenues remaining in the Revenue Fund after the transfers described in (1), (2) and (3) above and shall transfer such Sales Tax Revenues to the Subordinate Trustee. After the Subordinate Trustee has made the required deposit of Sales Tax Revenues under any Subordinate Indenture, said trustee shall transfer any remaining Sales Tax Revenues back to the Trustee.

5. Fees and Expenses Fund. The Indenture also requires the Trustee to establish a Fees and Expenses Fund. At the direction of the Commission, after the transfers described above have been made, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Commission in connection with the Bonds or any Parity Obligation and amounts necessary for payment of fees, expenses, and similar charges owing in such month or the following month by the Commission in connection with Subordinate Obligations (which do not include termination payments on Interest Rate Swap Agreements).

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Allocation of Sales Tax Revenues” for a more complete discussion.

After making the foregoing allocations, all Sales Tax Revenues shall be transferred to the Commission and may be applied by the Commission for all lawful purposes of the Commission.
Reserve Funds

A Reserve Fund for the Series 2008 Bonds is established pursuant to the First Supplemental Indenture to be maintained in an amount equal to the Reserve Requirement, for the purpose of paying principal of and interest on the Series 2008 Bonds when due when insufficient moneys for such payment are on deposit in the Principal Account and the Interest Account under the Indenture.

“Reserve Requirement” means, with respect to the Series 2008 Bonds as of any date of calculation, an amount equal to the lesser of: (i) 50% of Maximum Annual Debt Service on all Series 2008 Bonds then Outstanding; (ii) 125% of average Annual Debt Service on all Series 2008 Bonds then Outstanding; or (iii) 10% of the proceeds of the Series 2008 Bonds. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions” and APPENDIX G – “PROJECTED DEBT SERVICE SCHEDULE.” The Reserve Requirement is currently satisfied by cash funding the Reserve Fund with proceeds from the sale of the Series 2008 Bonds; the Indenture provides for funding of the Reserve Fund with a surety bond or an insurance policy or letter of credit (“Reserve Facilities”) upon satisfaction of the requirements set forth in the Indenture.

The Trustee is to draw on the Reserve Fund to the extent necessary to fund any deficiency in the Interest Account or the Principal Account. Draws on any Reserve Facilities on which there is available coverage are to be made on a pro-rata basis after applying all available cash and investments in the Reserve Fund; provided that if a Reserve Facility is available only with respect to a specified Series of Bonds and not all Bonds, such Reserve Facility will be drawn upon to pay the principal and interest attributable to such Series before cash and investments in the Reserve Fund are applied to fund such deficiency. The Commission is to repay, solely from Revenue, any draws under the Reserve Fund, including any draws on Reserve Facilities, as well as any Reserve Facility Costs related thereto. Interest will accrue and be payable on such draws and expenses from the date of payment by the Reserve Facility provider at the rate specified in the agreement with respect to such Reserve Facility. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts – Establishment and Application of the Reserve Fund” and “– Funding of the Reserve Fund.”

Additional Bonds and Parity Obligations

The only outstanding obligations secured by Sales Tax Revenues are the Series 2008 Bonds, the regularly scheduled payments on the hereinafter identified Initial Swaps and the Subordinate Commercial Paper Notes. The Commission may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of Sales Tax Revenues on a parity with the Bonds and the regularly scheduled payments on the Initial Swaps and any other Interest Rate Swap Agreements, subject to compliance with the terms and provisions set forth in the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Issuance of Additional Bonds and Other Obligations.”

Issuance of Additional Series of Bonds. Subsequent to the issuance of the Series 2008 Bonds, the Commission may by Supplemental Indenture establish one or more Series of Bonds payable from Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with the Series 2008 Bonds, but only upon compliance by the Commission with certain provisions of the Indenture. Some applicable provisions of the Indenture are described below:

(a) No Event of Default shall have occurred and then be continuing.

(b) If the Supplemental Indenture providing for the issuance of such Series of additional Bonds requires either (i) the establishment of a Bond Reserve Fund to provide
additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of Bonds of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the supplemental indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit may be made from the proceeds of the sale of Bonds of such Series or from other funds of the Commission or from both such sources or in the form of a Reserve Facility as described under APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions” and “Establishment and Application of Funds and Accounts - Funding and Application of Bond Reserve Funds.”

(c) The Commission shall have placed on file with the Trustee a Certificate of the Commission, certifying that the amount of Sales Tax Revenues collected during the Fiscal Year preceding the date on which such additional Series of Bonds will become outstanding was equal to at least 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued.

Nothing in the Indenture will prevent or be construed to prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

**Issuance of Refunding Bonds.** Refunding Bonds may be authorized and issued by the Commission without compliance with the provisions of the Indenture summarized above under paragraph (c) of the caption “Issuance of Additional Series of Bonds;” provided that Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Outstanding Bonds and all Parity Obligations Outstanding prior to the issuance of such Refunding Bonds.

**Parity Obligations.** As defined in the Indenture, “Parity Obligations” means any indebtedness, installment sale obligation, lease obligation or other obligation of the Commission for borrowed money or the Initial Swaps or any other Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements which fees and expenses and termination payments shall be secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the provisions of the Indenture described herein and having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The Commission may issue or incur additional Parity Obligations which will have, when issued, an equal lien and charge upon the Sales Tax Revenues, provided that the conditions to the issuance of such Parity Obligations set forth in the Indenture are satisfied, including satisfaction of the coverage test described in subsection (c) above under the caption “Issuance of Additional Series of Bonds,” unless such Parity Obligations are being issued for refunding purposes, in which case the coverage test shall not apply.

In November 2005, the Commission entered into three interest rate swap agreements (the “Initial Swaps”) in an initial aggregate notional amount of $600,000,000. The Initial Swaps are effective as of April 1, 2008 and the notional amounts amortize in tandem with the amortization of the Series 2008 Bonds. Pursuant to the terms of the Initial Swaps, the Commission agreed to pay to the counterparties a
fixed rate of interest and the counterparties agreed to pay the Commission a floating rate of interest. The Commission’s obligation to make regularly scheduled payments of interest to the counterparties under the Initial Swaps is payable from and secured by Sales Tax Revenues on a parity basis with the Bonds.

Under certain circumstances, the Initial Swaps may be terminated, at which time the Commission may be required to make a termination payment to the applicable counterparty. Termination payments payable in accordance with the provisions of the Initial Swaps are secured by a lien on the Sales Tax Revenues subordinate to the lien which secures the Bonds, Parity Obligations and Subordinate Obligations, including the Subordinate Commercial Paper Notes.

**Subordinate Obligations**

Except to the extent restricted by the Indenture, the Commission may issue or incur obligations (“Subordinate Obligations”) payable out of Sales Tax Revenues on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Bonds and Parity Obligations, as the same become due and payable and at the times and in the manner as required by the Indenture or as required by the instrument pursuant to which such Parity Obligations were issued or incurred, as applicable. The Commission’s Subordinate Obligations currently consist of the Subordinate Commercial Paper Notes, the Commission’s obligation to make regularly scheduled payments under the Subordinate Swap Agreement and fees and expenses due under the Credit Facility Agreement (as hereinafter defined). Any termination payments under the Commission’s Initial Swaps are payable on a basis subordinate to the Subordinate Obligations.

**BOND INSURANCE POLICY**

*The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to APPENDIX I for the form of the 2008 Bond Insurance Policy. For information regarding the Insurer, see APPENDIX G – “THE INSURER.”*

**Payment Pursuant to the Bond Insurance Policy**

[to be provided]

**CREDIT FACILITY AND CREDIT FACILITY AGREEMENT**

*The following is a summary of certain provisions of the Credit Facility and the Credit Facility Agreement. This summary does not purport to be comprehensive. The Credit Facility supports the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds. Reference should be made to the Credit Facility and the Credit Facility Agreement for their complete terms. Capitalized terms used under this heading not defined elsewhere in this Official Statement shall have the meanings set forth in the Credit Facility Agreement. For information regarding the Credit Bank, see APPENDIX I – “THE BANK.”*

**General**

At the request and for the account of the Commission, the Credit Bank will issue the Credit Facility in favor of the Trustee, on or prior to the date of initial issuance of the 2008 Variable Rate Demand Bonds, in an initial [Stated Amount] equal to $______________.

The Trustee is required pursuant to the provisions of the Issuing Indenture to draw moneys under the Credit Facility to pay principal of and interest on the 2008 Variable Rate Demand Bonds when due. The Trustee is also required to draw moneys under the Credit Facility if and to the extent necessary to
provide funds to pay the purchase price of 2008 Variable Rate Demand Bonds which have not been remarkeated by the Remarketing Agent. Drawings by the Trustee under the Credit Facility will reduce the amounts available for subsequent drawings under the Credit Facility, subject to reinstatement as provided in the Credit Facility. The Credit Bank will use only its own funds in honoring a drawing on the Credit Facility.

The Credit Facility shall expire on the earliest of the following (the "Credit Facility Expiration Date"): (i) ____________, as such date may be extended by the Credit Bank (the "Stated Expiration Date"), (ii) the date on which the Credit Bank honors a draw request accompanied by the Trustee’s certification to reduce the Stated Amount to $0.00, (iii) the date of the Credit Bank’s receipt of notice from the Trustee to the effect that an Alternate Credit Facility (as defined in the Indenture) in full and complete substitution for the Credit Facility has been issued and is in effect, or (iv) the date of the Credit Bank's receipt of notice from the Trustee to the effect that no 2008 Variable Rate Demand Bonds (other than 2008 Variable Rate Demand Bonds with respect to which an Alternate Credit Facility has been issued and is in effect) remains Outstanding under the Indenture and the Commission does not contemplate any further issuance of 2008 Variable Rate Demand Bonds, all of which notices shall be given as provided in the Credit Facility.

[Note: Additional Copy to Come Subsequent to Receipt of Draft Letter of Credit.]

Alternate Credit Facility

Pursuant to the provisions of the Indenture, the Commission may, from time to time, deliver a replacement for the then-existing Credit Facility (such replacement being hereinafter referred to as an "Alternate Credit Facility") upon satisfaction of certain conditions set forth in the Indenture. Pursuant to the provisions of the Indenture, the 2008 Variable Rate Demand Bonds are subject to mandatory purchase on the date such Alternate Credit Facility shall take effect; provided there shall be no mandatory purchase of the 2008 Variable Rate Demand Bonds on the effective date of the provision of the Alternate Credit Facility if the Commission has received confirmation of the ratings on the 2008 Variable Rate Demand Bonds by each rating agency then providing a rating with respect to the 2008 Variable Rate Demand Bonds.

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

General

The Commission was organized pursuant to the Act. Pursuant to the provisions of the Act, the Commission is comprised of the members of the San Diego Association of Governments (“SANDAG”), which is a legislatively created regional government agency with a Board of Directors consisting of voting representatives from the County and the eighteen cities within the County.

As set forth in the Act, the Commission is responsible for providing improvements to the transportation system and other public infrastructure systems in the County. To carry out this responsibility, the Commission adopted the Ordinance. The 1987 Ordinance and the Sales Tax Extension Ordinance each outline a series of projects (herein referred to as the “Expenditure Plan”) to be implemented during the term of the Sales Tax. In connection with implementing the Expenditure Plan, the Commission has adopted and updated a series of plans of finance (the “Plan of Finance”), which describe the types of projects which are to be cash financed and the types of projects which are to be debt financed and the projected timing and amounts of such financing.
Executive Staff

The SANDAG staff serves as staff to the Commission. Key staff members, the position held by each and a brief statement of the background of each staff member is set forth below.

Gary L. Gallegos, Executive Director. Mr. Gallegos serves as SANDAG’s chief executive officer and the secretary of the Board of Directors of both SANDAG and the Commission. He is responsible for the overall management of SANDAG and the Commission, including execution of its operational policies and procedures, the Board approved budget and all personnel decisions. Mr. Gallegos was appointed by the SANDAG Board to his present position in 2001. Prior to joining SANDAG, Mr. Gallegos held the position of District Director for Caltrans District 11, encompassing San Diego and Imperial Counties. Mr. Gallegos holds a B.S. degree in Civil Engineering from the University of New Mexico and is a registered civil engineer.

Diane Eidam, Chief Deputy Executive Director. Ms. Eidam’s major responsibilities include managing the on-going operations of SANDAG, as well as overseeing the operations of the Administration, Finance, Land Use and Transportation Planning, Mobility Management and Project Implementation, and Technical Services Departments. Ms. Eidam also works with other local, regional, state, and federal agencies on regional planning, programming and implementation issues and works with local, state and federal elected officials to implement public policy. Ms. Eidam has been employed with SANDAG for 2 years. Prior to working for SANDAG, Ms. Eidam held various positions including four years as the Executive Director of the California Transportation Commission where she was responsible for developing policy initiatives encompassing billions of dollars annually for transportation improvements throughout California in partnership with regional agencies and the California Department of Transportation, eight years as the Deputy Director of Audits and Investigations for the California Department of Transportation, as well as five years in a variety of management positions at the department. Ms. Eidam has 29 years of professional experience and holds two bachelor of arts degrees from the University of California, Davis, one in Political Science and the second in Economics.

Julie Wiley, General Counsel. Julie Wiley was appointed General Counsel for SANDAG and the Commission in September 2005. Ms. Wiley was originally hired by SANDAG as Deputy General Counsel in January 2001. Between 1995 and 2001, Ms. Wiley worked for private sector law firms in Colorado and California as a litigator and advisor for corporations and public sector clients. Ms. Wiley holds a Bachelor's degree from UCSD and a Juris Doctorate from the University of Denver.

Renee Wasmund, Director of Finance. Ms. Wasmund serves as the chief financial officer and directs all financial and programming functions for SANDAG and the Commission. Ms. Wasmund transferred to SANDAG from the San Diego Metropolitan Transit Development Board (MTDB) in 2003 as a result of the consolidation of certain regional transportation functions into SANDAG. She was at MTDB for 13 years, serving as the Director of Finance and Administration for ten of those years. Ms. Wasmund is a graduate of the University of Central Florida and is a Certified Public Accountant.

John (“Jack”) A. Boda, Director of Mobility Management and Project Implementation. Mr. Boda is directly responsible for the implementation of all TransNet and Capital Improvement Projects under the control of the Commission. He is accountable for the scope, schedule, and cost of regional transportation projects and coordinates these efforts with federal, state, and local transportation agencies. Mr. Boda joined SANDAG in 2003 and has over 28 years of experience in transportation engineering and management. Prior to joining SANDAG, Mr. Boda worked for the California Department of Transportation and held key leadership positions such as District Director, State Traffic Engineer, State Capital Projects Program Manager, and Chief Assistant to the State Bridge Engineer. Mr. Boda is a
Registered Civil Engineer and holds Bachelor of Science degrees in Structural and Transportation Engineering from the California Polytechnic State University in San Luis Obispo.

**Bob Leiter, Director of Land Use and Transportation Planning.** Mr. Leiter is responsible for development and implementation of SANDAG’s Regional Comprehensive Plan and Regional Transportation Plan and oversees planning and project development activities in the areas of transportation, public transit, land use, public facilities, environmental management, and interregional and binational collaboration. Mr. Leiter joined SANDAG in 2003, after a 29-year career in city planning that included service as planning director for the Cities of Chula Vista, San Rafael, Escondido, and Ventura, California. Mr. Leiter holds a bachelor’s degree in political science and a graduate degree in economics from the University of California at Santa Barbara.

**Marney P. Cox, Director of Special Services/Senior Regional Economist.** Mr. Cox specializes in regional economies and works with a team of professionals to produce SANDAG’s Regional Growth Forecasts. These forecasts are adopted by each jurisdiction in the San Diego region and used widely for planning purposes. Mr. Cox’s additional responsibilities include maintaining the San Diego region’s Economic Development Strategy, performing financial and risk analysis for transportation and other public infrastructure projects, and evaluating the fiscal consequences of alternative regional growth management polices. Mr. Cox joined SANDAG in 1979 as a Research Analyst responsible for SANDAG’s econometric and statistical growth allocation models and served as Municipal Finance Specialist and Senior Regional Planner before being promoted to his current position in 1986. Mr. Cox holds both graduate and undergraduate degrees in economics from San Diego State University, with an emphasis in public finance, urban economics and econometrics.

**Charles “Mugs” Stoll, TransNet Program Manager.** Mr. Stoll is responsible for the development and implementation of the TransNet Ordinance and Expenditure Plan. He oversees the day-to-day implementation of the TransNet program, including financial planning activities, obtaining state and federal matching funds, and monitoring the progress of all components of the overall TransNet Program. Mr. Stoll recently joined SANDAG in April 2007 after spending over twenty years with the California Department of Transportation at its San Diego District Office where he gained experience in many functional units. His career involved primarily project development functions including assignments in construction as a Resident Engineer, Project Director with responsibility for all phases of development of the proposed tollway portion of future State Route 125 (South Bay Expressway), Deputy District Director of the Environmental Division, the District’s Capital Program Chair Deputy and an eight-week acting assignment as the Chief of Staff to the Director in Sacramento, CA. Mr. Stoll received a Bachelor of Science (B.S.) degree in Civil Engineering in 1983 and a Master’s degree in Business Administration (M.B.A.) in 1985. Both degrees were earned at San Diego State University. He has been a Registered Engineer in the State of California since 1988.

**THE SALES TAX**

**Authorization, Application and Collection of the Sales Tax**

The Commission is authorized by the Act to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County in accordance with California's Transactions and Use Tax Law (Revenue and Taxation Code Sections 7251 et seq.), upon authorization by a majority of the electors voting on the issue. On November 3, 1987, the voters approved the 1987 Ordinance which imposed the Sales Tax in the County for a twenty-year period. The Sales Tax is scheduled to expire on April 1, 2008. On November 2, 2004, more than two-thirds of the voters approved the Sales Tax Extension Ordinance which, among other things, extended the collection of the tax to March 31, 2048. The Ordinance imposes the Sales Tax on the gross receipts of retailers from the sale of
tangible personal property sold in the County and upon the storage, use or other consumption in the County of such property purchased from any retailer for storage use or other consumption in the County, subject to certain limited exceptions described below.

Collection of the Sales Tax is administered by the BOE. The BOE, after deducting a fee for administering the Sales Tax, remits the remaining Sales Tax Revenues to the Trustee to satisfy the Commission’s obligations with respect to the Bonds and Parity Obligations. The remaining Sales Tax Revenues are then remitted to the trustee for the Commission’s Subordinate Obligations, including the Subordinate Commercial Paper Notes. After payment of debt service requirements on the Subordinate Obligations, any remaining unapplied Sales Tax Revenues are then remitted to the Trustee. The fee charged by the BOE is determined by the BOE pursuant to statute. The fee charged by the BOE to the Commission for Fiscal Year 2006-07 for collection of the Sales Tax was $2,293,000. The fee that the BOE is authorized to charge for collection of the Sales Tax is determined by state legislation; there can be no assurances that the amount of this fee or the method for determining the amount of the fee will be the same. This fee may be increased or decreased by legislative action.

The Sales Tax is in addition to a seven and one quarter percent sales and use tax levied statewide by the State of California. In general, the statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property. The statewide use tax is imposed on the storage, use or other consumption in California of property purchased from a retailer for such storage, use or other consumption. Since the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of California for use within the State, subject to certain exceptions. Action by the State legislature or by voter initiative could change the transactions and items upon which the statewide sales and use tax and the Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial impact on the Sales Tax Revenues. The Commission is not currently aware of any proposed legislative change which would have a material adverse effect on Sales Tax Revenues. See also “Proposition 218” below.

Many categories of transactions are exempt from the statewide sales and use tax and from the Sales Tax. The most important are: sales of food products for home consumption; prescription medicine; edible livestock and their feed; seed and fertilizer used in raising food for human consumption; and gas, electricity and water when delivered to consumers through mains, lines, and pipes. In addition, “Occasional Sales” (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the Statewide sales and use tax and from the Sales Tax.

Historical Taxable Sales

For information concerning historical taxable sales in the County, see the table entitled “County of San Diego, Taxable Sales Transactions” in Appendix B – “INFORMATION REGARDING THE COUNTY OF SAN DIEGO”.

Historical Sales Tax Revenues

The Commission began receiving distributions of the Sales Tax from the BOE in June, 1988. The following table shows the Sales Tax remitted to the Commission during the fiscal years ended June 30, 1989 through June 30, 2007.
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
HISTORICAL SALES TAX REVENUES

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Actual ½% Sales Tax Revenues (1)</th>
<th>% Change From Prior Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>$ 95,691,042</td>
<td>18.9%</td>
</tr>
<tr>
<td>1990</td>
<td>113,758,624</td>
<td>(3.5)</td>
</tr>
<tr>
<td>1991</td>
<td>109,806,529</td>
<td>(3.4)</td>
</tr>
<tr>
<td>1992</td>
<td>106,105,958</td>
<td>5.4</td>
</tr>
<tr>
<td>1993</td>
<td>111,783,116</td>
<td>(0.3) (2)</td>
</tr>
<tr>
<td>1994</td>
<td>111,461,846</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>114,303,387</td>
<td>2.5</td>
</tr>
<tr>
<td>1996</td>
<td>123,511,934</td>
<td>8.1</td>
</tr>
<tr>
<td>1997</td>
<td>131,592,528</td>
<td>6.5</td>
</tr>
<tr>
<td>1998</td>
<td>145,754,155</td>
<td>10.8</td>
</tr>
<tr>
<td>1999</td>
<td>156,909,677</td>
<td>7.7</td>
</tr>
<tr>
<td>2000</td>
<td>172,274,619</td>
<td>9.8</td>
</tr>
<tr>
<td>2001</td>
<td>189,795,888</td>
<td>10.2</td>
</tr>
<tr>
<td>2002</td>
<td>192,836,199</td>
<td>1.6</td>
</tr>
<tr>
<td>2003</td>
<td>200,600,386</td>
<td>4.0</td>
</tr>
<tr>
<td>2004</td>
<td>213,230,634</td>
<td>6.3</td>
</tr>
<tr>
<td>2005</td>
<td>228,562,785</td>
<td>7.2</td>
</tr>
<tr>
<td>2006</td>
<td>243,317,789</td>
<td>6.5</td>
</tr>
<tr>
<td>2007</td>
<td>247,924,394</td>
<td>1.9</td>
</tr>
</tbody>
</table>

(1) Net of BOE administrative fee.
(2) Reflects, in part, effect of increase in BOE administration fee in 1994.

Source: San Diego County Regional Transportation Commission.
Annual Sales Tax Revenues for the Fiscal Year ended June 30, 2007, total $247,924,394. These Sales Tax Revenues are anticipated to equal at least ____ times Maximum Annual Debt Service on the Series 2008 Bonds assuming such Maximum Annual Debt Service amounts as shown in the table “DEBT SERVICE SCHEDULE” herein.

SUMMARY OF FINANCING PLAN

The Commission has previously issued the Subordinate Commercial Paper Notes outstanding in the aggregate principal amount of [$80,000,000] as of March 1, 2008 and the Existing Bonds, which were defeased in whole on February __, 2008. Proceeds of the issuance of the Series 2008 Bonds will be set aside to retire all outstanding sales tax commercial paper notes with the result that such obligations will no longer be outstanding.

Estimated Sources and Uses of Funds

The following are the estimated sources and uses of funds with respect to the Series 2008 Bonds:

<table>
<thead>
<tr>
<th>SOURCES:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount</td>
<td>$600,000,000</td>
</tr>
<tr>
<td>TOTAL SOURCES</td>
<td>$600,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USES:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Fund</td>
<td>$________</td>
</tr>
<tr>
<td>Refunding Escrow</td>
<td>$________</td>
</tr>
<tr>
<td>Interest Fund$^{(1)}</td>
<td>$________</td>
</tr>
<tr>
<td>Costs of Issuance$^{(2)}</td>
<td>$________</td>
</tr>
<tr>
<td>TOTAL USES</td>
<td>$600,000,000</td>
</tr>
</tbody>
</table>

---

$^{(1)}$ Equals interest payable on the Series 2008 Bonds from the date of their delivery until June 30, 2008 assuming an interest rate for each series of the Series 2008 Bonds equal to the fixed rates payable by the Commission under the Initial Swaps applicable to such series.

$^{(2)}$ Costs of issuance include rating agency, legal and financial advisory fees and printing costs and expenses; underwriters’ discount; fees of the trustee; premiums for the Bond Insurance Policy and Reserve Fund surety bond; fees of the Credit Bank; and other miscellaneous expenses.

Anticipated Issuances of Additional Bonds

The Commission anticipates issuing additional Bonds, in addition to the Series 2008 Bonds offered hereby, to fund transportation projects authorized under the Expenditure Plan.
The principal amount of additional Bonds or other financing instruments to be subsequently issued by the Commission and the timing of any such issuance or issuances will be determined by the Commission based on a variety of factors including the costs and timing of design and construction of the transportation projects to be financed and the resources then available. The issuance of additional Bonds is subject to the requirements of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS—Additional Bonds and Parity Obligations.”

**COMMISSION INVESTMENT PORTFOLIO**

Funds of the Commission are invested pursuant to an investment policy adopted by Commission board of directors, which permits the Commission to invest in some (but not all) of the types of securities authorized by State law for the investment of funds of local agencies (California Government Code Section 53600 et seq.) The securities in which the Commission currently is authorized to invest include United States treasury notes, bonds and bills, bonds, notes, bills, warrants and obligations issued by certain agencies of the United States, certain bankers acceptances, certain corporate commercial paper of prime quality, certificates of deposit, certain medium term corporate notes, certain shares of beneficial interest in diversified management companies (mutual funds), the State’s local agency investment fund, the San Diego County local agency investment fund, certain collateralized repurchase agreements, and other securities authorized under State law as appropriate for public fund investments and not specifically prohibited by the investment policy. The investment policy (which is subject to change in the future) does not allow investment in reverse repurchase agreements, financial futures, option contracts, mortgage interest strips, inverse floaters or securities lending or any investment that fails to meet the credit or portfolio limits of the investment policy at the time of investment.

Funds held by the Trustee under the Indenture are invested in Investment Securities (as defined in Appendix C) by the Trustee in accordance with instructions from the Commission. The instructions from the Commission currently restrict those investments to investments permitted by the investment policy adopted by the Commission described above (except that the Trustee is permitted to invest a greater percentage of funds in mutual funds and a single mutual fund than the investment policy would otherwise permit).

The Commission’s primary investment strategy is to purchase investments with the intent to hold them to maturity. However, the Commission may sell an investment prior to maturity to avoid losses to the Commission resulting from further erosion of the market value of such investment or to meet operation or project liquidity needs.

The value of the various investments in the portfolio will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Further, such values may vary based on credit quality, ratings, or other factors. Therefore, there can be no assurance that the values of the various investments in the portfolio will not vary significantly from the values described below. Further, the values specified in the following tables were based upon estimates of market values provided to the Commission by a third party. Accordingly, there can be no assurance that if these securities had been sold on February __, 2008, the portfolio would have received the values specified. In addition, under certain provisions of the Indenture, funds and accounts held under the Indenture must be invested in certain specified Investment Securities that include investment agreements and other investments not described above. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions - Investment Securities.”

As of February __, 2008, the average maturity of the Commission’s portfolio was ___ days, with an average yield of approximately ___%. 
COMMISSION INVESTMENT PORTFOLIO INFORMATION
as of February __, 2008

<table>
<thead>
<tr>
<th>Investments</th>
<th>Percent of Portfolio</th>
<th>Par Value</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL SECURITIES</td>
<td>100%</td>
<td>$___________</td>
<td>$___________</td>
</tr>
</tbody>
</table>

Source: The Commission.

ADDITIONAL TERMS OF THE SERIES 2008 BONDS

Interest Rate Determination Methods

**General.** The 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds initially will bear interest at a Daily Rate. The 2008 Series B-1 Bonds, the 2008 Series B-2 Bonds, the 2008 Series B-3 Bonds and the 2008 Series B-4 Bonds initially will be in an Auction Rate Mode. The Commission has the right to change the Interest Rate Determination Method for any Series of the 2008 Variable Rate Demand Bonds or the 2008 Auction Rate Bonds to a different Interest Rate Determination Method (which may be a Daily Rate, a Weekly Rate, a Commercial Paper Rate, an Auction Period Rate, an Index Rate, a Term Rate or a Fixed Rate). See “Conversion of Interest Rate Determination Method for Certain Series 2008 Bonds” below.

Each Series of 2008 Variable Rate Demand Bonds will initially have a Remarketing Agent, each of which is referred to herein as “Remarketing Agent.” See “REMARKETING AGENTS.” See also “PRACTICES AND PROCEDURES RELATED TO THE 2008 VARIABLE RATE DEMAND BONDS.” The interest rate for each Series of the Series 2008 Bonds in the ARS Rate Period will be determined in accordance with the Commission Auction Procedures (set forth in APPENDIX J) by the Auction Agent to be appointed pursuant to the Indenture. See also “PRACTICES AND PROCEDURES RELATED TO THE 2008 AUCTION RATE BONDS.” At the written direction of the Commission, the Trustee will appoint an Auction Agent for any Series of Series 2008 Bonds in the ARS Rate Period. The Commission will appoint one or more broker-dealers for each Series of Series 2008 Bonds in the ARS Rate Period. Each Series of 2008 Auction Rate Bonds will initially have a Broker-Dealer, each of which is referred to herein as a “Broker-Dealer.” See “BROKER-DEALERS AND AUCTION AGENT.”

No Daily Rate, Weekly Rate or Auction Period Rate on the Series 2008 Bonds will exceed 12% per annum.

**Daily Rate.** So long as a Series of Series 2008 Bonds is in the Daily Rate Period, the Series 2008 Bonds of such Series will bear interest at a Daily Rate. During each Daily Rate Period, the Remarketing Agent for such Series is to set a Daily Rate for the Series by 9:30 a.m., New York City time, on each Business Day, which Daily Rate is to be the rate of interest that, if borne by the Series 2008 Bonds in the Daily Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for Tax-Exempt Securities that are of the same general nature as the Series 2008 Bonds or Tax-Exempt Securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of the Series 2008 Bonds for which the Daily Rate is to be determined, be the lowest interest rate that would enable the Remarketing Agent to place the Series 2008 Bonds at a price of par (plus accrued interest, if any) on such Business Day. The Daily Rate for any non-Business Day will be the rate for the last Business Day on which a Daily Rate was set.
**Weekly Rate.** So long as a Series of Series 2008 Bonds is in the Weekly Rate Period, the Series 2008 Bonds of such Series will bear interest at a Weekly Rate. During each Weekly Rate Period, the Remarketing Agent for such Series is to set a Weekly Rate for the Series, by 5:00 P.M., New York City time, on each Wednesday (or the immediately succeeding Business Day, if such Wednesday is not a Business Day) for the next period of seven (7) days from and including Thursday of any week to and including Wednesday of the next following week (a “Calendar Week”); provided, that, the Weekly Rate for the first Calendar Week (or portion thereof) following a Conversion Date resulting in a change in the Interest Rate Determination Method to a Weekly Rate is to be set by the Remarketing Agent on the Business Day immediately preceding such Conversion Date. Each Weekly Rate is to be the rate of interest that, if borne by the Series 2008 Bonds in the Weekly Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for Tax-Exempt Securities that are of the same general nature as the Series 2008 Bonds for which the Weekly Rate is to be determined, or Tax-Exempt Securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of the Series 2008 Bonds for which the Weekly Rate is to be determined, be the lowest interest rate that would enable the Remarketing Agent to place the Series 2008 Bonds of each Series at a price of par (plus accrued interest, if any) on the first day of such Weekly Rate Period.

**Auction Period Rate.** Following an Initial Period, so long as the Series 2008 Bonds of a Series are in an ARS Rate Period, the Series 2008 Bonds of such Series will bear interest at the Auction Period Rate applicable to such Series of Series 2008 Bonds. The Initial Rate for each Series of the 2008 Auction Rate Bonds will be determined by the Broker-Dealer for such Series prior to the delivery of such Series or, for an Initial Period commencing on an ARS Conversion Date, at the lowest rate which, in the judgment of the Broker-Dealer, is necessary to enable such Series of Series 2008 Bonds to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the ARS Conversion Date. The Auction Agent, serving solely as agent of the Trustee, is to determine the Auction Period Rate for each Series of 2008 Auction Rate Bonds for the first and each succeeding Auction Period. The Auction Period Rate is to be a rate of interest determined by the Auction Agent pursuant to the Commission’s Auction Procedures set forth in Appendix J – “COMMISSION AUCTION PROCEDURES” after receiving orders from the Broker-Dealer for that Series that are to be submitted pursuant to the Commission’s Auction Procedures. The Auction Agent and each of the Broker-Dealers for the 2008 Auction Rate Bonds have agreed to comply with the Commission’s Auction Procedures. See “PRACTICES AND PROCEDURES RELATED TO THE 2008 AUCTION RATE BONDS.”

**Failure to Determine Rate for Certain Rate Periods.** If, for any reason, the Daily Rate or the Weekly Rate on any of the Series 2008 Bonds is not established as described above, or there is no Remarketing Agent for those Series 2008 Bonds, or any Daily Rate or Weekly Rate so established is held to be invalid or unenforceable with respect to such rate period, then an interest rate for such Rate Period equal to 100% of the SIFMA Swap Index on the date such Daily Rate or Weekly Rate was (or would have been) determined, as provided pursuant to the provisions of the Indenture described above, will be established automatically. “SIFMA Swap Index” is an index published or made available by the Securities Industry and Financial Markets Association (formerly the Bond Market Association) and is defined in APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”.

In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be _____% of the Index set forth in Appendix J – “COMMISSION AUCTION
If the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be ___% of the Index set forth in Appendix J — “COMMISSION AUCTION PROCEDURES” if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate or an All Hold Rate had been determined. In the event an Auction Period is extended as set forth in clause (ii) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

Conversion of Interest Rate Determination Method for 2008 Variable Rate Demand Bonds and 2008 Auction Rate Bonds

Right of Conversion. The Interest Rate Determination Method for any Series of Series 2008 Bonds is subject to conversion from one Interest Rate Determination Method to another from time to time by the Commission, with such right to be exercised by delivery of a Conversion Notice to the Notice Parties for the Series 2008 Bonds of such Series to be converted as follows: (1) at least four Business Days prior to the thirtieth day preceding the effective date of such proposed Conversion, in the event of a Conversion to a Daily Rate, Weekly Rate, Commercial Paper Rate, Index Rate or Auction Period Rate; and (2) at least five Business Days prior to the thirtieth day preceding the effective date of such proposed Conversion, in the event of a Conversion to a Term Rate or a Fixed Rate.

The Conversion Notice must be accompanied by (i) an Opinion of Bond Counsel stating that the Conversion is authorized and permitted under the Indenture and will not, in and of itself, adversely affect
the Tax-Exempt status of the interest on any of the Series 2008 Bonds to be converted, and (ii) a notice of
the new Liquidity Provider, if applicable, and the new 2008 Credit Facility, if at the same time as such
Series 2008 Bonds are being converted there will be a change of Liquidity Provider or 2008 Credit
facility with respect to such bonds.

See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE
INDENTURE”.

Conversion to a different Interest Rate Determination Method means that all Bonds of the Series
being converted must be tendered for purchase on the Conversion Date. See “Mandatory Tender
Provisions” below.

Notice of Conversion. Upon receipt of a Conversion Notice, as soon as possible, but in any event
not less than 30 days prior to the proposed Conversion Date, the Trustee is to give DTC notice by first-
class mail. Conveyance of notices and other communications by DTC to Direct Participants, by Direct
Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial
Owners of Series 2008 Bonds will be governed by arrangements among them, and the Commission
and the Trustee will not have any responsibility or obligation to send a Conversion Notice to Beneficial
Owners of Series 2008 Bonds.

Failure to Convert. The Indenture includes provisions setting forth the procedures and
conditions for the exercise by the Commission of its right of conversion of Series 2008 Variable Rate
Bonds from one Interest Rate Determination Method to another. Under certain circumstances, a planned
conversion may not be completed. However, once a notice of conversion is provided to DTC as described
in the preceding paragraph, all Series 2008 Variable Rate Demand Bonds covered by that notice must be
tendered for purchase (whether or not the planned conversion is completed). See “Funding Optional and
Mandatory Tenders of 2008 Variable Rate Bonds” concerning payment for Series 2008 Variable Rate
Bonds so tendered for purchase.

The Indenture provides that a failed conversion of a Series of 2008 Auction Rate Bonds to
another Interest Rate Determination Method means that the 2008 Auction Rate Bonds of that Series will
continue to bear interest at the Auction Period Rate (but at an Auction Period Rate of the Maximum Rate
for one seven-day Auction Period commencing on the failed Conversion Date), and thereafter such Series
2008 Auction Rate Bonds will continue to have a seven-day Auction Period until it is changed pursuant
to the terms set forth in Appendix J – “COMMISSION AUCTION PROCEDURES”. The Indenture also
provides that there is no mandatory tender if a proposed conversion does not occur.

The Indenture provides that a failed conversion of a Series of 2008 Variable Rate Demand Bonds
to another Interest Rate Determination Method means that the 2008 Variable Rate Demand Bonds of that
Series will continue to bear interest at the Interest Rate Determination Method in effect prior to the
proposed Conversion Date (as if no proceedings for Conversion had taken place) and the rate of interest
thereon shall be determined on the proposed Conversion Date. If the failed conversion is due to
insufficient funds, that interest rate is required by the Indenture to be the lesser of the SIFMA Swap Index
plus 3% and the Maximum Interest Rate of 12% from the date of such failed purchase until all such 2008
Variable Rate Demand Bonds are purchased as required in accordance with the Indenture, and all
tendered 2008 Variable Rate Demand Bonds will be returned to their respective owners. See “Funding
Optional and Mandatory Tenders of 2008 Variable Rate Bonds” below.
Optional Tender Provisions

Auction Rate Bonds

The Series 2008 Bonds bearing interest at an Auction Period Rate are not subject to optional tender by Owners for purchase.

Variable Rate Demand Bonds

The 2008 Variable Rate Demand Bonds (other than 2008 Credit Facility Bonds) bearing interest at a Daily Rate or a Weekly Rate are subject to tender for purchase and remarketing at the option of DTC or the Beneficial Owners of those Bonds, who may elect to have 2008 Variable Rate Demand Bonds (or portions thereof in Authorized Denominations) purchased at a purchase price (the “Purchase Price”) equal to the principal amount thereof, without premium, plus any accrued interest to the Purchase Date. If the Purchase Date occurs before an Interest Payment Date, but after the Record Date applicable to such Interest Payment Date, then accrued interest will be paid to DTC for payment to the Beneficial Owners entitled thereto.

2008 Variable Rate Demand Bonds bearing interest at a Daily Rate may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in immediately available funds, upon (A) delivery by the Owner or the Beneficial Owner of such 2008 Variable Rate Demand Bonds to the Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written or electronic notice by 11:00 A.M. (New York City time) on the Purchase Date, that states the principal amount to be tendered for purchase and the Purchase Date, and (B) delivery of such 2008 Variable Rate Demand Bonds to the Trustee on the Purchase Date in accordance with the Indenture.

2008 Variable Rate Demand Bonds bearing interest at a Weekly Rate may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in immediately available funds, upon (A) delivery by the Owner or the Beneficial Owner of such 2008 Variable Rate Demand Bonds to the Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written or electronic notice by 5:00 P.M. (New York City time) on any Business Day at least seven days prior to the Purchase Date, which states the principal amount of such Series 2008 Bond to be tendered for purchase and the Purchase Date, and (B) delivery of such 2008 Variable Rate Demand Bonds to the Trustee on the Purchase Date in accordance with the Indenture.

Any instrument delivered to the Trustee in accordance with the provisions of the Indenture described above shall be irrevocable with respect to the purchase for which such instrument was delivered and shall be binding upon DTC and any subsequent Beneficial Owner of the 2008 Variable Rate Demand Bonds to which it relates, including any Series 2008 Bond issued in exchange therefore or upon the registration or transfer thereof, and as of the date of such instrument, DTC or the Beneficial Owner shall not have any right to optionally tender for purchase such 2008 Variable Rate Demand Bonds prior to the date of purchase specified in such notice. The Commission, the Remarketing Agent and the Trustee may conclusively assume that any person (other than DTC) providing notice of optional tender pursuant to the Indenture is the Beneficial Owner of the 2008 Variable Rate Demand Bonds to which such notice relates, and none of the Commission, the Remarketing Agent or the Trustee shall assume any liability in accepting such notice from any person whom it reasonably believes to be a Beneficial Owner of 2008 Variable Rate Demand Bonds.

See “Funding Optional and Mandatory Tenders of 2008 Variable Rate Bonds” concerning possible failure to complete the purchase of Series 2008 Variable Rate Demand Bonds tendered for purchase for lack of funds.
Mandatory Tender Provisions

Auction Rate Bonds

The Series 2008 Bonds of each Series bearing interest at an Auction Period Rate will be subject to mandatory tender for purchase at the applicable Purchase Price on the Conversion Date of Bonds of that Series to a new Interest Rate Determination Method specified in a Conversion Notice as described above under “Conversion of Interest Rate Determination Method for 2008 Variable Rate Demand Bonds and 2008 Auction Rate Bonds” above.

Variable Rate Demand Bonds

The Series 2008 Bonds of each Series bearing interest at a Daily Rate or a Weekly Rate will be subject to mandatory tender for purchase at the applicable Purchase Price on the Conversion Date (or on the proposed Conversion Date if the conversion fails to occur) of Bonds of that Series to a new Interest Rate Determination Method specified in a Conversion Notice as described above under “Conversion of Interest Rate Determination Method for 2008 Variable Rate Demand Bonds and 2008 Auction Rate Bonds.”

The Credit Facility is available to be drawn upon to provide funds for the purchase of 2008 Variable Rate Demand Bonds that are not successfully remarketed upon optional tender by Bond owners for purchase and remarketing, and for the purchase of 2008 Variable Rate Demand Bonds that are not successfully remarked upon mandatory tender. The 2008 Variable Rate Demand Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price (i) on the fifth Business Day preceding the scheduled expiration or the termination of the Credit Facility by the Commission, and (ii) on the date of provision of a substitute credit facility and resultant termination of the Credit Facility. No such mandatory tender is required if a substitute credit facility is provided to the Trustee and a Rating Confirmation is delivered by each Rating Agency then rating the Series of Series 2008 Bonds with respect to which the substitute credit facility is being provided. The Trustee is to give DTC at least 15 days’ notice of any such termination, substitution or expiration.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Series 2008 Bonds will be governed by arrangements among them, and the Commission and the Trustee will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2008 Bonds.

The Commission will designate which Series and which maturities of such Series of Series 2008 Bonds bearing interest at a Daily Rate or a Weekly Rate are to be tendered. If less than all of the Series 2008 Bonds of a Series maturing by their terms on any one date are to be tendered at any one time, DTC’s practice is to determine by lot the amount of the interest of each DTC Direct Participant in the Series to be tendered. For purposes of such selection, the Series 2008 Bonds of such Series shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately tendered.

Funding Optional and Mandatory Tenders of 2008 Variable Rate Bonds

The Commission expects funds to be made available to purchase 2008 Variable Rate Demand Bonds and 2008 Auction Rate Bonds tendered for purchase pursuant to the optional and mandatory tender provisions described above by having Remarketing Agents remarket the tendered 2008 Variable Rate
Bonds and having the proceeds applied to purchase the tendered 2008 Variable Rate Bonds. See “REMARKETING AGENTS.”

Payment of the purchase price for any 2008 Variable Rate Demand Bonds tendered for purchase and not successfully remarketed is expected to be paid from amounts advanced under the Credit Facility Agreement as described under “CREDIT FACILITY AND CREDIT FACILITY AGREEMENT.” If insufficient funds are available under the Credit Facility Agreement, the Commission has the option, but no obligation under the Indenture, to pay the shortfall to the Trustee.

The Indenture provides that if sufficient funds are not available for the purchase of all 2008 Variable Rate Demand Bonds tendered or deemed tendered and required to be purchased on any Purchase Date, all Variable Rate Demand Bonds of such Series shall bear interest at the lesser of the SIFMA Swap Index plus 3% and the Maximum Interest Rate from the date of such failed purchase until all such Variable Rate Demand Bonds are purchased as required in accordance with the Indenture, and all tendered Series 2008 Bonds of such Series are returned to their respective Owners. Thereafter, the Trustee is to continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Providers for such 2008 Variable Rate Demand Bonds. The Indenture provides that such failed purchase and return shall not constitute an Event of Default.

The Indenture provides that a failed conversion of a Series of 2008 Auction Rate Bonds to another Interest Rate Determination Method means that the 2008 Auction Rate Bonds of that Series will continue in the Auction Rate Mode in the Auction Period effective prior to the proposed Conversion Date (but at an Auction Period Rate of the Maximum Rate and with a seven-day Auction Period). The Indenture also provides that there is no mandatory tender if a proposed conversion does not occur.

Mechanics and Timing of Optional and Mandatory Tenders

The mechanics and timing of delivery and payment for 2008 Variable Rate Bonds tendered for purchase are addressed in the Indenture. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Mandatory Tender for Commission Purchase of Series 2008 Variable Rate Bonds at Election of Commission

The Series 2008 Bonds of each Series bearing interest at a Daily Rate, a Weekly Rate or an Auction Period Rate are also subject to mandatory tender for purchase by the Commission, in whole or in part (in Authorized Denominations), on any date such Series of Series 2008 Bonds would be subject to optional redemption (each, an “Optional Purchase Date”) at a purchase price equal to the principal amount of such Series of Series 2008 Bonds to be purchased on the Optional Purchase Date, plus accrued interest to the Optional Purchase Date, plus an amount equal to the premium, if any, that would be payable upon the redemption, at the option of the Commission exercised on such Optional Purchase Date, of the Series 2008 Bonds to be purchased (the “Optional Purchase Price”). In the event that the Commission determines to purchase any Series 2008 Bonds of a Series on any Optional Purchase Date, the Commission will provide the Trustee with written notice of such determination at least 45 days prior to the Optional Purchase Date, which notice will specify the Series of Series 2008 Bonds and the principal amount of the Series 2008 Bonds of such Series of each maturity which are to be purchased and the Optional Purchase Date on which such purchase is to occur.

When the Trustee receives notice from the Commission of its determination to purchase Series 2008 Bonds of a Series pursuant the provisions described above, the Trustee shall give notice to DTC, the
Remarketing Agent and the Broker-Dealer, in the name of the Commission, of the mandatory tender for purchase of such Series 2008 Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than 60 nor less than 30 days before the Optional Purchase Date, with a copy to the Auction Agent. Receipt of such notice of mandatory tender for purchase shall not be a condition precedent to the mandatory tender for purchase of the Series 2008 Bonds and failure of DTC to receive any such notice or any defect in such notice shall not affect the validity of the proceedings for the mandatory tender for purchase of such Series 2008 Bonds pursuant to the provisions of the Indenture described herein. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Series 2008 Bonds will be governed by arrangements among them, and the Commission and the Trustee will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2008 Bonds.

If less than all of the Series 2008 Bonds of a Series maturing by their terms on any one date are to be tendered at any one time, DTC’s practice is to determine by lot the amount of the interest of each DTC Direct Participant in the Series to be tendered. For purposes of such selection, the Series 2008 Bonds of such Series shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately tendered. If at the time the Trustee sends any notice of mandatory tender for purchase of any Series 2008 Bonds as described in the preceding paragraph, the Commission has not deposited with the Trustee an amount sufficient to pay the full Optional Purchase Price of such Series 2008 Bonds, or the portions thereof, to be purchased, such notice shall state that such mandatory tender for purchase is conditional upon the receipt by the Trustee on or prior to the Optional Purchase Date fixed for such purchase of moneys sufficient to pay the Optional Purchase Price of such Series 2008 Bonds, or the portions thereof to be purchased, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Commission shall not be required to purchase such Series 2008 Bonds.

Funding for purchases of Series 2008 Bonds pursuant to the mandatory tender at the election of the Commission as described under this heading is not addressed in the Credit Facility Agreement described under “CREDIT FACILITY AND CREDIT FACILITY AGREEMENT” or in the Commission’s agreements with Remarketing Agents for 2008 Variable Rate Demand Bonds or with Broker-Dealers for 2008 Auction Rate Bonds.

CERTAIN CONSIDERATIONS AFFECTING THE 2008 AUCTION RATE BONDS

The initial Broker-Dealer for the 2008 Series B-2 and B-4 Bonds is J.P. Morgan Securities Inc., and the initial broker-dealer for the 2008 Series B-1 and B-3 Bonds is UBS Securities LLC. Under the circumstances provided in the Indenture and the Broker Dealer Agreements, the Commission has the option of appointing other firms to act as broker-dealer with respect to one or more series of the 2008 Auction Rate Bonds which it anticipates doing in the next six months. The Auction Agent for the 2008 Auction Rate Bonds is The Bank of New York.

The Auction Agent and each of the Broker-Dealers have agreed to comply with the Commission’s Auction Procedures. The Commission’s Auction Procedures are set forth in APPENDIX J.

Certain Considerations Affecting Auction Rate Securities

The remaining information under this caption “Certain Considerations Affecting Auction Rate Securities” has been provided by the Broker-Dealers for inclusion in this Official Statement and the Commission makes no representation regarding its completeness or accuracy. The Broker-Dealers have used terms that are defined in Appendix J.
Role of Broker-Dealer

Each Broker-Dealer has been appointed by the issuers or obligors of various auction rate securities to serve as a dealer in the auctions for those securities and is paid by the issuers or obligors for its services. Each Broker-Dealer receives broker-dealer fees from such issuers or obligors at an agreed-upon annual rate that is applied to the principal amount of securities sold or successfully placed through such Broker-Dealer in such auctions.

Each Broker-Dealer is designated in its Broker-Dealer Agreement as the Broker-Dealer to contact Existing Owners and Potential Owners and solicit Bids for the Series 2008 Auction Rate Bonds. Each Broker-Dealer will receive Broker-Dealer fees from the Commission with respect to the Series 2008 Auction Rate Bonds sold or successfully placed through it in Auctions. Each Broker-Dealer may share a portion of such fees with other dealers that submit Orders through it that are filled in the Auction for the Series 2008 Auction Rate Bonds.

Bidding by Broker-Dealers

Each Broker-Dealer is permitted, but not obligated, to submit Orders in Auctions for its own account either as a buyer or a seller and routinely does so in the auction rate securities market in its sole discretion. If a Broker-Dealer submits an Order for its own account, it would have an advantage over other Bidders because the Broker-Dealer would have knowledge of the other Orders placed through it in that Auction and, thus, could determine the rate and size of its Order so as to increase the likelihood that (i) its Order will be accepted in the Auction and (ii) the Auction will clear at a particular rate. For this reason, and because each Broker-Dealer is appointed and paid by the Commission to serve as the Broker-Dealer in the Auctions, the Broker-Dealer’s interests in serving as Broker-Dealer in an Auction may differ from those of Existing Owners and Potential Owners who participate in Auctions. See “Role of Broker-Dealer.” The Broker-Dealer would not have knowledge of Orders submitted to the Auction Agent by any other firm that is, or may in the future be, appointed to accept Orders pursuant to a Broker-Dealer Agreement.

The Broker-Dealers are the only Broker-Dealers currently appointed by the Commission to serve as Broker-Dealer in the Auctions for the 2008 Auction Rate Bonds, and as long as that remains the case they will be the only Broker-Dealers that submit Orders to the Auction Agent in the Auctions for the 2008 Auction Rate Bonds. As a result, in such circumstances, the Broker-Dealers may discern the clearing rate before the Orders are submitted to the Auction Agent and set the clearing rate with their Orders.

The Broker-Dealers routinely place bids in auctions generally for their own respective accounts to acquire securities for their inventory, to prevent an “Auction Failure” (which occurs if there are insufficient clearing bids and results in the auction rate being set at the maximum rate) or to prevent an auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for such securities. Each Broker-Dealer may place one or more Bids in an Auction for its own account, to acquire 2008 Auction Rate Bonds for its inventory, to prevent an Auction Failure or to prevent an Auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for the 2008 Auction Rate Bonds. The Broker-Dealer may place such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. When Bidding in an Auction for the 2008 Auction Rate Bonds for its own account, the Broker-Dealer may also bid inside or outside the range of rates that it posts in its Price Talk. See “Price Talk.”

The Broker-Dealers routinely encourage bidding by others in auctions generally for which it serves as broker-dealer. Each Broker-Dealer also may encourage Bidding by others in Auctions, including to prevent an Auction Failure or to prevent an Auction from clearing at a rate that the Broker-
Dealer believes does not reflect the market for the 2008 Auction Rate Bonds. Each Broker-Dealer may encourage such Bids even after obtaining knowledge of some or all of the other Orders submitted through it.

Bids by a Broker-Dealer or by those it may encourage to place Bids are likely to affect (i) the Auction Rate – including preventing the Auction Rate from being set at the Maximum Rate or otherwise causing Bidders to receive a lower rate than they might have received had the Broker-Dealer not Bid or encouraged others to Bid and (ii) the allocation of the 2008 Auction Rate Bonds being auctioned – including displacing some Bidders who may have their Bids rejected or receive fewer 2008 Auction Rate Bonds than they would have received if the Broker-Dealer had not Bid or encouraged others to Bid. Because of these practices, the fact that an Auction clears successfully does not mean that an investment in the 2008 Auction Rate Bonds involves no significant liquidity or credit risk. The Broker-Dealer is not obligated to continue to place such Bids or to encourage other Bidders to do so in any particular Auction to prevent an Auction from failing or clearing at a rate the Broker-Dealer believes does not reflect the market for the 2008 Auction Rate Bonds. Investors should not assume that the Broker-Dealer will place Bids or encourage others to do so or that Auction Failures will not occur. Investors should also be aware that Bids by a Broker-Dealer or by those it may encourage to place Bids may cause lower Auction Rates to occur.

The statements herein regarding Bidding by a Broker-Dealer apply only to a Broker-Dealer’s auction desk and any other business units of the Broker-Dealer that are not separated from the auction desk by an information barrier designed to limit inappropriate dissemination of bidding information.

In an Auction, if all outstanding 2008 Auction Rate Bonds are the subject of Submitted Hold Orders, the Auction Rate for the next succeeding Auction Period will be the All Hold Rate (such a situation is called an “All Hold Auction”). If a Broker-Dealer holds any 2008 Auction Rate Bonds for its own account on an Auction Date, it is the Broker-Dealer’s practice to submit a Sell Order into the Auction with respect to such 2008 Auction Rate Bonds, which would prevent that Auction from being an All Hold Auction. The Broker-Dealer may, but is not obligated to, submit Bids for its own account in that same Auction, as set forth above.

“Price Talk”

Before the start of an Auction, each Broker-Dealer, in its discretion, may make available to its customers who are Existing Owners and Potential Owners the Broker-Dealer’s good faith judgment of the range of likely clearing rates for the Auction based on market and other information. This is known as “Price Talk.” Price Talk is not a guaranty that the Auction Rate established through the Auction will be within the Price Talk, and Existing Owners and Potential Owners are free to use it or ignore it. The Broker-Dealer may occasionally update and change the Price Talk based on changes in Commission or Bond Insurer credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. Each Broker-Dealer will use its best efforts to communicate this information in a manner reasonably designed to make it available to all Existing Owners and Potential Owners that were given the original Price Talk. Existing Owners and Potential Owners should confirm with the Broker-Dealer the manner by which the Broker-Dealer will communicate Price Talk and any changes to Price Talk.

“All-or-Nothing” Bids

The Broker-Dealer will not accept “all-or-nothing” Bids (i.e., Bids whereby the Bidder proposes to reject an allocation smaller than the entire quantity Bid) or any other type of Bid that allows the Bidder
to avoid Auction Procedures that require the pro rata allocation of 2008 Auction Rate Bonds where there are not sufficient Sell Orders to fill all Bids at the Winning Bid.

No Assurances Regarding Auction Outcomes

The Broker-Dealers provide no assurance as to the outcome of any Auction. The Broker-Dealers also do not provide any assurance that any Bid will be successful, in whole or in part, or that the Auction will clear at a rate that a Bidder considers acceptable. Bids may be only partially filled, or not filled at all, and the Auction Rate on any 2008 Auction Rate Bonds purchased or retained in the Auction may be lower than the market rate for similar investments.

The Broker-Dealers will not agree before an Auction to buy 2008 Auction Rate Bonds from or sell 2008 Auction Rate Bonds to a customer after the Auction.

Deadlines

Each particular Auction has a formal deadline by which all Bids must be submitted by the Broker-Dealer to the Auction Agent. This deadline is called the “Submission Deadline.” To provide sufficient time to process and submit customer Bids to the Auction Agent before the Submission Deadline, each Broker-Dealer imposes an earlier deadline for all customers – called the “Broker-Dealer Deadline” – by which Bidders must submit Bids to the Broker-Dealer. The Broker-Dealer Deadline is subject to change by each Broker-Dealer. The Broker-Dealers will use their best efforts to make this information available by means reasonably expected to reach Existing Owners and Potential Owners. Existing Owners and Potential Owners should consult with the Broker-Dealer as to its Broker-Dealer Deadline. The Broker-Dealer may correct Clerical Errors by the Broker-Dealer after the Broker-Dealer Deadline and prior to the Submission Deadline. The Broker-Dealer may submit Bids for its own account at any time until the Submission Deadline and may change Bids it has submitted for its own account at any time until the Submission Deadline. The Auction Procedures provide that until one hour after the Auction Agent completes the dissemination of the results of an Auction, new Orders can be submitted to the Auction Agent if such Orders were received by the Broker-Dealer or generated by the Broker-Dealer for its own account prior to the Submission Deadline and the failure to submit such Orders prior to the Submission Deadline was the result of force majeure, a technological failure or a Clerical Error. In addition until one hour after the Auction Agent completes the dissemination of the results of an Auction, a Broker-Dealer may modify or withdraw an Order submitted to the Auction Agent prior to the Submission Deadline if the Broker-Dealer determines that such Order contained a Clerical Error. In the event of such a submission, modification or withdrawal the Auction Agent will rerun the Auction, if necessary, taking into account such submission, modification or withdrawal.

Existing Owner’s Ability to Resell Auction Rate Securities May Be Limited

An Existing Owner may sell, transfer or dispose of a 2008 Auction Rate Bond (i) in an Auction for the 2008 Auction Rate Bonds, only pursuant to a Bid or Sell Order in accordance with the Auction Procedures, or (ii) outside an Auction, only to or through the appropriate Broker-Dealer.

Existing Owners will be able to sell all of the 2008 Auction Rate Bonds that are the subject of their submitted Sell Orders only if there are Bidders willing to purchase all those 2008 Auction Rate Bonds in the Auction. If sufficient clearing Bids have not been made, Existing Owners that have submitted Sell Orders will not be able to sell in the Auction all, and may not be able to sell any, of the 2008 Auction Rate Bonds subject to such submitted Sell Orders. As discussed above (see “Bidding by Broker-Dealer”), a Broker-Dealer may submit a Bid in an Auction to avoid an Auction Failure, but it is not obligated to do so. There may not always be enough Bidders to prevent an Auction from failing in the
absence of a Broker-Dealer bidding in the Auction for its own account or encouraging others to bid. Therefore, Auction Failures are possible, especially if the Commission’s or the Bond Insurer’s credit were to deteriorate, if a market disruption were to occur or if, for any reason, the Broker-Dealer were unable or unwilling to bid.

Between Auctions, there can be no assurance that a secondary market for the 2008 Auction Rate Bonds will develop or, if it does develop, that it will provide Existing Owners the ability to resell the 2008 Auction Rate Bonds on the terms or at the times desired by an Existing Owner. Each Broker-Dealer may, in its own discretion, decide to buy or sell the 2008 Auction Rate Bonds in the secondary market for its own account to or from investors at any time and at any price, including at prices equivalent to, below, or above the par value of the 2008 Auction Rate Bonds. However, neither Broker-Dealer is obligated to make a market in the 2008 Auction Rate Bonds, and may discontinue trading in the 2008 Auction Rate Bonds without notice for any reason at any time. Existing Owners who resell between Auctions may receive less than par value, depending on market conditions.

If an Existing Owner purchased a 2008 Auction Rate Bond through a dealer which is not the Broker-Dealer for the 2008 Auction Rate Bonds, such Existing Owner’s ability to sell its 2008 Auction Rate Bond may be affected by the continued ability of its dealer to transact trades for the 2008 Auction Rate Bonds through the Broker-Dealer.

The ability to resell the 2008 Auction Rate Bonds will depend on various factors affecting the market for the 2008 Auction Rate Bonds, including news relating to the Commission or the Bond Insurer, the attractiveness of alternative investments, investor demand for short term securities, the perceived risk of owning the 2008 Auction Rate Bonds (whether related to credit, liquidity or any other risk), the tax or accounting treatment accorded the 2008 Auction Rate Bonds (including U.S. generally accepted accounting principles as they apply to the accounting treatment of auction rate securities), reactions of market participants to regulatory actions (such as those described in “Securities and Exchange Commission Settlements,” below) or press reports, financial reporting cycles and market conditions generally. Demand for the 2008 Auction Rate Bonds may change without warning, and declines in demand may be short-lived or continue for longer periods.

**Resignation of the Auction Agent or the Broker-Dealer Could Impact the Ability to Hold Auctions**

The Auction Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving at least 90 days’ notice provided that a successor Auction Agent has been appointed or 30 days’ notice, if it has not been paid (even if a successor Auction Agent has not been appointed). Each Broker-Dealer Agreement provides that the Broker-Dealer may resign upon 30 Business Days’ notice or suspend its duties immediately, in certain circumstances, and does not require, as a condition to the effectiveness of such resignation or suspension, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent or Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on the 2008 Auction Rate Bonds will be determined as set forth in APPENDIX J – “COMMISSION AUCTION PROCEDURES.”

**Securities and Exchange Commission Settlements**

On May 31, 2006, the U.S. Securities and Exchange Commission (the “SEC”) announced that it had settled its investigation of fifteen firms, including J.P. Morgan Securities Inc.(the “Settling Broker-Dealers”), that participate in the auction rate securities market regarding their respective practices and
procedures in this market. The SEC alleged in the settlement that the firms had managed auctions for auction rate securities in which they participated in ways that were not adequately disclosed or that did not conform to disclosed auction procedures. As part of the settlement, the Settling Broker-Dealers agreed to pay civil penalties. In addition, each Settling Broker-Dealer, without admitting or denying the SEC’s allegations, agreed to provide to customers written descriptions of its material auction practices and procedures, and to implement procedures reasonably designed to detect and prevent any failures by that Settling Broker-Dealer to conduct the auction process in accordance with disclosed procedures. No action was taken by the SEC against UBS Securities LLC (“UBS”) and UBS is not aware of any ongoing inquiries on this matter related to UBS.

In addition on January 9, 2007, the SEC announced that it had settled its investigation of three banks, including The Bank of New York (the “Settling Auction Agents”), that participate as auction agents in the auction rate securities market, regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the Settling Auction Agents allowed broker-dealers in auctions to submit bids or revise bids after the submission deadlines and allowed broker-dealers to intervene in auctions in ways that affected the rates paid on the auction rate securities. As part of the settlement, the Settling Auction Agents agreed to pay civil penalties. In addition, each Settling Auction Agent, without admitting or denying the SEC’s allegations, agreed to provide to broker-dealers and issuers written descriptions of its material auction practices and procedures and to implement procedures reasonably designed to detect and prevent any failures by that Settling Auction Agent to conduct the auction process in accordance with disclosed procedures.

CERTAIN CONSIDERATIONS AFFECTING THE 2008 VARIABLE RATE DEMAND BONDS

The initial Remarketing Agent for the 2008 Series A-1 Bonds is Lehman Brothers Inc. and the initial Remarketing Agent for the 2008 Series A-2 Bonds is Goldman, Sachs & Co. (each a “Remarketing Agent” and collectively the “Remarketing Agents”).

Each of the Remarketing Agents has agreed to comply with the Commission’s Variable Rate Demand Bond procedures, which are included in the Indenture. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The Remarketing Agents also have internal practices and procedures pertaining to variable rate demand securities. The resale of 2008 Variable Rate Bonds and the rates of interest thereon may be affected by those practices and procedures.

Remarketing Agent Practices and Procedures

The remaining information under this caption “Remarketing Agent Practices and Procedures” has been provided by the Remarketing Agents for inclusion in this Official Statement and the Commission makes no representation regarding its completeness or accuracy. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” The Remarketing Agents are Paid by the Issuer

The Remarketing Agents’ responsibilities include determining the interest rate from time to time and remarketing 2008 Variable Rate Demand Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agents are appointed by the Commission and are paid by the Commission for their services. As a result, the interests of the Remarketing Agents may differ from those of existing holders and potential purchasers of 2008 Variable Rate Demand Bonds.
Under Certain Circumstances, the Remarketing Agents May Be Removed, Resign or Cease Remarketing the 2008 Variable Rate Demand Bonds, Without a Successor Being Named

Under certain circumstances each Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

The Remarketing Agents Routinely Purchase 2008 Variable Rate Demand Bonds for Their Own Accounts

Each Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account in order to achieve a successful remarketing of the obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. Each Remarketing Agent is permitted, but not obligated, to purchase tendered 2008 Variable Rate Demand Bonds for its own account and, if it does so, it may cease doing so at any time without notice. Each Remarketing Agent may also make a market in the 2008 Variable Rate Demand Bonds by routinely purchasing and selling 2008 Variable Rate Demand Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agents are not required to make a market in the 2008 Variable Rate Demand Bonds. Each Remarketing Agent may also sell any 2008 Variable Rate Demand Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2008 Variable Rate Demand Bonds. The purchase of 2008 Variable Rate Demand Bonds by the Remarketing Agents may create the appearance that there is greater third party demand for the 2008 Variable Rate Demand Bonds in the market than is actually the case. The practices described above also may result in fewer 2008 Variable Rate Demand Bonds being tendered in a remarketing.

2008 Variable Rate Demand Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date

Pursuant to the Remarketing Agreement, each Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2008 Variable Rate Demand Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the 2008 Variable Rate Demand Bonds (including whether the Remarketing Agent is willing to purchase 2008 Variable Rate Demand Bonds for its own account). There may or may not be Bonds tendered and remarked on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2008 Variable Rate Demand Bonds tendered for purchase on such date at par and the Remarketing Agents may sell 2008 Variable Rate Demand Bonds at varying prices to different investors on such date or any other date. The Remarketing Agents are not obligated to advise purchasers in a remarketing if they do not have third party buyers for all of the 2008 Variable Rate Demand Bonds at the remarketing price. In the event a Remarketing Agent owns any Series 2008 Variable Rate Demand Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2008 Variable Rate Demand Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the 2008 Variable Rate Demand Bonds other than through Tender Process May Be Limited

The Remarketing Agent may buy and sell 2008 Variable Rate Demand Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without
notice and may require holders that wish to tender their 2008 Variable Rate Demand Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2008 Variable Rate Demand Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008 Variable Rate Demand Bonds other than by tendering the 2008 Variable Rate Demand Bonds in accordance with the tender process.

General

The initial Credit Facility for the 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds will be provided pursuant to the Credit Facility Agreement between the Commission and ______________ (the "Credit Bank").

References in the description below to the 2008 Variable Rate Demand Bonds mean the applicable Series of 2008 Variable Rate Demand Bonds supported by the Credit Facility Agreement. References in the description below to the Liquidity Providers mean the Liquidity Providers that are party to the Credit Facility Agreement. References in the description below to the Bond Insurance Policy mean the Bond Insurance Policy. References in the description below to the Insurer mean [BOND INSURER].

Payment of the Purchase Price for the 2008 Variable Rate Demand Bonds tendered for purchase or subject to mandatory purchase in accordance with the Indenture and not remarketed are expected to be paid from amounts advanced under the Credit Facility Agreement. Under the Credit Facility Agreement (and subject to the terms and conditions specified in the Credit Facility Agreement) the Liquidity Providers have agreed to purchase the 2008 Variable Rate Demand Bonds that have not been remarketed. The Credit Facility Agreement will expire on ______, 20__, unless it is terminated earlier or unless it is extended. See “DESCRIPTION OF THE SERIES 2008 BONDS” and “ADDITIONAL TERMS OF SERIES 2008 VARIABLE RATE BONDS.”

Under certain circumstances described under “DESCRIPTION OF THE SERIES 2008 BONDS” and “ADDITIONAL TERMS OF SERIES 2008 VARIABLE RATE BONDS,” and as described below, the obligation of the Liquidity Providers to purchase 2008 Variable Rate Demand Bonds tendered by DTC and the Beneficial Owners thereof or subject to mandatory purchase may be terminated or suspended without a purchase by the Liquidity Providers. In such event, sufficient funds may not be available to purchase 2008 Variable Rate Demand Bonds tendered by DTC and the Beneficial Owners thereof or subject to mandatory purchase. In addition, the Credit Facility Agreement does not provide security for the payment of principal of or interest on the 2008 Variable Rate Demand Bonds.

Purchase of Tendered 2008 Variable Rate Demand Bonds by the Liquidity Providers

The Liquidity Provider for a Series of 2008 Variable Rate Demand Bonds has agreed to purchase during the Availability Period for such Series of 2008 Variable Rate Demand Bonds, eligible 2008 Variable Rate Demand Bonds which have been tendered for optional purchase or which are subject to mandatory purchase and which are not remarketed (when remarketing is permitted or required) as provided in the Indenture. See “DESCRIPTION OF THE SERIES 2008 BONDS” and “ADDITIONAL TERMS OF SERIES 2008 VARIABLE RATE BONDS.” The Availability Period for a Series of 2008 Variable Rate Demand Bonds begins on the date the Credit Facility Agreement shall become effective and ends on the earliest of (a) ______, 20__; (b) 12:00 noon (New York time) on the day 15 days after the Commission gives written notice to the agent of the Liquidity Providers that the Commission elects to terminate the Credit Facility Agreement as to such Series of 2008 Variable Rate Demand Bonds; (c) the date on which such Series of 2008 Variable Rate Demand Bonds cease to bear interest at either a Daily Rate, Weekly Rate or a combination thereof; (d) the date on which the Commission delivers to the
Trustee an alternate or substitute credit facility for such Series of 2008 Variable Rate Demand Bonds; (e) the date on which such Series of 2008 Variable Rate Demand Bonds are no longer outstanding; and (f) the occurrence of a termination event under the Credit Facility Agreement. The price to be paid by a Liquidity Provider for 2008 Variable Rate Demand Bonds supported by such Liquidity Provider will be equal to the aggregate principal amount of such 2008 Variable Rate Demand Bonds (up to the relevant Available Principal Commitment) plus interest accrued thereon but unpaid (up to the relevant Available Interest Commitment) to the date of such purchase, without premium.

**Events of Default, Suspension and Termination**

The remedies upon the occurrence of an event of default, suspension or termination under the Credit Facility Agreement differ significantly and depend upon the nature of the particular event of default. See “Consequences of Events of Default, Suspension and Termination” below. Each of the following is an “event of default,” a “suspension event” or a “termination event” under the Credit Facility Agreement:

[to be provided]

**Consequences of Events of Default, Suspension and Termination**

[to be provided]

**Extension, Reduction, Adjustment or Termination of Credit Facility**

The Credit Facility Agreement is to expire on ______, 20__, unless terminated or extended for additional periods by mutual agreement of the Commission and the Liquidity Providers. [to be provided]

**Limitations of Credit Facility Agreement**

The ability of the Trustee to obtain funds under the Credit Facility Agreement in accordance with its terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing Liquidity Providers may prevent or restrict payment under the Credit Facility Agreement. To the extent the short-term rating on the 2008 Variable Rate Demand Bonds depends in any manner on the rating of the Liquidity Providers, the short-term ratings on the 2008 Variable Rate Demand Bonds could be downgraded or withdrawn if one or more or the Liquidity Providers were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Credit Facility Agreement.

The obligations of the Liquidity Providers under the Credit Facility Agreement to purchase unremarketed 2008 Variable Rate Demand Bonds are subject to the conditions and limitations set forth therein, and are also subject to all rights and defenses available to contracting parties generally. The Credit Facility Agreement is not a guaranty to pay the purchase price of the 2008 Variable Rate Demand Bonds tendered for purchase. The Credit Facility Agreement is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of the 2008 Variable Rate Demand Bonds should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty. The following is included as a summary of selected differences and does not purport to be complete or definitive.

In general, a letter of credit is an independent, special contract by a bank to pay a third party such as a bond trustee holding the letter of credit for the benefit of owners of bonds. Banks are required by law to honor their letters of credit except in specified circumstances. If a dispute were to develop between a
bank and its borrower, except in limited circumstances, the dispute should not jeopardize payment under the letter of credit because (a) the letter of credit would be independent of the disputed contract between the borrower and the bank and (b) the beneficiary of the letter of credit (typically, the bond trustee) would have direct rights under the letter of credit. Further, although there are defenses to payment of letters of credit, such defenses are limited by law to specified circumstances.

In contrast, the Credit Facility Agreement is a general contract only. No law expressly requires performance of the contract, although the nonbreaching party would be entitled to allowable damages if there were a breach of contract. Although the Trustee is authorized to draw funds in accordance with the Credit Facility Agreement, the Liquidity Providers have no independent obligation to the Trustee. If a dispute were to develop, the Liquidity Providers will have all defenses allowed by law or in equity to their payment under or other performance of the Credit Facility Agreement, including but not limited to disputes (whether valid or not) regarding the Commission of any party to enter into or perform the Credit Facility Agreement. More of such defenses are allowed by laws regarding contracts than by laws regarding letters of credit.

The Liquidity Providers or the Commission may seek to have any future dispute resolved in court and appealed to final judgment before any such party performs under the Credit Facility Agreement. Further, even if the Commission were to prevail against the Liquidity Providers, a court would not necessarily order the Liquidity Providers to perform under the Credit Facility Agreement; it could instead award damages for breach of contract to the Commission. Any such award would not necessarily be sufficient to pay the purchase price of the 2008 Variable Rate Demand Bonds.

REMARKETING AGENTS

The Commission has entered into a Remarketing Agreement covering each Series of the 2008 Variable Rate Demand Bonds with the Remarketing Agent for such Series as shown in the Summary of Offering beginning on the inside cover page. Each Remarketing Agent undertakes, among other things, to use its best efforts to remarket 2008 Variable Rate Demand Bonds of the Series assigned to it that are tendered for purchase. The Commission or the Remarketing Agent may terminate the Remarketing Agreement under the circumstances and in the manner described in the Remarketing Agreement, in which case the Commission expects to appoint a replacement remarketing agent in accordance with the Indenture.

BROKER-DEALERS AND AUCTION AGENT

The Commission has entered into a Broker-Dealer Agreement covering each Series of the 2008 Auction Rate Bonds with the Broker-Dealer for such Series as shown in the Summary of Offering beginning on the inside cover page. Each Broker-Dealer undertakes, among other things, to act as Broker-Dealer for the related Series 2008 Bonds in accordance with the Indenture. The Commission or the Broker-Dealer may terminate the Broker-Dealer Agreement under the circumstances and in the manner described in the Broker-Dealer Agreement, in which case the Commission expects to appoint a replacement broker-dealer in accordance with the Indenture.

____________________ will act as initial Auction Agent (the “Auction Agent”) for all of the 2008 Auction Rate Bonds.
RISK FACTORS

Economy of the County and the State

The Series 2008 Bonds are secured by a pledge of Sales Tax Revenues, which consist of the Sales Tax less an administrative fee paid to the BOE. The level of Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the County, which level of retail sales is, in turn, dependent upon the level of economic activity in the County and in the State generally. As a result, any substantial deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of Sales Tax Revenues and therefore upon the ability of the Commission to pay principal of and interest on the Series 2008 Bonds. For information relating to current economic conditions within the County and the State see APPENDIX B - “INFORMATION REGARDING THE COUNTY OF SAN DIEGO.”

The Sales Tax

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. For a further description of the Sales Tax, see “THE SALES TAX.”

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act (“Proposition 218”). Proposition 218 added Articles XIIIC and XIIID to the California Constitution. Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Commission. The Sales Tax received the approval of more than 2/3 of the voters as required by Article XIIIC. However, Article XIIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized taxes. In the opinion of the Commission, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the Sales Tax in a manner which would prevent the payment of debt service on the Series 2008 Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts.

Further Initiatives

Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, which may affect the Commission’s ability to levy and collect the Sales Tax.

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the Series 2008 Bonds in the event of a default in the payment of principal and interest on the Series 2008 Bonds when due. In the event of a default by the Commission, each Holder of a Series 2008 Bond will have the rights to exercise the remedies, subject to the limitations thereon, set forth in the Indenture.” See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”
Loss of Tax Exemption

As discussed under “TAX MATTERS,” interest on the Series 2008 Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2008 Bonds, as a result of acts or omissions of the Commission subsequent to the issuance of the Series 2008 Bonds. Should interest become includable in federal gross income, the Series 2008 Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption.

Limitations of Credit Facility and Related Risks

The ability to obtain funds under the Credit Facility in accordance with its terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions may prevent or restrict payment under the Credit Facility. The ratings on the 2008 Variable Rate Demand Bonds depends on the ratings of the provider of the Credit Facility; accordingly, the ratings on the 2008 Variable Rate Demand Bonds could be downgraded or withdrawn if the provider of the Credit Facility were to be downgraded, placed on credit watch or have its credit suspended or withdrawn or were to refuse to honor draws under the Credit Facility.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or, to the best knowledge of the Commission, threatened against the Commission concerning the validity of the Series 2008 Bonds. The Commission is not aware of any litigation pending or threatened against the Commission questioning the political existence of the Commission or contesting the Commission’s ability to impose and collect the Sales Tax.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2008 Bonds is less than the amount to be paid at maturity of such Series 2008 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2008 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2008 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2008 Bonds is the first price at which a substantial amount of such maturity of the Series 2008 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2008 Bonds accrues daily over the term to maturity of such Series 2008 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2008 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or
payment on maturity) of such Series 2008 Bonds. Owners of the Series 2008 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2008 Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2008 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2008 Bonds is sold to the public.

Series 2008 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2008 Bonds. The Commission has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2008 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2008 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2008 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2008 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2008 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008 Bonds may otherwise affect a beneficial owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2008 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court heard an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2008 Bonds. Prospective purchasers of the Series 2008 Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.
The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Series 2008 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Commission, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Commission has covenanted, however, to comply with the requirements of the Code.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. Bond Counsel is not obligated to defend the Owners regarding the tax-exempt status of the Series 2008 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Commission and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Commission legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2008 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2008 Bonds, and may cause the Commission or the beneficial owners to incur significant expense.

LEGAL MATTERS

The validity of the Series 2008 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Commission by its general counsel and by Nossaman, Guthner, Knox & Elliott, LLP, as Disclosure Counsel, for the Underwriters by their counsel, Nixon Peabody LLP, and for the Liquidity Providers by their counsel, ________________.

RATINGS

Variable Rate Demand Bonds

Moody’s Investors Service and Standard & Poor’s Ratings Services are expected to assign ratings on the 2008 Variable Rate Demand Bonds of “_____” and “_____,” respectively. The ratings on the 2008 Variable Rate Demand Bonds are based upon the delivery concurrently with the delivery of the 2008 Variable Rate Demand Bonds of the Credit Facility. Moody’s Investors Service and Standard & Poor’s Ratings Services have assigned the 2008 Variable Rate Demand Bonds underlying ratings of “__” and “__,” respectively.

Auction Rate Bonds

Moody’s Investors Service and Standard & Poor’s Ratings Services are expected to assign ratings on the 2008 Auction Rate Bonds of “Aaa” and “AAA,” respectively. The long-term ratings on the 2008 Auction Rate Bonds are based upon the delivery concurrently with the delivery of the 2008 Auction Rate Bonds of the Bond Insurance Policy. Moody’s Investors Service, and Standard & Poor’s Ratings Services have assigned the 2008 Auction Rate Bonds underlying ratings of “__” and “__,” respectively.
Meaning of Ratings

The ratings described above reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, Inc., 7 World Trade Center, 23rd Floor, New York, New York 10007; and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of such Series 2008 Bonds.

UNDERWRITING

Variable Rate Demand Bonds

The Commission expects to enter into a Purchase Contract (the “VRDB Purchase Contract”) with respect to the 2008 Variable Rate Demand Bonds with Lehman Brothers Inc. on behalf of itself and as the representative of Goldman, Sachs & Co. (collectively, the “VRDB Underwriters”) pursuant to which the VRDB Underwriters will agree, subject to certain conditions, to purchase the 2008 Variable Rate Demand Bonds for reoffering at a purchase price of $__________, which represents the aggregate principal amount of the 2008 Variable Rate Demand Bonds less an underwriters’ discount of $__________.

The VRDB Underwriters will purchase all of the 2008 Variable Rate Demand Bonds if any are purchased. The VRDB Underwriters will agree to make a public offering of the 2008 Variable Rate Demand Bonds at par.

Auction Rate Bonds

The Commission expects to enter into a Purchase Contract (the “ARB Purchase Contract”) with respect to the 2008 Auction Rate Bonds with J.P. Morgan Securities Inc. on behalf of itself and as the representative of UBS Securities LLC (collectively, the “ARB Underwriters”) pursuant to which the ARB Underwriters will agree, subject to certain conditions, to purchase the 2008 Auction Rate Bonds for reoffering at a purchase price of $__________, which represents the aggregate principal amount of the 2008 Series B Bonds less an underwriter’s discount of $__________.

The ARB Underwriters will purchase all of the Series 2008 Auction Rate Bonds if any are purchased. The ARB Underwriters will agree to make a public offering of the 2008 Auction Rate Bonds at par.

FINANCIAL ADVISOR

The Commission has retained Public Financial Management Inc., Newport Beach, California, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Series 2008 Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

RELATIONSHIP OF CERTAIN PARTIES

[to be completed upon selection of CREDIT BANK]
FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS

Financial information relating to the Commission is included in the Commission’s Audited Financial Statements For Year Ended June 30, 2007. The Commission’s Audited Financial Statements For Fiscal Year Ended June 30, 2007 are included as part of Appendix A. The financial statements of the Commission as of June 30, 2007 included in Appendix A in this Official Statement, have been audited by Caporicci and Larson, Certified Public Accountants, as stated in their report appearing in Appendix A. The Commission represents that there has been no material adverse change in its financial position since June 30, 2007.

CONTINUING DISCLOSURE

The Commission has covenanted for the benefit of the Owners and Beneficial Owners of the 2008 Auction Rate Bonds to cause to be provided annual reports to each nationally recognized municipal securities information repository or the Municipal Securities Rulemaking Board and any public or private repository or entity designated by the State as a state repository (each a “Repository”) for purposes of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”), including its audited financial statements and certain operating and other information as described in the Continuing Disclosure Agreement. The Commission will, or will upon written direction cause the Dissemination Agent to, not later than nine (9) months after the end of the Commission’s fiscal year (presently June 30), commencing with the report for fiscal year ending June 30, 2008, provide to each Repository an annual report pursuant to the requirements of the Continuing Disclosure Agreement.

The Commission has covenanted to provide, or cause to be provided, to each Repository in a timely manner notice of the following “Listed Events” if determined by the Commission to be material: (1) principal and interest payment delinquencies, (2) non-payment related defaults, (3) unscheduled draws on the debt service reserves reflecting financial difficulties, (4) unscheduled draws on credit enhancements reflecting financial difficulties, (5) substitution of credit or liquidity providers, or their failure to perform, (6) adverse tax opinions or events adversely affecting the tax-exempt status of any Series 2008 Bonds, (7) modifications to rights of Owners of any Series 2008 Bonds, (8) optional, contingent or unscheduled bond calls, (9) defeasances, (10) release, substitution or sale of property securing repayment of any Series 2008 Bonds and (11) rating changes. These covenants have been made in order to assist the Underwriters in complying with Rule. The Commission has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events. See APPENDIX F - “FORM OF CONTINUING DISCLOSURE AGREEMENT.”
MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Commission and holders of any of the Series 2008 Bonds. All quotations from and summaries and explanations of the Indenture, and of other statutes and documents contained herein, do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion are intended as such and not as representations of fact.

The execution and delivery of this Official Statement by the Executive Director of the Commission has been duly authorized by the Commission.

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: /s/Gary L. Gallegos
   Executive Director
APPENDIX A

SAN DIEGO REGIONAL TRANSPORTATION COMMISSION
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
SAN DIEGO COUNTY
REGIONAL TRANSPORTATION
COMMISSION
(A Component Unit of the San Diego
Association of Governments)
San Diego, California

Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Prepared by:
Finance Department
# TABLE OF CONTENTS

## INTRODUCTORY SECTION
- Letter of Transmittal
- SANDAG Board of Directors
- SANDAG Executive Staff

## FINANCIAL SECTION
- Independent Auditors’ Report
- Management’s Discussion and Analysis (Required Supplementary Information)
- Basic Financial Statements:
  - Government-Wide Financial Statements:
    - Statement of Net Assets
    - Statement of Activities
  - Fund Financial Statements:
    - Balance Sheet-Governmental Funds
    - Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets
    - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds
    - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
  - Notes to the Basic Financial Statements
- Required Supplementary Information:
  - Sales Tax Projects Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
- Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit Financial Statements Performed in Accordance with Government Auditing Standards

---

A-6
This page intentionally left blank.
November 20, 2007

Honorable Chair and Members
of the Board of Directors
San Diego County Regional Transportation Commission

We are pleased to present the basic financial statements of the San Diego County Regional Transportation Commission (Commission), a component unit of the San Diego Association of Governments (SANDAG), for the fiscal year ended June 30, 2007. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Commission. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Commission. Also included herein is other supplementary information. All disclosures necessary to enable the reader to gain an understanding of the Commission’s financial activities have been included.

The basic financial statements are presented in two sections: Introductory and Financial. The Introductory section includes this letter of transmittal, a list of the SANDAG Board of Directors, and a list of the SANDAG executive staff. The Financial section consists of the basic financial statements, notes to the basic financial statements, required supplementary information, and the independent auditors’ report.

Reporting Entity
SANDAG is the region’s council of governments (COG). Local elected officials throughout the United States have joined together to form similar COGs to deal cooperatively with issues which go beyond jurisdictional boundaries, such as transportation, growth management, environmental quality, and public facility needs. SANDAG is a statutorily created agency, codified in California State law. Voting among the agency’s 18 cities and county government is based upon both membership and the population of each jurisdiction, providing for an equitable representation of the region’s residents. The California Department of Transportation (Caltrans), the U.S. Department of Defense, the San Diego Unified Port District, Metropolitan Transit System (MTS), North County Transit District (NCTD), San Diego County Water Authority, Imperial County, and Tijuana/Baja California Norte are non-voting advisory members of SANDAG.
SANDAG traces its origins to the 1960s as local planners and decision-makers saw the need for coordinated efforts to solve a growing list of regional issues. In 1972, a Joint Powers Agreement was formalized among local governments, creating a council of governments, then known as the Comprehensive Planning Organization, with independent staffing and cooperative financing from the local members and project grants from state and federal agencies. In 1980, the name was changed from the Comprehensive Planning Organization to the San Diego Association of Governments to better reflect the agency's purpose. In 2003, Senate Bill 1703, as amended by Assembly Bill 361, called for the consolidation of all the roles and responsibilities of SANDAG with certain transit functions of the Metropolitan Transit System and the North County Transit District. SANDAG is now responsible for transit planning, programming, project implementation, and construction of transit projects in the region. The new consolidated SANDAG streamlines regional decision-making to improve the transportation system, protects open space and habitat, bolsters our infrastructure, and sustains our quality of life. SANDAG’s Board of Directors also serves as the Commission’s Board of Directors. The Commission is responsible for the implementation and administration of transportation improvement programs funded by the San Diego countywide one half percent sales tax. This tax became effective on April 1, 1988, as a result of the passage of Proposition A – The San Diego County Transportation Improvement Program. The sales tax funds are used for highway, public transit, and local streets and road improvements. Over $2 billion in 1986 dollars, or $4.8 billion in future dollars, are expected to be generated in sales tax revenues over the 20-year period. This program is now known as TransNet. The Commission is authorized to issue limited tax bonds payable from the sales tax receipts, the proceeds of which can be used to finance approved highway, transit, and local street and road projects.

In November 2004, the voters of San Diego County extended the one half cent sales tax another 40 years to 2048. The extension of TransNet will help SANDAG jump-start several transportation improvements during the next five to six years that are included in the voter-approved TransNet Extension Ordinance.

Geography
The San Diego region is nestled in the most southwest corner of the United States. It is a region filled with beautiful landscapes, a diversifying economy, and an unmatched quality of life for its three million residents. About the size of the State of Connecticut, the region encompasses 4,255 square miles, extending 70 miles along the Pacific Coast from the international border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form our region’s northern boundary.

The topography of the region varies from broad coastal plains to fertile inland valleys and mountain ranges to the east, rising to an elevation of 6,500 feet. The eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of the region. The climate is Mediterranean in the coastal and valley areas where most of the population and resources are located. Average annual rainfall on the coastal plain is approximately ten inches. The San Diego region also is one of the most biologically diverse areas in the nation.

Cultural and Educational Attractiveness
The San Diego region has matured as a center for culture and education. San Diegans now boast about their two Tony Award winning theaters, The Globe Theatre and La Jolla Playhouse. In addition, with the San Diego Opera, the San Diego Symphony, and more than 90 museums for the enjoyment of both locals and visitors, the region has an abundance of cultural activities. Higher education is provided through numerous colleges and universities. The University of California, San Diego, is internationally recognized for excellence in higher education and scientific research.

San Diego State University is the oldest and largest higher education institution. The University of San Diego, a private institution, is a highly respected law school and the California State University at San Marcos is the region’s fastest-growing college both in students and curricula.

The San Diego region continues to be a premier destination for visitors from all over the world. The region’s warm climate, proximity to Mexico, and abundant facilities and attractions power the visitor industry. The region has
hosted the 1988, 1998, and 2004 Super Bowls, and the 1998 World Series. The San Diego Convention Center’s size, bayside location, and proximity to the popular Gaslamp district in downtown San Diego enable the region to compete with Los Angeles and San Francisco in attracting the nation’s largest conventions and trade shows. In addition, San Diego now has a baseball-only ballpark downtown that is serving as another visitor magnet and is stimulating a billion dollar renaissance in the surrounding area.

Demographics
According to SANDAG’s Population and Housing Estimates for January 1, 2007, the San Diego region is home to nearly 3.1 million people and approximately 1.5 million jobs. While the majority of the population is non-Hispanic Whites (52 percent), the Hispanic population has been growing rapidly, increasing by 156,000 people from 2000 to 2007, representing 29 percent of the total population in 2007. Of the total population, 5 percent identify themselves as non-Hispanic Blacks, and the remaining 14 percent of the population identify themselves as non-Hispanic Asian, Native Hawaiian and Pacific Islander, American Indian, other, or two or more races (see Figure 1). The median household income in the region is estimated to be $68,388 (in current 2007 dollars); with the median age at 35.0 years old.

![Figure 1: Population by Race and Ethnicity, 2007 Estimate](image)


Economic Summary and Outlook

California Budget Outlook
One of the most talked about and written about problems in California over the past few years has been the state’s budget deficit. The performance of regional economies in the state, including San Diego’s, is linked directly to the State of California’s fiscal health. Consequently, the state’s budget crisis is likely contributing to the slower rates of growth San Diego has recorded over the past couple of years. As reported in FY06s Transmittal Letter, California’s budget problems are improving. During 2003, it was estimated that the state was facing a potential budget shortfall of over $36 billion made up of $22 billion in accumulated debt and an estimated $14 billion operating or structural deficit. Steps have been implemented to reduce the deficit, including refinancing the accumulated debt, taking advantage of lower interest rates, and reforming the workers’ compensation program. The 2007-2008 budget shows that California would conclude the budget year with a General Fund surplus (reserve) of more than $4 billion. However, according to the state’s Legislative Analyst’s Office, after this one year of reprieve, California would again face operating shortfalls in the range of $4.5 billion to $5 billion during the next two fiscal years. Although the state is projected to face future budget shortfalls, the gap has been reduced, and under the leadership of Governor Schwarzenegger, the state is working to completely close the budget shortfall.
Additional recent changes that have improved the fiscal stability of local government include: during 2004, the governor supported, and the voters approved, a ballot measure designed to protect local government revenues from the state using these funds to pay for the state’s budget problems; during 2006, the governor supported, and voters approved, a slate of propositions totaling over $37 billion; among them Proposition 1A provides greater assurance that sales tax funds from gasoline sales are allocated to support transportation projects and needs; and Proposition 1B provides nearly $20 billion in bond funds to pay for improving highway safety, traffic reduction, air quality, and port security. The first allocation of funds from Proposition 1B has taken place and San Diego will receive more than $450 million for local transportation projects.

**San Diego Economic Summary, Background, and Outlook**

Historically, the San Diego region has enjoyed strong economic growth, keeping up with, and at times outpacing the State of California and the nation (see chart below). The San Diego Region’s Gross Regional Product (GRP), an estimate of the total value of goods and services produced in a region, is estimated at $153.7 billion at the close of 2006. During 2006, local GRP (adjusted for inflation) rose 2.6 percent, slightly slower than the nation’s 3.3 percent increase, the difference related primarily to a cooling housing market and higher rates of inflation locally.

![Rates of Change in Gross Products (2005$)](chart)

Over the longer term, the strength of the local economy today is due, in part, to significant changes that took place during the second half of the decade in the 1990s. The San Diego region underwent a fundamental restructuring process after a period of recession in the early 1990s that increased economic diversity and strengthened local industry. A restructured local economy emerged from the recession, one better able to adapt and compete in the global marketplace. The economy is now centered on nationally and internationally competitive industries and a growing recognition that our region must supply the linkages and infrastructure that support these industries. Today’s leading sectors are no longer located solely in the defense and manufacturing industries. As a result, local economic policies have adapted and now focus on a broader range of sectors that drive the local economy – known as traded employment clusters. Traded employment clusters are the engines of economic activity, capable of setting the pace of economic growth, producing high-paying jobs, and producing a rising standard of living for the region. Traded employment clusters are groups of complementary, competing, and interrelated industries that drive wealth creation in a region, primarily through the export of goods and services. These traded clusters have led the local economic resurgence, and some of them contain many of our highest paying job opportunities that are part of the region’s emerging growth technology businesses, including biotechnology, biomedical instruments, telecommunications, software, semiconductor and computer networks, defense manufacturing, and environmental technology.

The San Diego region has become a prominent example of an emerging “high-tech” economy in the nation. San Diego now exhibits characteristics which include decreased reliance on traditional durable goods manufacturing and increased reliance on knowledge-based and other wealth-generating activities. Because of the changing and volatile nature of both the state and national economies, traded clusters are likely to continue to be the leaders in economic growth. The region has many of the characteristics and opportunities necessary for these important clusters to succeed: excellent education and training facilities, world class research institutes, mild...
climate, coastal location, innovative culture, and an increasingly skilled labor force. All of these factors help create synergy between companies and provide the labor and skills necessary for traded clusters to prosper.

Today, business services, skilled trades, research and development, and highly technical sectors (all embodied in the region’s traded employment clusters) have become the driving forces behind economic development and provide an opportunity to increase our standard of living, as measured by real per capita income. As Figure 2 shows, local standard of living grew quickly following the end of the local downturn in 1994 and the surge in high-tech employment growth that leveled off in 2000. Current job growth, although keeping our unemployment rate low, is not well balanced between high and low paying jobs, and far more jobs are being created that are low paying resulting in a slightly declining standard of living between 2000 and 2003 with a slight upturn through 2006, the most recent data available. Over the last 16 years, between 1990 and 2006, real per capita income increased 20 percent, from $33,427 in 1990 to $39,933 in 2006 (figures in constant 2005 dollars).

During the coming year, San Diego’s economy will be challenged by recovering from the devastation caused by the wildfires that occurred during the latter part of October 2007. The wildfires destroyed over 1,500 homes and burned more than 375,000 acres. During the height of the fires, approximately 500,000 people were evacuated from their homes for safety reasons. The San Diego region suffered from similar fires nearly four years ago; and its economy fully recovered. For the most part, the regional economy is expected to fully recover; however, early reports indicate that this time the region’s agriculture industry suffered impacts, especially to the avocado crop. Overall, agriculture produces about $1.5 billion annually, about 10 percent of the total is avocados.
Employment and Wages

Regional Employment: The latest employment data available is for September 2007 and shows that 1.47 million San Diego residents were employed. About 10,000 new jobs are expected to be created within the San Diego region during 2007, a rise of 0.7 percent, which is about 50 percent below the number of jobs added during 2006, primarily reflecting the residential construction led slowdown. During the most recent peak employment growth years in the late 1990s and early 2000, the local unemployment rate fell to a near record low of 2.4 percent, far below the state and national unemployment rates. During the national economic slowdown recorded in 2001-2003 and the ensuing “jobless recovery,” San Diego’s economy did not experience a loss of jobs, only a slow down in the rate at which jobs were being created. This economic strength has helped San Diego maintain a relatively low unemployment rate for the past 12 years. The slowdown in job growth during 2007 has been accompanied by a slowdown in the population and labor force growth keeping the regions unemployment from rising too rapidly. During 2006, the local unemployment rate was 4.0 percent; however, during the first nine months of 2007, it has begun to rise, reaching 4.8 percent during September. The table below shows a historical trend for employment by industry; overall, employment in the San Diego region increased by 5.6 percent between 2002 and 2006.

Job growth in the San Diego region, like many communities in the state, has been impacted by the cooling of the residential real estate market. Employment in construction peaked during July 2006 at 95,600 jobs and has since declined 6,900 jobs to 88,700 as of September 2007, a decline of 7.2 percent. Nearly all the declines in jobs have been concentrated in the construction industry or direct support sectors, such as real estate and financial services, building supplies, furniture stores, and related outlets. More than offsetting these job losses has been gains in the Leisure and Hospitality Industry (12,600); Health Care (2,500); Business, Scientific, and Technical Services (1,500); and warehousing (2,800). Even the construction industry, which is down from its peak in July 2006, has shown some strength since the beginning of 2007, rising 2,000 jobs from January through September 2007. Thus far, the strength of San Diego’s diversified economic base has provided sufficient growth to overcome the slowdown in the residential real estate market.

Table 1
Average Annual Employment, 2002-2006
San Diego Region

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>76,400</td>
<td>92,600</td>
<td>21.2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>112,300</td>
<td>103,600</td>
<td>-7.8%</td>
</tr>
<tr>
<td>Trade, Transportation, Utilities</td>
<td>208,600</td>
<td>221,000</td>
<td>5.9%</td>
</tr>
<tr>
<td>Information</td>
<td>37,700</td>
<td>37,200</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>75,000</td>
<td>83,700</td>
<td>11.6%</td>
</tr>
<tr>
<td>Professional Business Services</td>
<td>201,700</td>
<td>213,800</td>
<td>6.0%</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>119,700</td>
<td>124,700</td>
<td>4.2%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>133,800</td>
<td>156,200</td>
<td>16.7%</td>
</tr>
<tr>
<td>Other Services</td>
<td>45,600</td>
<td>48,900</td>
<td>7.2%</td>
</tr>
<tr>
<td>Government</td>
<td>219,700</td>
<td>217,700</td>
<td>-0.9%</td>
</tr>
<tr>
<td><strong>Total Regional Employment</strong></td>
<td><strong>1,375,800</strong></td>
<td><strong>1,457,500</strong></td>
<td><strong>5.6%</strong></td>
</tr>
</tbody>
</table>

Source: State of California, Employment Development Department, Industry Employment and Labor Force, March 2007 benchmark; totals include self-employed, farm, and mining employment.

The latest wage data for the San Diego region is 2005. The average wage per employee in the San Diego region for 2005 is $43,400. As shown in the next table, after some weakness between 2001 and 2003, the real average wage per worker in the region has begun to increase, rising 3.1 percent during 2004 and 2005. The increase over the past two years puts the real wage at about the same level recorded during 2000.
Venture Capital
The high-tech sectors driving the region’s economic prosperity rely, in part, on venture capital funds to help them perform research to produce leading edge technologies. San Diego continues to be a favored area for venture capital investment, according to PricewaterhouseCoopers quarterly “MoneyTree” survey. In comparison with multi-county and multi-state regions, San Diego County posted the third highest dollar volume of venture capital investments during the first three quarters of 2007 receiving $1.518 billion. This is above the level of venture capital funding San Diego has received during the three quarters of 2000 when the region received a total of over $2.3 billion for the years. Since 1995, considered the breakout year for many of San Diego’s emerging growth technology industries, the region has received more than $13 billion in venture capital investments, with nearly 40 percent going to biotechnology companies.

International Trade
The total dollar value of international trade moving through the San Diego customs district reached nearly $43 billion during 2005. The cumulative rate of growth in trade reached more than 350 percent between 1990 and 2000 then slowed due to security restrictions following September 11, 2001, but has rebounded recently increasing nearly 20 percent since 2003. According to the U.S. Census Bureau, San Diego’s international exports totaled $15.1 billion in 2006, a rise of 7 percent over 2004. Imports accounted for $27.9 billion of international trade during 2005, a rise of 9 percent over 2004. Total trade processed through San Diego’s customs district is expected to continue to expand at a rapid pace for the foreseeable future, outstripping the overall rate of economic growth.

The San Diego region’s largest export destination continues to be Mexico, accounting for approximately 61 percent of all exported goods shipped through the San Diego customs district during 2005 (up from 34 percent in 1987). The U.S. Department of Commerce reports that the largest export category is Electric and Electronic Equipment, with almost 30 percent of total San Diego exports in 2005. Ranked second is Industrial Machinery and Equipment, with about 13 percent of all San Diego exports in 2005.

Expanding trade under the North American Free Trade Agreement (NAFTA) and the maquiladora industry in the San Diego/Baja California border region largely account for the San Diego region’s success in international trade. By providing for a freer exchange of goods with Mexico, NAFTA has had significant beneficial impacts on the local economy. Mexico is San Diego’s principal trading partner, and the ongoing implementation of NAFTA’s provisions over the next several years is expected to further enhance trade between the two regions.

Although Mexico remains San Diego’s largest trading partner, by far, representing 61 percent of the trade passing through the customs district during 2005, the amount of trade with other areas has been changing rapidly. The past several years have recorded dramatic changes in the list of San Diego’s top 20 trading partners. Between 2001 and 2005, Thailand moved from 40th to the third largest recipient of goods passing through San Diego’s customs district. Ecuador rose from 28th to second on our list of top export partners during the same time period. On the downside, the United Kingdom fell from fourth to tenth place, and San Diego exports to Singapore have fallen from fifth to 15th place during the same time period.
Real Estate
The slowdown in the housing market has dominated the economic news in San Diego during 2007. After a
doubling of the median price for a single-family home in San Diego since 2000, the median price peaked during
2006 at $515,000, and it has fallen about 10 percent in nominal terms over the past 18 months to $463,000. The
weak housing market has led to a reduction of construction jobs and flat to slightly down retail sales in the region.

The number of units sold in the region has declined steadily from a peak of 15,570 units in 2004 to 5,587 units
during the first three quarters of 2007, a decline of more than 50 percent after adjusting for the difference in time
periods (one year versus nine months). In addition to the decline in the number of sales, there has been a shift in
the type of units sold. In fact, some of the decline in the median price has been a shift in sales away from the
more expensive single-family units and towards the less expensive attached/condominium units. During 2002,
nearly 25 percent of the homes sold were attached units; this proportion has been above 60 percent since 2004,
peaking during 2006 at 69 percent. For the first three quarters of 2007, the proportion of attached home sales
was 63 percent of all sales. Another indicator of a weak housing market is the decline in the number of residential
permits authorized; falling from 14,306 permits during 2005 to 5,864 permits authorized during the first three
quarters of 2007 a decline of more than 50 percent after adjusting for the difference in time periods.

Financial Highlights
TransNet sales tax collections increased by $4,364,014, or 1.8 percent, over the prior fiscal year.

Through the use of timely and prudent debt financing, the Commission was able to provide the financial
resources necessary to fund the programmed projects; accumulate a Sales Tax Projects Fund unreserved fund
balance for future project expenditures of $18 million; and generate realized and unrealized interest earnings of
$5.7 million on investments during fiscal year 2007.

This past year alone, the Commission funded approximately $1.2 million in bicycle facilities, $24.4 million in
highway improvements, $52.7 million in public transit projects and operations, and $76.9 million in local street and
road improvements. In addition, the Commission funded some early action projects as part of the TransNet
Extension Ordinance program, which will take over the original TransNet program on April 1, 2008, of
approximately $76.8 million in major corridors (Interstate 5 (I-5), I-15, I-805, State Route (SR) 52, and SR 76);
and approximately $17.8 million of the environmental mitigation program. In total, $249.9 million in public
transportation infrastructure improvements were funded this past year.

Acknowledgments
The preparation of this report was accomplished with the cooperation of SANDAG’s management, financial staff,
and SANDAG’s independent auditors, Caporicci & Larson, CPAs. We express our appreciation to the staff
members and the auditors who contributed to the preparation of this report.

Respectfully submitted,

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

**CHAIR:** Hon. Mary Teresa Sessom  
**FIRST VICE-CHAIR:** Hon. Lori Holt Pfeiler  
**SECOND VICE-CHAIR:** Hon. Jerome Stocks  
**SECRETARY/EXECUTIVE DIRECTOR:** Gary L. Gallegos

### CITY OF CARLSBAD  
Hon. Matt Hall, Councilmember  
(A) Hon. Bud Lewis, Mayor  
(A) Hon. Ann Kulchin, Mayor Pro Tem

### CITY OF CHULA VISTA  
Hon. Cheryl Cox, Mayor  
(A) Hon. Jerry Rindone, Deputy Mayor  
(A) Hon. John McCann, Councilmember

### CITY OF CORONADO  
Hon. Phil Monroe, Councilmember  
(A) Hon. Carrie Downey, Mayor Pro Tem  
(A) Hon. Al Ovrom, Councilmember

### CITY OF DEL MAR  
Hon. Crystal Crawford, Councilmember  
(A) Hon. David Druker, Deputy Mayor  
(A) Hon. Henry Abarbanel, Councilmember

### CITY OF EL CAJON  
Hon. Mark Lewis, Mayor  
(A) Hon. Jillian Hanson-Cox, Councilmember

### CITY OF ENCINITAS  
Hon. Jerome Stocks, Deputy Mayor  
(A) Hon. Teresa Barth, Councilmember

### CITY OF ESCONDIDO  
Hon. Lori Holt Pfeiler, Mayor  
(A) Hon. Ed Gallo, Councilmember  
(A) Hon. Sam Abed, Mayor Pro Tem

### CITY OF IMPERIAL BEACH  
Hon. Jim Janney, Mayor  
(A) Hon. Patricia McCoy, Councilmember  
(A) Hon. Maya Winter, Mayor Pro Tem

### CITY OF LA MESA  
Hon. Art Madrid, Mayor  
(A) Hon. David Allan, Councilmember  
(A) Hon. Mark Arapostathis, Councilmember

### CITY OF LEMON GROVE  
Hon. Mary Teresa Sessom, Mayor  
(A) Hon. Jerry Jones, Councilmember  
(A) Hon. Jerry Selby, Councilmember

### CITY OF NATIONAL CITY  
Hon. Ron Morrison, Mayor  
(A) Hon. Frank Parra, Councilmember  
(A) Hon. Louie Natividad, Councilmember

### CITY OF OCEANSIDE  
Hon. Jim Wood, Mayor  
(A) Hon. Jerry Kern, Councilmember  
(A) Hon. Jack Feller, Councilmember

### CITY OF POWAY  
Hon. Mickey Cafagna, Mayor  
(A) Hon. Robert Emery, Councilmember  
(A) Hon. Don Higginson, Councilmember

### CITY OF SAN DIEGO  
Hon. Jerry Sanders, Mayor  
Hon. Jim Madaffer, Councilmember  
(A) Hon. Scott Peters, Council President

### CITY OF SAN MARCOS  
Hon. Jim Desmond, Mayor  
(A) Hon. Hal Martin, Vice Mayor  
(A) Hon. Rebecca Jones, Councilmember

### CITY OF Santee  
Hon. Jack Dale, Councilmember  
(A) Hon. Hal Ryan, Councilmember  
(A) Hon. John Minto, Councilmember

### CITY OF SOLANA BEACH  
Hon Lesa Heebehn, Mayor  
(A) Hon. Dave Roberts, Councilmember  
(A) Hon. Mike Nichols, Councilmember

### CITY OF VISTA  
Hon. Judy Ritter, Mayor Pro Tem  
(A) Hon. Bob Campbell, Councilmember  
(A) Hon. Steve Gronke, Councilmember

### COUNTY OF SAN DIEGO  
Hon. Ron Roberts, Chairman  
Hon. Bill Horn, Supervisor  
(A) Hon. Greg Cox, Vice Chairman  
(A) Hon. Dianne Jacob, Chair Pro Tem

### CALIFORNIA DEPARTMENT OF TRANSPORTATION  
(Advisory Member)  
Will Kempton, Director  
(A) Pedro Orso-Delgado, District 11 Director

### METROPOLITAN TRANSIT SYSTEM  
(Advisory Member)  
Harry Mathis, Chairman  
(A) Hon. Jerry Rindone, Vice Chairman  
(A) Hon. Bob Emery, Board Member

### NORTH COUNTY TRANSIT DISTRICT  
(Advisory Member)  
 Hon. Ed Gallo, Chairman  
(A) Hon. Jerome Stocks, Planning Committee Chair,  
(A) Hon. David Druker, Monitoring Committee Chair

### IMPERIAL COUNTY  
(Advisory Member)  
Hon. Victor Carrillo, Chairman  
(A) Hon. David Ouzan, Councilmember, City of Calexico

### U.S. DEPARTMENT OF DEFENSE  
(Advisory Member)  
CAPT Steve Wirsching, USN, CEC, Southwest Division Naval Facilities Engineering Command

### SAN DIEGO UNIFIED PORT DISTRICT  
(Advisory Member)  
Sylvia Rios, Chair  
(A) Michael B. Bixler, Commissioner

### SAN DIEGO COUNTY WATER AUTHORITY  
(Advisory Member)  
Marlyn Dailey, Commissioner  
(A) Mark Muir, Commissioner  
(A) Gary Croucher, Commissioner

### MEXICO (CONSUL GENERAL OF MEXICO)  
(Advisory Member)  
Hon. Luis Cabrera C. Consul General of Mexico
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
(A Component Unit of the San Diego Association of Governments)

SANDAG Executive Staff
As of June 30, 2007

Executive Director Gary Gallegos
Chief Deputy Executive Director Diane Eidam
General Counsel Julie Wiley
Director of Finance Renée Wasmund
Director of Administration Leslie Campbell
Director of Land Use and Transportation Planning Bob Leiter
Director of Technical Services Kevin Murphy
Director of Mobility Management and Project Implementation Jack Boda
INDEPENDENT AUDITORS’ REPORT

To the Honorable Chair and Members of the Board of Directors
of the San Diego County Regional Transportation Commission
San Diego, California

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the San Diego County Regional Transportation Commission (Commission), a component unit of the San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2007, which collectively comprise the Commission’s basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Commission’s management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Commission, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2007, on our consideration of the Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.
To the Honorable Chair and Members of the Board of Directors
of the San Diego County Regional Transportation Commission
San Diego, California

The accompanying Required Supplementary Information, such as Management’s Discussion and Analysis, budgetary comparison information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Commission’s basic financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on the Introductory Section.

San Diego, California
November 30, 2007
Management's Discussion and Analysis

This section of the San Diego County Regional Transportation Commission's (Commission) basic financial statements presents the analysis of the Commission's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

- The liabilities of the Commission exceeded its assets at the close of the most recent fiscal year, resulting in a current year net assets deficit of $(29,937,034). The factor contributing to the net assets deficit is $57,765,000 of outstanding long-term debt of the Commission included in the Statement of Net Assets. The debt is secured by future sales tax receipts.

- The Commission’s total net assets decreased in the current fiscal year by $(6,847,143). The decrease is mostly due to TransNet program payments to agency recipients and interest expense together exceeding both sales tax and interest income.

- As of the close of the current fiscal year, the Commission’s governmental funds reported combined ending fund balances of $73,636,174, a decrease of $59,652,342 in comparison with the prior year. Approximately 25 percent of this total amount, $18,039,519, is available for spending at the Commission’s discretion (unreserved fund balance).

- The Commission’s total debt decreased by $54,438,000, which is due to principal repayments during the current fiscal year of $61,935,000 on the revenue bonds and commercial paper paydowns of $26,503,000, offset by commercial paper issuance proceeds of $34,000,000.

Overview of the Financial Statements

The management’s discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private-sector business.

The statement of net assets includes all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information to show changes in the Commission's net assets during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Both funds of the Commission are governmental-type funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as
well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the sales tax projects special revenue fund and the sales tax revenue bonds and commercial paper debt service fund, both of which are considered to be major funds. The Commission does not have any other funds considered to be nonmajor governmental funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, liabilities exceeded assets at the close of the most recent fiscal year, resulting in a current year deficit of $29,937,034 for total net assets.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Current and other assets</td>
<td>$100,398,991</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>27,614,177</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>128,013,168</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>16,981,202</td>
</tr>
<tr>
<td>Restricted liabilities</td>
<td>27,614,177</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>113,354,823</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>157,950,202</td>
</tr>
<tr>
<td>Net Assets</td>
<td></td>
</tr>
<tr>
<td>Unrestricted (deficit)</td>
<td>(29,937,034)</td>
</tr>
<tr>
<td><strong>Total net assets (deficit)</strong></td>
<td>$ (29,937,034)</td>
</tr>
</tbody>
</table>

A significant factor affecting the net assets deficit is $57,765,000 of outstanding sales tax revenue bonds. This debt is secured by future sales tax receipts. This factor also results in an unrestricted net assets deficit. The liabilities payable from restricted assets are subject to external restrictions and must be used for upcoming debt-service payments on the outstanding sales tax revenue bonds.

**Governmental activities.** Governmental Activities decreased the Commission's net assets by $6,847,143 during fiscal year 2007.
Table 3
Changes in Net Assets
Governmental Activities

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>General revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales taxes</td>
<td>$248,467,503</td>
<td>$244,103,489</td>
</tr>
<tr>
<td>Interest income</td>
<td>5,714,723</td>
<td>5,959,730</td>
</tr>
<tr>
<td>Land sales</td>
<td>6,400</td>
<td>5,000</td>
</tr>
<tr>
<td>Rental income</td>
<td>393,516</td>
<td>415,274</td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>160,650</td>
</tr>
<tr>
<td>Total revenues</td>
<td>254,582,142</td>
<td>250,644,143</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>2,500,000</td>
<td>2,172,150</td>
</tr>
<tr>
<td>Highway improvements</td>
<td>24,436,523</td>
<td>10,894,503</td>
</tr>
<tr>
<td>Local street and road improvements</td>
<td>76,885,657</td>
<td>72,981,602</td>
</tr>
<tr>
<td>Public transit improvements and operations</td>
<td>52,730,869</td>
<td>48,728,169</td>
</tr>
<tr>
<td>Bicycle facilities and walkable communities</td>
<td>1,233,516</td>
<td>2,028,225</td>
</tr>
<tr>
<td>Major corridors</td>
<td>76,798,842</td>
<td>29,216,369</td>
</tr>
<tr>
<td>Environmental mitigation program</td>
<td>17,792,212</td>
<td>438,629</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>9,051,666</td>
<td>12,722,427</td>
</tr>
<tr>
<td>Total expenses</td>
<td>261,429,285</td>
<td>179,182,074</td>
</tr>
<tr>
<td>Change in net assets before capital contributions</td>
<td>(6,847,143)</td>
<td>71,462,069</td>
</tr>
<tr>
<td>Capital contributions</td>
<td>-</td>
<td>(8,740,792)</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>(6,847,143)</td>
<td>62,721,277</td>
</tr>
<tr>
<td>Net assets (deficit) - beginning of year</td>
<td>(23,089,891)</td>
<td>(85,811,168)</td>
</tr>
<tr>
<td>Net assets (deficit) - end of year</td>
<td>$ (29,937,034)</td>
<td>$ (23,089,891)</td>
</tr>
</tbody>
</table>

- Revenues increased $3,937,999, or 1.6 percent, which is primarily due to an increase in sales tax revenues of $4,364,014, or 1.8 percent.

- *TransNet* expenses increased $82,247,211, or 45.9 percent, which is primarily due to an increase of $64,936,056 in payments for major corridors and environmental mitigation and an increase of $13,542,020 for highway improvements. The increase in major corridors and environmental mitigation is due to early project implementation incurred related to the *TransNet* Extension Ordinance approved by the voters of San Diego County in November 2004. The increase in highway improvements is due to projects constructed by Caltrans, the County of San Diego, and the cities of San Diego and Santee.
Financial Analysis of the Government’s Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** Both of the Commission's funds are governmental funds, the focus of which is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the Commission's governmental funds reported combined ending fund balances of $73,636,174, a decrease of $59,652,342 from the prior year. In the current year, sales tax receipts were mostly consistent with the TransNet payments to recipient agencies. The decrease is primarily due to debt-service principal, interest, and other debt-service-related charges offset by interest and rental income. A portion of the Commission's fund balance is reserved to indicate that the associated investments are not available for new spending because the investments have already been committed to pay debt-service principal and interest.

**Debt Administration**

**Long-term debt.** At the end of the current fiscal year, the Commission had total debt outstanding of $140,969,000, which is comprised of $57,765,000 of sales tax revenue bonds and $83,204,000 of commercial paper notes. The Commission’s total debt decreased by $54,438,000, which is due to principal repayments during the current fiscal year of $61,935,000 on the revenue bonds and commercial paper paydowns of $26,503,000, offset by commercial paper issuance proceeds of $34,000,000.

Additional information on the Commission's long-term debt can be found in note 6 in the accompanying notes to the basic financial statements.
Economic Factors and Next Year’s Budgets and Rates

- Actual sales tax collections have increased every year over the last 13 years, with an average increase for the last 13 years of 6.4 percent. For the fiscal year 2008 budget, $258.6 million in sales tax receipts is budgeted, which is a 3.5 percent sales tax revenue increase over the actual fiscal year 2007 receipts.

- The Commission is expecting TransNet disbursements to other governmental agencies of $258.6 million in fiscal year 2008 to fund bicycle facilities, highway improvements, public transit improvements and operations, local street and road improvements, and administration. The Commission is expecting disbursements of $57.8 million in principal expenditures and $2.9 million in interest expenditures related to the 1992 Series A, 1993 Series A, and 1994 Series A in fiscal year 2008.

Requests for Information

This financial report was designed to provide a general overview of the Commission's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, San Diego County Regional Transportation Commission, 401 B Street, Suite 800, San Diego, CA 92101, (619) 699-1900, or emailed to the Director of Finance at pio@sandag.org.
This page intentionally left blank.
This page intentionally left blank.
San Diego County Regional Transportation Commission  
Statement of Net Assets  
June 30, 2007

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$44,344,115</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>104,238</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>55,449,832</td>
</tr>
<tr>
<td>Deferred charges, net</td>
<td>500,806</td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents restricted for debt service</td>
<td>27,614,177</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>128,013,168</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>2,407,536</td>
</tr>
<tr>
<td>Due to SANDAG</td>
<td>13,528,999</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>1,044,667</td>
</tr>
<tr>
<td>Long-term debt payable - due within one year</td>
<td>113,354,823</td>
</tr>
<tr>
<td>Liabilities payable from restricted assets:</td>
<td></td>
</tr>
<tr>
<td>Long-term debt payable - due within one year</td>
<td>27,614,177</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>157,950,202</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted (deficit)</td>
<td>(29,937,034)</td>
</tr>
<tr>
<td><strong>Total net assets (deficit)</strong></td>
<td><strong>$ (29,937,034)</strong></td>
</tr>
</tbody>
</table>

See accompanying Notes to Basic Financial Statements.
San Diego Regional Transportation Commission  
Statement of Activities  
For the year ended June 30, 2007

<table>
<thead>
<tr>
<th>Functions</th>
<th>Net (Expenses) and Changes in Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Activities</td>
<td></td>
</tr>
<tr>
<td>Primary government:</td>
<td></td>
</tr>
<tr>
<td>Governmental activities:</td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$ (2,500,000)</td>
</tr>
<tr>
<td>Highway improvements</td>
<td>(24,436,523)</td>
</tr>
<tr>
<td>Local street and road improvements</td>
<td>(76,885,657)</td>
</tr>
<tr>
<td>Public transit improvements and operations</td>
<td>(52,730,869)</td>
</tr>
<tr>
<td>Bicycle facilities</td>
<td>(1,233,516)</td>
</tr>
<tr>
<td>Major corridors</td>
<td>(76,798,842)</td>
</tr>
<tr>
<td>Environmental mitigation program</td>
<td>(17,792,212)</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>(9,051,666)</td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>(261,429,285)</td>
</tr>
<tr>
<td>Total primary government</td>
<td>(261,429,285)</td>
</tr>
</tbody>
</table>

| General revenues: | | |
| Sales tax | 248,467,503 | |
| Interest income | 5,714,723 | |
| Rental income | 393,516 | |
| Other income | 6,400 | |
| Total general revenues | 254,582,142 | |

| Change in net assets | (6,847,143) |
| Net assets (deficit) - beginning of year | (23,089,891) |
| Net assets (deficit) - end of year | $ (29,937,034) |

See accompanying Notes to Basic Financial Statements.
This page intentionally left blank.
San Diego County Regional Transportation Commission
Balance Sheet
Governmental Funds
June 30, 2007

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$ 44,260,003</td>
<td>$ 84,112</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>104,238</td>
<td>-</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>101,634</td>
<td>28,000,000</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>17,510,179</td>
<td>37,939,653</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>-</td>
<td>27,614,177</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>61,976,054</strong></td>
<td><strong>93,637,942</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>2,407,536</td>
<td>-</td>
</tr>
<tr>
<td>Due to SANDAG</td>
<td>13,528,999</td>
<td>-</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>28,000,000</td>
<td>101,634</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>-</td>
<td>37,939,653</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>43,936,535</strong></td>
<td><strong>38,041,287</strong></td>
</tr>
<tr>
<td>Fund Balances:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserved:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt-service</td>
<td>-</td>
<td>55,596,655</td>
</tr>
<tr>
<td>Unreserved</td>
<td>18,039,519</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total fund balances</strong></td>
<td><strong>18,039,519</strong></td>
<td><strong>55,596,655</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and fund balances</strong></td>
<td><strong>$ 61,976,054</strong></td>
<td><strong>$ 93,637,942</strong></td>
</tr>
</tbody>
</table>

See accompanying Notes to Basic Financial Statements.
San Diego County Regional Transportation Commission  
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets  
June 30, 2007

Total Fund Balances - Total Governmental Funds  
$ 73,636,174

Amounts reported for governmental activities in the Statement of Net Assets were different because:

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (1,044,667)

In the Governmental Funds Balance Sheet, commercial paper deferred revenue is not yet available to finance expenditures of the current fiscal period. Therefore, this asset is offset by a corresponding liability for deferred revenue. This type of deferred revenue is unique to governmental funds only and is not reported in the Government-Wide Statement of Net Assets. 37,939,653

Deferred charges, such as the issuance costs from issuing debt, are expenditures in the government fund financial statements, but are deferred and subject to capitalization and amortization on the government-wide statement of net assets.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance costs</td>
<td>533,633</td>
</tr>
<tr>
<td>Bond premium</td>
<td>668,300</td>
</tr>
<tr>
<td>Less accumulated amortization</td>
<td>(701,127)</td>
</tr>
<tr>
<td><strong>Total deferred charges</strong></td>
<td><strong>500,806</strong></td>
</tr>
</tbody>
</table>

Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the Governmental Funds Balance Sheet.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term liabilities - due within one year</td>
<td>(113,354,823)</td>
</tr>
<tr>
<td>Long-term liabilities - due within one year pay from restricted assets</td>
<td>(27,614,177)</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td><strong>(140,969,000)</strong></td>
</tr>
</tbody>
</table>

Net Assets (Deficit) of Governmental Activities

$ (29,937,034)

See accompanying Notes to Basic Financial Statements.
San Diego County Regional Transportation Commission
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

<table>
<thead>
<tr>
<th>Major Funds</th>
<th>Commercial Paper</th>
<th>Total Governmental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax Projects Special Revenue</td>
<td>Revenue Bonds Debt Service</td>
<td>Funds</td>
</tr>
<tr>
<td>Sales tax</td>
<td>248,467,503</td>
<td>-</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>3,823,356</td>
<td>2,337,554</td>
</tr>
<tr>
<td>Other revenues</td>
<td>6,400</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>252,297,259</strong></td>
<td><strong>2,337,554</strong></td>
</tr>
</tbody>
</table>

**EXPENDITURES:**

Current:
- General government | 2,500,000 | - | 2,500,000 |
- Highway improvements | 24,436,523 | - | 24,436,523 |
- Local street and road improvements | 76,885,657 | - | 76,885,657 |
- Public transit improvements and operations | 52,730,869 | - | 52,730,869 |
- Bicycle facilities | 1,233,516 | - | 1,233,516 |
- Major corridors | 76,798,842 | - | 76,798,842 |
- Environmental mitigation program | 17,792,212 | - | 17,792,212 |

Debt-service:
- Principal retirement | - | 61,935,000 | 61,935,000 |
- Interest and other charges | - | 9,303,162 | 9,303,162 |
| **Total expenditures** | **252,377,619** | **71,238,162** | **323,615,781** |

**REVENUES OVER (UNDER) EXPENDITURES**

(80,360) | (68,900,608) | (68,980,968)

**OTHER FINANCING SOURCES (USES):**

| Transfers in | 5,091,535 | 84,653,398 | 89,744,933 |
| Transfers out | (84,653,398) | (5,091,535) | (89,744,933) |
| Commercial paper issuance proceeds | - | 34,000,000 | 34,000,000 |
| Commercial paper repayments from other governments | - | 7,831,626 | 7,831,626 |
| Commercial paper pass-through payments to other governments | - | (6,000,000) | (6,000,000) |
| Commercial paper paydown | - | (26,503,000) | (26,503,000) |
| **Total other financing sources (uses)** | (79,561,863) | 88,890,489 | 9,328,626 |
| Changes in fund balances | (79,642,223) | 19,989,881 | (59,652,342) |

**FUND BALANCES:**

| Beginning of year | 97,681,742 | 35,606,774 | 133,288,516 |
| End of year | $18,039,519 | $55,596,655 | $73,636,174 |

See accompanying Notes to Basic Financial Statements.
San Diego County Regional Transportation Commission
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
For the year ended June 30, 2007

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Change in Fund Balances - Total Governmental Funds</td>
<td>$ (59,652,342)</td>
</tr>
</tbody>
</table>

Amounts reported for governmental activities in the Statement of Activities were different because:

- Interest expense on long-term debt is reported in the Statement of Activities, however, a portion of the interest expense does not require the use of current financial resources. Therefore, this portion of interest expense is not reported as an expenditure in the governmental funds. The following amount represents the change in accrued interest from prior year. 852,462

- Amortization expense on deferred charges is reported in the Statement of Activities, however, a portion of the amortization expense does not require the use of current financial resources. Therefore, this portion of amortization expense is not reported as an expenditure in the governmental funds. The following amount represents the change in deferred charges during the current year. (600,966)

- The repayment of the bond principal consumes the current financial resources of governmental funds, however, this transaction has no effect on net assets. 61,935,000

- Commercial paper transactions, debt issuance costs, and a call premium on early retirement of debt provide or require current financial resources, however, these transactions have no effect on net assets.
  - Commercial paper issuance payments to other governments 6,000,000
  - Commercial paper paydowns 26,503,000
  - Commercial paper issuance proceeds (34,000,000)
  - Commercial paper repayments from other governments (7,831,626)
  - Total commercial paper transactions (9,328,626)

- A portion of interest revenues on commercial paper reported in the Statement of Activities that does not provide current financial resources is not reported as revenues in the governmental funds. (52,671)

**Change in Net Assets of Governmental Activities**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ (6,847,143)</td>
</tr>
</tbody>
</table>
1. Summary of Significant Accounting Policies

A. Reporting entity

The Commission is the agency established for the purpose of, and is responsible for, the implementation and administration of transportation improvement programs funded by the San Diego countywide one-half percent sales tax effective April 1, 1988, through 2008, as a result of the passage of Proposition A – The San Diego County Transportation Improvement Program. On November 2, 2004, the voters of San Diego County voted to extend the current one-half cent sales tax for 40 more years to 2048.

The Commission and the San Diego Association of Governments (SANDAG) share the same Board of Directors. SANDAG was formed as the Comprehensive Planning Organization under a Joint Powers Agreement dated September 10, 1972. The Joint Powers Agreement was amended on November 5, 1980, to change the agency's name to SANDAG.

On January 1, 2003, state legislation (Senate Bill 1703) was enacted that changed the structure of SANDAG from a Joint Powers Authority to a state-created regional government agency. The effect of this legislation was to make SANDAG a permanent rather than voluntary association of local governments and to increase SANDAG's responsibilities and powers.

The Commission is a blended component unit of SANDAG because a common Board of Directors is shared, and SANDAG is financially accountable for the Commission.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the activities of the Commission. The statement of activities demonstrates the direct expenses associated with governmental activities that are clearly identifiable with this specific function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

A separate financial statement is provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the
1. Summary of Significant Accounting Policies, Continued

C. Measurement focus, basis of accounting, and financial statement presentation, Continued

government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the Commission.

The Commission reports the following major governmental funds:

The sales tax projects special revenue fund accounts for the activities and resources received pursuant to the countywide one-half percent local sales tax. These revenues are passed through to other governmental agencies to be spent in accordance with the TransNet ordinance, spent by the Commission in accordance with the TransNet ordinance, or transferred to the Commission’s debt service fund to make principal and interest payments on the long-term debt revenue bonds.

The commercial paper and sales tax revenue bonds debt service fund accounts for the resources accumulated and payments made for principal and interest on the long-term debt revenue bonds and commercial paper. Revenues are derived from interest earned on the investments accumulated for the payment of principal and interest on the revenue bonds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private sector guidance.

Interfund balances and transfers have been eliminated in the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.
1. Summary of Significant Accounting Policies, Continued

D. Cash and investments

The Commission’s cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts and funds, and short-term investments with original maturities of three months or less from the date of acquisition.

The Commission's investment policies are consistent with SANDAG’s policies and in accordance with California Government Code Section 53600. The Commission is authorized to invest in the following:

- Treasury obligations
- Federal agencies and U.S. government-sponsored enterprises
- State of California obligations
- Local agency obligations
- Repurchase agreements
- Bankers’ acceptances
- Commercial paper
- Medium-term notes
- Negotiable certificates of deposit
- State of California’s local agency investment fund
- San Diego County Treasurer’s pooled investment fund
- Savings/money market accounts
- California asset management program
- Money market funds
- Mortgage and asset-backed obligations

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments were stated at fair value.

The Commission participates in an investment pool managed by the State of California titled local agency investment fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares. The fair value of LAIF was calculated by applying a factor of 0.999545022 to total investments held by LAIF. LAIF is classified under cash and cash equivalents.
1. Summary of Significant Accounting Policies, Continued

D. Cash and investments, Continued

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3), certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest rate risk
- Credit risk
  - Overall
  - Custodial credit risk
  - Concentration of credit risk
- Foreign currency risk

E. Receivables and payables

Outstanding balances at the end of the fiscal year between funds are referred to as “due to/from other funds.”

F. Long-term liabilities

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities of the statements of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Debt payable is reported net of the applicable bond premium or discount. Debt issuance costs are reported as deferred charges and amortized using the straight-line method over the term of the related debt.

In the governmental fund financial statements, new commercial paper issuances and commercial paper repayments from other governments are reported as other financing sources. The pass-through of new commercial paper issuances to other governments and commercial paper repayments of outstanding commercial paper are reported as other financing uses.

G. Restricted net assets

Certain resources set aside for repayment of revenue bonds are classified as restricted net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The accounts are used to segregate resources accumulated for debt-service principal and interest payments.
1. Summary of Significant Accounting Policies, Continued

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the related, reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Budgetary information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Special Revenue Fund. No amendments were made to the original budget amounts.

2. Cash and investments

The following is a summary of cash and investments on June 30, 2007:

<table>
<thead>
<tr>
<th>Cash and investments</th>
<th>$44,344,115</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted cash and investments</td>
<td>$27,614,177</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$71,958,292</strong></td>
</tr>
</tbody>
</table>

Cash, cash equivalents, and investments consisted as follows on June 30, 2007:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Weighted Average Maturity (Days)</th>
<th>NRSRO Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand deposits</td>
<td>$10,719</td>
<td>1</td>
<td>Not rated</td>
</tr>
<tr>
<td>Money market accounts and funds</td>
<td>24,117,702</td>
<td>210</td>
<td>Not rated</td>
</tr>
<tr>
<td>State of California - Local Agency Investment Fund</td>
<td>17,847,643</td>
<td>176</td>
<td>Not rated</td>
</tr>
<tr>
<td>U.S. Agencies</td>
<td>1,481,059</td>
<td>88</td>
<td>A-1+</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>5,953,183</td>
<td>53</td>
<td>A-1+</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td><strong>49,410,306</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Investments: | | | |
| U.S. Agencies | 22,547,986 | 421 | AAA or A-1+ |
| **Total investments** | **22,547,986** | | |
| **Total cash, cash equivalents, and investments** | **$71,958,292** | | |
2. Cash and investments, Continued

The Commission’s carrying amount of deposits was $10,719, and the bank balance was $113,094. The bank balance was covered by federal depository insurance or by collateral held by the Commission’s agent in the Commission’s name.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from the rising interest rates, SANDAG’s investment policy, which is adopted by the Commission, limits investments to a maximum maturity of five years or 1,825 days from purchase date. The total portfolio shall not exceed the Commission’s anticipated liquidity needs for operations for the next six months. The Commission is in compliance with all maturity provisions of the investment policy.

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Commission is in compliance with all minimum rating requirements of the investment policy.

**Concentration of credit risk**

The investment policy limits the amount of the percentage of the portfolio that can be invested by type of investment for certain types of investments. The Commission is in compliance with investment-type percentages of the total portfolio of the investment policy.

**Custodial Credit Risk**

The California Government Code requires California banks and savings and loan associations to secure the Commission’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Commission's name.

The market value of pledged securities must equal at least 110% of the Commission's cash deposits. California law also allows institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the Commission’s total cash deposits. The Commission may waive collateral requirements for cash deposits, which are fully insured up to $100,000 by the Federal Deposit Insurance Corporation. The Commission, however, has not waived the collateralization requirements.

Under California Government Code Section 53652, Bank of America and other depositories are required to secure the deposit of the Commission with 110% collateral in eligible securities. At June 30, 2007, the collateral held by Bank of America in the California Local Agency Collateral Pool stood at 102% of funds deposited, instead of the required 110%.
3. Receivables and deferred revenue

The special revenue fund reported due from other governments of $17,510,179, which is primarily sales tax revenue. The debt service fund reported due from other governments of $37,939,653 for outstanding commercial paper funds passed-through to other governmental agencies, including the accrued interest on the commercial paper.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, deferred revenue of $37,939,653 was reported in the debt service fund for outstanding commercial paper funds to be repaid from other governmental agencies.

4. Interfund receivables, payables, and transfers

The sales tax projects special revenue fund was the payable fund and the commercial paper and sales tax revenue bonds debt service fund was the receivable fund for $28,000,000. The $28,000,000 is commercial paper issued to cover TransNet Extension Ordinance expenses.

The commercial paper and sales tax revenue bonds debt service fund was the payable fund and the sales tax projects special revenue fund was the receivable fund for $101,634. $316 is the difference of the amount of commercial paper receivable from other governments and the amount of commercial paper outstanding, as the commercial paper outstanding must be issued and paid down in increments of $1,000. $101,318 is the final arbitrage payment amount on the 1996 sales tax revenue bonds, which was accrued to fiscal year 2007 and paid during fiscal year 2008.

Transfers consisted of transactions related to sales tax receipts transferred to the debt service fund for the payment of principal, interest, and other costs associated with long-term debt.

5. Derivative activity

*Interest rate swaps effective dates April 1, 2008*

*Objective of the interest rate swaps.* On November 22, 2005, the Commission entered into three forward interest rate swaps for $200,000,000 each in order to hedge the interest rate risk associated with future variable-rate revenue bonds expected to be issued in 2008 by “locking in” a fixed interest rate. The intention of the Commission in entering into the swap is to lock in a relatively low cost of funds on a substantial portion of the TransNet Early Action Program.
5. Derivative activity, Continued

**Interest rate swaps effective dates April 1, 2008, Continued**

*Terms.* The initial notional amounts of the swaps were $200,000,000 each. Under two of the swaps, the Commission pays the counterparty a fixed payment of 3.92 percent and receives a variable payment based on 65 percent of the one-month London Interbank Offered Rate (LIBOR) for 10 years. In the tenth year, the swap will convert to the SIFMA Municipal Bond Index (formerly the Bond Market Association or BMA Municipal Swap Index) for the remaining 20 years, paid monthly. Under the third swap, the Commission pays the counterparty a fixed payment of 3.53 percent and receives a variable payment based on 65 percent of LIBOR for the 30-year period. The notional amounts and maturity dates of the swaps match the notional amounts and the maturity dates of the bonds expected to be issued. The variable-rate coupons of the hedged bonds are expected to closely match the SIFMA and percentage of LIBOR rates paid monthly. As these swaps are not yet effective, there have not been any cash flows paid or received, and therefore there are no variable rates to report at this time.

*Fair value.* Because interest rates have increased since execution of the swap, the swaps had a total positive fair value of $13,163,558 as of June 30, 2007. The Bank of America swap had a positive fair value of $6,453,448, the Merrill Lynch Capital Services swap had a fair value of $3,355,055, and the Goldman Sachs Mitsui Marine Derivative Products had a fair value of $3,355,055. The fair values of the derivatives were estimated by an independent third-party based on mid-market levels as of the close of business on June 29, 2007. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps.

*Credit risk.* This is the risk that the counterparty will fail to perform under the terms of the agreement. As of June 30, 2007, the Commission was exposed to credit risk on these swaps in the amount of $13,163,558 which is the derivatives’ fair value. However, should interest rates change and the fair value of the swap becomes negative, the Commission would not be exposed to any credit risk. In order to mitigate this risk, the Commission diversified its exposure among three counterparties. As of June 30, 2007, the swap counterparties were rated Aaa (Bank of America and Goldman Sachs Mitsui Marine Derivative Products) and Aa3 (Merrill Lynch Capital Services) by Moody’s and AA+ (Bank of America), AA- (Merrill Lynch Capital Products), and AAA (Goldman Sachs Mitsui Marine Derivative Products) by Standard & Poor’s. In addition, the fair value of the swap will be fully collateralized by the counterparty with cash or U.S. government securities if the counterparty’s credit quality falls below a rating of Baa2 by Moody’s or BBB by Standard & Poor’s. Collateral would be posted with a third-party custodian.

*Basis risk.* This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable rate debt expected to be issued in April 2008. The Commission is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Commission pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the effective fixed rate on the debt will vary.
5. Derivative activity, Continued

**Interest rate swaps effective dates April 1, 2008, Continued**

*Termination risk and termination payments.* This is the risk that the transaction is terminated in a market dictating a termination payment by the Commission. The Commission can terminate a swap at the fair value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. The Commission or the counterparties may terminate the swap if the other party fails to perform under the terms of the contracts, such as the failure to make swap payments. If the swap is terminated, the expected variable-rate bonds would no longer be hedged. Given the positive fair value of June 30, 2007, the Commission was in a favorable termination position relative to the market.

**Interest rate swaption effective date April 1, 2006**

*Objective of the interest rate swaption.* On February 2, 2003, the Commission entered into an interest rate swaption for $34,210,000 in order to receive an upfront payment of $401,000, pay a fixed rate that achieves payment neutrality with existing bonds, also taking into account a call premium of $668,300, and receive a variable rate pegged to an index designed to achieve projected actual variable rate experience. The intention of the Commission in entering into the swaption was to capture value from the call options in the 1996 Series A Sales Tax Revenue Bonds. The swaption had an expiration of February 1, 2006 and allowed the counterparty to exercise the Commission into a swap effective April 1, 2006.

*Terms.* The swaption was exercised to swap effective April 1, 2006, and the Commission issued $34,084,000 of commercial paper in order to current refund a portion of the 1996 Series A bonds on the April 1, 2006, call date. On June 30, 2007, the notional amount of the swap was $21,025,000. The Commission pays the counterparty a fixed payment of 3.45 percent and receives a variable payment based on 60 percent of the one-month LIBOR. During July 1, 2006, through June 30, 2007, the variable rate received by the Commission ranged between 3.07 percent and 3.23 percent. The swap amortizes over two years with a maturity date of April 1, 2008.

*Fair value.* The swap had a negative fair value of $(43,811) as of June 30, 2007. The fair value of the derivative was estimated by an independent third-party based on mid-market levels as of the close of business on June 29, 2007. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the swap.

*Credit risk.* This is the risk that the counterparty will fail to perform under the terms of the agreement. The favorable credit rating of the counterparty mitigates this risk. As of June 30, 2007, the swap counterparty (Morgan Stanley) was rated Aa3 by Moody’s and A+ by Standard & Poor’s. As of June 30, 2007, the Commission was not exposed to credit risk on the swaption because it had a negative fair value. However, should interest rates change and the fair value of the swaption become positive, the Commission would be exposed to credit risk in the amount of the derivative’s fair value.
5. Derivative activity, Continued

**Interest rate swaption effective date April 1, 2006, Continued**

*Basis risk.* This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the commercial paper. The rates have not been significantly different since the exercise date.

*Termination risk and termination payments.* This is the risk that the transaction is terminated in a market dictating a termination payment by the Commission. The Commission can terminate a swap at the fair market value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. The Commission anticipates maintaining the existing agreement through the amortization of the commercial paper through April 1, 2008. In addition, as of June 30, 2007, the Commission was in a favorable termination position relative to the market and net payments received.

At June 30, 2007, the net cumulative position of entering the swap and refunding the debt with commercial paper versus the original debt service requirements is a positive $460,000, which includes the upfront payment of $401,000 received in 2003.

6. Long-term debt

The following is a summary of long-term debt for the year ended June 30, 2007:

<table>
<thead>
<tr>
<th></th>
<th>Balance July 1, 2006</th>
<th>Debt Issued</th>
<th>Debt Retired</th>
<th>Balance June 30, 2007</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax Revenue Bonds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996 Series A</td>
<td>$7,000,000</td>
<td>$</td>
<td>$7,000,000</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>1994 Series A</td>
<td>55,000,000</td>
<td>-</td>
<td>(28,000,000)</td>
<td>28,200,000</td>
<td>28,200,000</td>
</tr>
<tr>
<td>1993 Series A Refunding</td>
<td>31,410,000</td>
<td>-</td>
<td>(15,305,000)</td>
<td>16,105,000</td>
<td>16,105,000</td>
</tr>
<tr>
<td>1992 Series A</td>
<td>26,290,000</td>
<td>-</td>
<td>(12,830,000)</td>
<td>13,460,000</td>
<td>13,460,000</td>
</tr>
<tr>
<td>Commercial Paper Notes</td>
<td>75,707,000</td>
<td>34,000,000</td>
<td>(26,503,000)</td>
<td>83,204,000</td>
<td>83,204,000</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>$195,407,000</td>
<td>$34,000,000</td>
<td>(88,438,000)</td>
<td>$140,969,000</td>
<td>$140,969,000</td>
</tr>
</tbody>
</table>

On June 30, 2007, long-term debt consists of Series A bonds issued by the Commission that are collateralized by a pledge of the revenues from a one-half percent sales tax imposed within the County of San Diego. Long-term debt also consists of commercial paper issued by the Commission. The notes are payable from and collateralized by a subordinate and second lien basis to the 1991 and 1989 Series A sales tax revenue bonds (limited tax bonds) and a pledge of the sales tax revenues. Proceeds from long-term debt are to be used primarily to fund certain transportation projects in San Diego.
6. Long-term debt, Continued

**The 1996 Series A bonds**

On September 1, 1996, the Commission issued $185,000,000 Second Series Sales Tax Revenue Bonds (Limited Tax Bonds), 1996 Series A. The 1996 Series A Bonds are limited obligations of the Commission collateralized by the provisions of the Indenture, dated as of October 1, 1992, as amended and supplemented, between the Commission and the Trustee, and are payable from and collateralized, as are the 1989, 1992, 1993, and 1994 Series A Bonds, by the reserves from a 1/2 percent sales tax imposed within the County of San Diego. At June 30, 2007, the bonds were entirely paid off.

**The 1994 Series A bonds**

On April 7, 1994, the Commission issued $261,700,000 Second Series sales tax revenue bonds, 1994 Series A, through a variable-rate mode and executed a swap fixing the Commission's interest rate for the first three years. On May 17, 1995, the Commission executed a fixed-rate conversion of the 1994 Series A bonds in the amount of $246,500,000. The Commission decided to pursue the option of locking in current low rates by reversing the three-year swap and converting all the outstanding bonds from the weekly mode to a fixed rate. The bond issue resulted in present value interest savings of $18,300,000, or 9.1 percent of refunded par. The principal requirements to maturity for the 1994 Series A bonds are as follows:

<table>
<thead>
<tr>
<th>Maturity (April 1)</th>
<th>Principal Amount</th>
<th>Interest Amount</th>
<th>Total</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$ 28,200,000</td>
<td>$ 1,339,500</td>
<td>$ 29,539,500</td>
<td>4.75%</td>
</tr>
<tr>
<td>Total</td>
<td>$ 28,200,000</td>
<td>$ 1,339,500</td>
<td>$ 29,539,500</td>
<td></td>
</tr>
</tbody>
</table>

**The 1993 Series A refunding bonds**

On April 7, 1993, the 1993 Series A refunding bonds were issued for $174,595,000 to refund a portion of the first senior bonds to achieve debt-service savings. A total of $154,795,000 of outstanding bonds was refunded ($41,235,000 of the 1991 Series A bonds and $113,560,000 of the 1989 Series A bonds). The net present value savings of refunding was approximately $5,270,000.

Pursuant to the terms of the escrow agreement dated March 1, 1993, between the Commission and Bank of America National Trust and Savings Association, as escrow agent, the refunding of the refunded bonds was affected by depositing a portion of proceeds of the 1993 Series A bonds to the escrow fund created and established pursuant to the escrow agreement.

Such proceeds were used to purchase certain government obligations, the principal of and interest on which will be sufficient to pay when due the principal of, redemption premium, if any, and interest on the refunded bonds on the redemption dates.
6. Long-term debt, Continued

The 1993 Series A refunding bonds, Continued

The refunding of the refunded bonds discharged the pledge and assignment of revenues collateralizing the refunded bonds under the first senior indenture, except for the rights of the holders of the refunded bonds to receive payments from the escrow fund. As a result, the 1989 and 1991 Series A bond refunded amounts are considered to be defeased, and the liability for those bond amounts has been removed from the statement of net assets.

The principal requirements to maturity for the 1993 Series A refunding bonds are as follows:

<table>
<thead>
<tr>
<th>Maturity (April 1)</th>
<th>Principal Amount</th>
<th>Interest Amount</th>
<th>Total</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$ 16,105,000</td>
<td>$ 845,512</td>
<td>$ 16,950,512</td>
<td>5.25%</td>
</tr>
<tr>
<td>Total</td>
<td>$ 16,105,000</td>
<td>$ 845,512</td>
<td>$ 16,950,512</td>
<td></td>
</tr>
</tbody>
</table>

The 1992 Series A bonds

The Commission had entered into an interest rate swap agreement, dated October 1, 1992, with Lehman Brothers Special Financing, Inc. In general, the swap agreement provided that on a same-day, net payment basis, determined by reference to a notional amount equal to the principal amount of the 1992 Series A bonds outstanding, Lehman Brothers Special Financing, Inc., would pay to the Commission a floating amount and the Commission would pay to Lehman Brothers Special Financing, Inc. a fixed amount. On December 29, 1995, the Commission executed a fixed-rate conversion of the 1992 Series A bonds in the amount of $134,300,000. The Commission decided to pursue the option of locking in current low rates by reversing the long-dated swap and converting all the outstanding bonds from the weekly mode to a fixed rate. The bond issue resulted in present value savings of approximately $200,000.

The principal requirements to maturity for the 1992 Series A bonds are as follows:

<table>
<thead>
<tr>
<th>Maturity (April 1)</th>
<th>Principal Amount</th>
<th>Interest Amount</th>
<th>Total</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$ 13,460,000</td>
<td>$ 740,300</td>
<td>$ 14,200,300</td>
<td>5.50%</td>
</tr>
<tr>
<td>Total</td>
<td>$ 13,460,000</td>
<td>$ 740,300</td>
<td>$ 14,200,300</td>
<td></td>
</tr>
</tbody>
</table>
6. **Long-term debt, Continued**

**Defeased bonds**

In past years, the Commission defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt-service payments on the 1991 Series A bonds. The net present value savings of the defeasance was approximately $2,550,000. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Commission’s financial statements. On June 30, 2007, $24,175,000 of bonds outstanding were considered defeased.

**Commercial paper notes**

On August 1, 1991, the Commission issued tax-exempt commercial paper notes (limited tax bonds), Series A (the “notes”). The maximum aggregate principal amount that could be outstanding under these notes was $135,000,000. In January 2005, the Board of Directors approved an “Early Action Program” to jump-start some of the major projects identified in the TransNet reauthorization (approved by the voters in November 2004). In order to provide financing in advance of the receipt of revenues, in September 2005, the Commission expanded its commercial paper program from $135,000,000 to $335,000,000, increasing the number of dealers from one to three. There are three credit facilities in place to secure the commercial paper remarketed by each of the three dealers.

During the fiscal year, the maximum outstanding balance was $83,204,000. As of June 30, 2007, there was $83,204,000 outstanding. Interest rates during the current year have varied from 3.35 percent to 3.75 percent, with maturities from 1 day to 147 days. Interest rates on outstanding amounts at June 30, 2007, ranged from 3.62 percent to 3.72 percent, with maturities from 37 days to 130 days.

7. **Unrestricted net asset (deficit)**

The unrestricted net deficit of $29,937,034 resulted from the pass-through of revenue bonds to participating government agencies in San Diego County for transportation related projects, primarily streets and roads. The Commission plans to repay the bonds with future Proposition A – San Diego County Transportation Improvement Program sales tax revenue that is dedicated for transportation projects. See note J on long-term debt for further information.

8. **Risk management**

Insurance coverage is maintained for the Commission by SANDAG through commercial insurance. See SANDAG’s basic financial statements for further details.
9. Subsequent Event

On October 24, 2007, Merrill Lynch (one of the counterparties on the Commission’s interest rate swaps) was downgraded by both Fitch and S&P from AA- to A+ after the securities firm posted the biggest quarterly loss in its 93-year history. The swap documents allow for the Commission to seek collateral when Merrill Lynch is rated A+, when the value of the outstanding swap exceeds $15,000,000. As it currently has a negative value from the Commission’s perspective, no action was taken. Management is continuously monitoring both the value and any changes in credit rating of the swap counterparties.
This page intentionally left blank.
San Diego County Regional Transportation Commission  
Sales Tax Projects Special Revenue Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2007

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Original and Final</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales tax</td>
<td>$249,882,828</td>
<td>$248,467,503</td>
<td>$(1,415,325)</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>2,000,000</td>
<td>3,823,356</td>
<td>1,823,356</td>
</tr>
<tr>
<td>Other revenues</td>
<td>-</td>
<td>6,400</td>
<td>6,400</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>251,882,828</td>
<td>252,297,259</td>
<td>414,431</td>
</tr>
</tbody>
</table>

| **EXPENDITURES:** |                    |                |                           |
| Current:          |                    |                |                           |
| General government | 2,498,828         | 2,500,000      | (1,172)                   |
| Bicycle facilities | 1,000,000         | 1,233,516      | (233,516)                 |
| Major corridors   | -                  | 76,798,842     | (76,798,842)              |
| Environmental mitigation program | - | 17,792,212 | (17,792,212) |
| Highway improvements | 82,128,000 | 24,436,523 | 57,691,477 |
| Public transit improvements | 82,128,000 | 52,730,869 | 29,397,131 |
| Local street and road improvements | 82,128,000 | 76,885,657 | 5,242,343 |
| **Total expenditures** | 249,882,828 | 252,377,619 | (2,494,791) |

| **REVENUES OVER (UNDER) EXPENDITURES** |                    |                |                           |
|                                         | 2,000,000          | (80,360)       | (2,080,360)               |

| **OTHER FINANCING SOURCES (USES):** |                    |                |                           |
| Transfers in                          | -                  | 5,091,535      | (5,091,535)               |
| Transfers out                         | -                  | (84,653,398)   | 84,653,398                |
| **Total other financing sources (uses)** | - | (79,561,863) | 79,561,863 |

| Net change in fund balances           | 2,000,000          | (79,642,223)   | (81,642,223)               |

| **FUND BALANCES:**                   |                    |                |                           |
| Beginning of year                    | 97,681,742         | 97,681,742     | -                         |
| End of year                          | $99,681,742        | $18,039,519    | $ (81,642,223)             |
To the Honorable Chair and Members of the Board of Directors
of the San Diego County Regional Transportation Commission
San Diego, California

We have audited the basic financial statements of the San Diego County Regional Transportation Commission (Commission), a component unit of the San Diego Association of Governments (SANDAG) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission’s financial statements that is more than inconsequential will not be prevented or detected by the Commission’s internal control.
To the Honorable Chair and Members of the Board of Directors
of the San Diego County Regional Transportation Commission
San Diego, California

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in
more than a remote likelihood that a material misstatement of the financial statements will not be
prevented or detected by the Commission’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the
first paragraph and would not necessarily identify all deficiencies in internal control that might be
significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal
control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Commission’s Board of Directors,
management, and federal awarding agencies and is not intended to be and should not be used by anyone
other than these specified parties.

San Diego, California
November 30, 2007
APPENDIX B

INFORMATION REGARDING THE COUNTY OF SAN DIEGO

Set forth below is certain information with respect to the County of San Diego (the “County”). Except as otherwise indicated, such information was obtained from the County as of the latest date when such information was available. The Commission takes no responsibility for the accuracy or completeness of such information.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The County is the southernmost major metropolitan area in the State of California. The County covers 4,255 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County and inland 75 miles to Imperial County. Riverside and Orange counties form the northern boundary. The County is approximately the size of the State of Connecticut.

The topography of the County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of the County. The climate is stable in the coastal and valley regions where most of the population and resources are located. The average annual rainfall in the coastal areas is approximately 10 inches.

The County possesses a diverse economic base consisting of high technology, manufacturing, tourism, agriculture and the largest uniformed military presence in the nation, which contributes approximately $10 billion annually to the retail and service businesses of the area.

In support of the region’s visitor industry, the City of San Diego constructed a baseball park in downtown San Diego (“PETCO Park”) within walking distance of the recently expanded convention center. PETCO Park opened in April 2004 providing a 42,000 fixed seat baseball stadium for the San Diego Padres. PETCO Park is located in a 26-block neighborhood that contains existing and proposed hotels, office space, retail and housing units within walking distance from the San Diego Convention Center and the Gaslamp Quarter. The baseball stadium is also within walking distance of a San Diego Trolley station and nearby parking facilities.

The San Diego Convention Center began operation in November 1989. The Convention Center contains 615,701 square feet of exhibit space and 204,114 square feet of meeting/banquet rooms. In September 2001, a major expansion of the Convention Center was completed which increased the square footage by approximately 50%. Major conventions and trade shows are scheduled into the year 2009.

The County is also growing as a major center for culture and education. Over 30 recognized art organizations, including the San Diego Opera, the Old Globe Theatre productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County. Higher education is provided through five two-year colleges and six four-year colleges and universities.
Population

There are 18 incorporated cities in the County, and a number of unincorporated communities. For many years the population of the County has grown at a greater rate than that of either California or the nation. The County population as of January 2007 was estimated to be approximately 3,098,269, making it the second largest County by population in California. As of July 1, 2006, the U.S. Census Bureau ranked San Diego County the seventeenth largest Metropolitan Statistical Area in the United States. The 2007 population increased 1.11% from 2006. By the year 2020, the County’s population is projected to exceed 3.5 million.

The following table shows changes in the population in the County, the State and the United States for the years 1995 to 2007.

<table>
<thead>
<tr>
<th>Year</th>
<th>San Diego County</th>
<th>Percent Change</th>
<th>State of California</th>
<th>Percent Change</th>
<th>United States(2)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>2,613</td>
<td>-</td>
<td>31,617</td>
<td>-</td>
<td>262,803</td>
<td>-</td>
</tr>
<tr>
<td>1996</td>
<td>2,621</td>
<td>0.31%</td>
<td>31,837</td>
<td>0.70%</td>
<td>265,229</td>
<td>0.96%</td>
</tr>
<tr>
<td>1997</td>
<td>2,653</td>
<td>1.23%</td>
<td>32,207</td>
<td>1.16%</td>
<td>267,784</td>
<td>0.92%</td>
</tr>
<tr>
<td>1998</td>
<td>2,703</td>
<td>1.88%</td>
<td>32,657</td>
<td>1.40%</td>
<td>270,248</td>
<td>0.90%</td>
</tr>
<tr>
<td>1999</td>
<td>2,751</td>
<td>1.78%</td>
<td>33,140</td>
<td>1.48%</td>
<td>272,691</td>
<td>0.90%</td>
</tr>
<tr>
<td>2000</td>
<td>2,813</td>
<td>2.25%</td>
<td>33,873</td>
<td>2.22%</td>
<td>282,193</td>
<td>3.48%</td>
</tr>
<tr>
<td>2001</td>
<td>2,864</td>
<td>1.81%</td>
<td>34,441</td>
<td>1.91%</td>
<td>285,107</td>
<td>1.03%</td>
</tr>
<tr>
<td>2002</td>
<td>2,921</td>
<td>1.99%</td>
<td>35,088</td>
<td>1.87%</td>
<td>287,985</td>
<td>1.01%</td>
</tr>
<tr>
<td>2003</td>
<td>2,972</td>
<td>1.74%</td>
<td>35,691</td>
<td>1.71%</td>
<td>290,850</td>
<td>0.99%</td>
</tr>
<tr>
<td>2004</td>
<td>3,011</td>
<td>1.31%</td>
<td>36,252</td>
<td>1.57%</td>
<td>293,657</td>
<td>0.96%</td>
</tr>
<tr>
<td>2005</td>
<td>3,0381</td>
<td>0.90%</td>
<td>36,743</td>
<td>1.35%</td>
<td>296,410</td>
<td>0.94%</td>
</tr>
<tr>
<td>2006</td>
<td>3,064</td>
<td>0.86%</td>
<td>37,195</td>
<td>1.23%</td>
<td>299,398</td>
<td>1.01%</td>
</tr>
<tr>
<td>2007</td>
<td>3,098</td>
<td>1.11%</td>
<td>37,663</td>
<td>1.26%</td>
<td>301,140</td>
<td>0.58%</td>
</tr>
</tbody>
</table>

Sources: State of California Department of Finance; U.S. Bureau of the Census
(1) As of January 1 of the year shown, except for 2000 Census (April 1, 2000).
(2) As of July 1 of the year shown.
Employment

The County's total labor force, the number of persons who work or are available for work, averaged approximately 1,518,000 in 2006. The number of employed workers in the labor force averaged approximately 1,457,500. The following table sets forth information regarding the size of the civilian labor force, employment and unemployment rates for the County, the State and the United States for the years 2002 through 2006. The last column of the table indicates the civilian labor force, employment and unemployment rates for the County, the State of California and the Nation through November of 2007. The unemployment rate in San Diego County remained stable at 4.8 percent in October and November 2007, and above the year-ago estimate of 4.0 percent. This compares with an unadjusted unemployment rate of 5.6 percent for California and 4.7 percent (seasonally adjusted) for the nation during the same period.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT*  
ANNUAL AVERAGES 2002-2006  
By Place of Residence  
(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007**</th>
</tr>
</thead>
<tbody>
<tr>
<td>County of San Diego</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Force</td>
<td>1,450.5</td>
<td>1,469.8</td>
<td>1,492.4</td>
<td>1,507.8</td>
<td>1,518.0</td>
<td>1,545.3</td>
</tr>
<tr>
<td>Employment</td>
<td>1,375.8</td>
<td>1,393.3</td>
<td>1,421.7</td>
<td>1,442.7</td>
<td>1,457.5</td>
<td>1,470.7</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>5.2%</td>
<td>5.2%</td>
<td>4.7%</td>
<td>4.3%</td>
<td>4.0%</td>
<td>4.8%</td>
</tr>
<tr>
<td>State of California</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Force</td>
<td>17,343.6</td>
<td>17,418.7</td>
<td>17,538.0</td>
<td>17,740.4</td>
<td>17,901.9</td>
<td>18,374.2</td>
</tr>
<tr>
<td>Employment</td>
<td>16,180.8</td>
<td>16,227.0</td>
<td>16,444.5</td>
<td>16,782.3</td>
<td>17,029.3</td>
<td>17,353.5</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>6.7%</td>
<td>6.8%</td>
<td>6.2%</td>
<td>5.4%</td>
<td>4.9%</td>
<td>5.6%</td>
</tr>
<tr>
<td>United States</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Force</td>
<td>144,863.0</td>
<td>146,510.0</td>
<td>147,401.0</td>
<td>149,320.0</td>
<td>151,428.0</td>
<td>153,828.0</td>
</tr>
<tr>
<td>Employment</td>
<td>136,485.0</td>
<td>137,736.0</td>
<td>139,252.0</td>
<td>141,730.0</td>
<td>144,427.0</td>
<td>146,747.0</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>5.8%</td>
<td>6.0%</td>
<td>5.5%</td>
<td>5.1%</td>
<td>4.6%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Sources: County and State Data - California Employment Development Department; National Data - U.S. Department of Labor, Bureau of Labor Statistics.  
* Data not seasonally adjusted; March 2006 benchmark.  
** As of November 2007.
The following table sets forth the annual average employment within the County by employment sector for 2002 through 2006. Industry employment in San Diego County has increased by a total of 69,200 jobs since 2002, with gains in most major industries (with the exception of agriculture, manufacturing, government, and information). The largest growth industries were: leisure and hospitality; construction; and trade, transportation, and utilities. During the years profiled, these industries gained a total of 51,000 jobs. The largest growth occurred in leisure and hospitality (22,400 jobs). Construction gained 16,200 jobs, growth of almost 21 percent. Trade, transportation, and utilities added 12,400 jobs, with retail trade accounting for 9,600 new jobs. Since 2002, professional and business services has shown a growth of 12,100 jobs. The county’s manufacturing industry declined by 8,700 jobs Government (-2,000) and information (-500) also experienced decline. The table below also shows the first eleven months of 2007 with increases of jobs continuing in the areas of leisure and hospitality, trade, transportation and utilities. Also recent increases in information and government which had shown a decline in recent years.

### SAN DIEGO COUNTY LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES 2002-2006

<table>
<thead>
<tr>
<th>Employment Sector</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, All Industries</td>
<td>1,241,700</td>
<td>1,251,300</td>
<td>1,271,500</td>
<td>1,292,800</td>
<td>1,310,900</td>
<td>1,335,000</td>
</tr>
<tr>
<td>Agriculture</td>
<td>11,000</td>
<td>11,200</td>
<td>11,100</td>
<td>10,700</td>
<td>11,000</td>
<td>10,500</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>300</td>
<td>300</td>
<td>400</td>
<td>400</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Construction</td>
<td>76,400</td>
<td>80,200</td>
<td>87,700</td>
<td>90,800</td>
<td>92,600</td>
<td>85,000</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>112,300</td>
<td>105,300</td>
<td>104,300</td>
<td>104,500</td>
<td>103,600</td>
<td>103,100</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>208,600</td>
<td>209,700</td>
<td>215,300</td>
<td>219,400</td>
<td>221,000</td>
<td>228,700</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>41,300</td>
<td>41,600</td>
<td>41,900</td>
<td>43,600</td>
<td>45,100</td>
<td>46,200</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>138,000</td>
<td>140,800</td>
<td>144,900</td>
<td>147,400</td>
<td>147,600</td>
<td>153,400</td>
</tr>
<tr>
<td>Transportation, Warehousing &amp; Utilities</td>
<td>29,300</td>
<td>27,300</td>
<td>28,400</td>
<td>28,400</td>
<td>28,300</td>
<td>29,100</td>
</tr>
<tr>
<td>Information</td>
<td>37,700</td>
<td>36,900</td>
<td>36,600</td>
<td>37,400</td>
<td>37,200</td>
<td>38,400</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>75,000</td>
<td>79,900</td>
<td>81,900</td>
<td>83,200</td>
<td>83,700</td>
<td>81,300</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>47,300</td>
<td>51,200</td>
<td>52,800</td>
<td>53,500</td>
<td>53,300</td>
<td>53,000</td>
</tr>
<tr>
<td>Real Estate, Rental &amp; Leasing</td>
<td>27,700</td>
<td>28,800</td>
<td>29,100</td>
<td>29,700</td>
<td>30,400</td>
<td>28,300</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>201,700</td>
<td>201,200</td>
<td>204,500</td>
<td>210,400</td>
<td>213,800</td>
<td>220,000</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>119,700</td>
<td>121,800</td>
<td>121,700</td>
<td>122,500</td>
<td>124,700</td>
<td>130,400</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>133,800</td>
<td>140,700</td>
<td>145,700</td>
<td>149,600</td>
<td>156,200</td>
<td>161,500</td>
</tr>
<tr>
<td>Other Services</td>
<td>45,600</td>
<td>46,800</td>
<td>47,900</td>
<td>48,800</td>
<td>48,900</td>
<td>51,300</td>
</tr>
<tr>
<td>Government</td>
<td>219,700</td>
<td>217,300</td>
<td>214,300</td>
<td>215,000</td>
<td>217,700</td>
<td>224,300</td>
</tr>
</tbody>
</table>

Source: California Employment Development Department.
Regional Economy

In recent years the County has enjoyed economic stability, outpacing the State economy despite a general recession in the State. Much of this strength was evidenced by, and due to, outstanding employment gains, population growth, personal income increases, and high levels of commercial and industrial development.

The Gross Regional Product (“GRP”) for 2006 rose to over $161 billion from $151 billion in 2005. The GRP is an estimate of the value for all goods and services produced in the region. The following table presents the County's GRP from 1996 through 2006.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Regional Product (In Billions)</th>
<th>Annual Percent Change</th>
<th>Real Change*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>San Diego</td>
<td>Current Dollars</td>
<td>San Diego</td>
</tr>
<tr>
<td>1996</td>
<td>$ 79.127</td>
<td>6.0%</td>
<td>4.2 %</td>
</tr>
<tr>
<td>1997</td>
<td>85.675</td>
<td>8.3</td>
<td>6.6</td>
</tr>
<tr>
<td>1998</td>
<td>93.738</td>
<td>9.4</td>
<td>8.2</td>
</tr>
<tr>
<td>1999</td>
<td>102.422</td>
<td>9.3</td>
<td>8.2</td>
</tr>
<tr>
<td>2000</td>
<td>111.639</td>
<td>9.0</td>
<td>7.0</td>
</tr>
<tr>
<td>2001</td>
<td>116.347</td>
<td>4.2</td>
<td>2.1</td>
</tr>
<tr>
<td>2002</td>
<td>124.920</td>
<td>7.4</td>
<td>4.9</td>
</tr>
<tr>
<td>2003</td>
<td>133.051</td>
<td>6.5</td>
<td>4.5</td>
</tr>
<tr>
<td>2004</td>
<td>141.707</td>
<td>6.5</td>
<td>4.0</td>
</tr>
<tr>
<td>2005</td>
<td>151.105</td>
<td>6.6</td>
<td>4.5</td>
</tr>
<tr>
<td>2006</td>
<td>$161.087</td>
<td>6.6</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Sources: Bureau of Economic Analysis; Economic Research Bureau of the Greater San Diego Chamber of Commerce.

* Adjusted using the GDP/GSP Implicit Price Deflator.

Economic activity and population growth in the local economy are closely related. Helping to sustain the County's economy is the performance of five basic industrial employment clusters of the region, which consist of high technology (such as biotechnology, medical instruments, wireless communications, software and electronic components), defense and transportation manufacturing, uniformed military, tourism, and agriculture. The U.S. Department of Defense contributes about $10 billion annually to the local economy, through wages paid to the uniformed military and civilian personnel, and for equipment and services purchased from local businesses. San Diego's military presence is anticipated to remain relatively stable and may increase due to the consolidation of military operations and facilities from elsewhere in California, the West, and throughout the United States. The Department of Defense closed and vacated the Naval Training Center in 1997; however, three procurement agencies have recently relocated to San Diego, including the Naval Space and Warfare Systems Command, the Naval Aviation Engineering Servicing Unit, which hires private contractors to service jets, and the Naval Aviation Technical Service Facility, which stores approximately 10 million jet blueprints.
Building Activity

Annual total building permit valuation and the annual unit total of new residential permits from 2003 through November of 2007 are shown in the following table.

COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2003 – November of 2007
(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$3,683,807</td>
<td>$3,875,359</td>
<td>$3,562,702</td>
<td>$2,470,685</td>
<td>$1,722,842</td>
</tr>
<tr>
<td>Non-Residential</td>
<td>1,169,397</td>
<td>1,288,130</td>
<td>1,381,794</td>
<td>1,621,608</td>
<td>1,270,659</td>
</tr>
<tr>
<td>Total</td>
<td>$4,853,204</td>
<td>$5,163,489</td>
<td>$4,944,496</td>
<td>$4,092,293</td>
<td>$3,993,501</td>
</tr>
</tbody>
</table>

New Housing Units:
<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>9,455</td>
<td>9,555</td>
<td>7,904</td>
<td>4,753</td>
<td>3,289</td>
</tr>
<tr>
<td>Multiple Family</td>
<td>8,859</td>
<td>7,751</td>
<td>7,354</td>
<td>6,024</td>
<td>3,496</td>
</tr>
<tr>
<td>Total</td>
<td>18,314</td>
<td>17,306</td>
<td>15,258</td>
<td>10,777</td>
<td>6,785</td>
</tr>
</tbody>
</table>

Source: Construction Industry Research Board.
Commercial Activity

Consumer spending for 2006 resulted in approximately $47.8 billion in taxable sales in the County. The following table sets forth information regarding taxable sales in the County for the years 2002 through 2006.

COUNTY OF SAN DIEGO
TAXABLE SALES
2002 2006
(In Thousands)

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel Stores</td>
<td>$ 1,374,858</td>
<td>$ 1,466,233</td>
<td>$ 1,644,428</td>
<td>$ 1,798,104</td>
<td>$1,909,011</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>4,557,457</td>
<td>4,832,286</td>
<td>5,204,962</td>
<td>5,406,091</td>
<td>5,594,621</td>
</tr>
<tr>
<td>Specialty Stores</td>
<td>3,803,803</td>
<td>4,144,293</td>
<td>4,541,225</td>
<td>4,728,028</td>
<td>4,924,656</td>
</tr>
<tr>
<td>Food Stores</td>
<td>1,650,104</td>
<td>1,685,203</td>
<td>1,736,610</td>
<td>1,858,152</td>
<td>1,928,274</td>
</tr>
<tr>
<td>Eating and Drinking Estates</td>
<td>3,505,859</td>
<td>3,757,136</td>
<td>4,047,726</td>
<td>4,267,302</td>
<td>4,521,392</td>
</tr>
<tr>
<td>Home Furnishings/Appliances</td>
<td>1,353,158</td>
<td>1,458,403</td>
<td>1,549,482</td>
<td>1,566,046</td>
<td>1,511,389</td>
</tr>
<tr>
<td>Building Materials</td>
<td>2,510,931</td>
<td>2,757,706</td>
<td>3,341,105</td>
<td>3,376,009</td>
<td>3,331,161</td>
</tr>
<tr>
<td>Automotive</td>
<td>7,862,366</td>
<td>8,563,690</td>
<td>9,318,277</td>
<td>9,739,136</td>
<td>9,819,932</td>
</tr>
<tr>
<td>All Other Retail Stores</td>
<td>803,063</td>
<td>855,601</td>
<td>961,645</td>
<td>1,045,927</td>
<td>1,076,631</td>
</tr>
<tr>
<td>Business and Personal Services</td>
<td>1,977,606</td>
<td>2,040,077</td>
<td>2,146,781</td>
<td>2,239,304</td>
<td>2,302,057</td>
</tr>
<tr>
<td>All Other Outlets</td>
<td>9,196,342</td>
<td>9,303,350</td>
<td>9,978,097</td>
<td>10,655,372</td>
<td>10,914,390</td>
</tr>
<tr>
<td>TOTAL ALL OUTLETS</td>
<td>$38,595,547</td>
<td>$40,863,978</td>
<td>$44,470,388</td>
<td>$46,679,471</td>
<td>$47,835,514</td>
</tr>
</tbody>
</table>

Source: California State Board of Equalization, Taxable Sales in California.
Personal Income

The following table summarizes the total effective buying income and the median household effective buying income for the County, the State, and the United States between 2000 and 2005. In 2006, the median household income for the County of San Diego was $72,455.

PERSONAL INCOME
2000 through 2005

<table>
<thead>
<tr>
<th>Year and Area</th>
<th>Total Effective Buying Income (In Thousands)</th>
<th>Median Household Effective Buying Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Diego County</td>
<td>49,907,828</td>
<td>39,213</td>
</tr>
<tr>
<td>California</td>
<td>590,376,663</td>
<td>39,492</td>
</tr>
<tr>
<td>United States</td>
<td>4,877,786,658</td>
<td>37,233</td>
</tr>
<tr>
<td>2001*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Diego County</td>
<td>54,337,662</td>
<td>44,292</td>
</tr>
<tr>
<td>California</td>
<td>652,190,282</td>
<td>44,464</td>
</tr>
<tr>
<td>United States</td>
<td>5,230,824,904</td>
<td>39,129</td>
</tr>
<tr>
<td>2002**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Diego County</td>
<td>55,210,119</td>
<td>44,146</td>
</tr>
<tr>
<td>California</td>
<td>650,521,407</td>
<td>43,532</td>
</tr>
<tr>
<td>United States</td>
<td>5,303,481,498</td>
<td>38,365</td>
</tr>
<tr>
<td>2003**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Diego County</td>
<td>54,831,958</td>
<td>42,315</td>
</tr>
<tr>
<td>California</td>
<td>647,879,427</td>
<td>42,484</td>
</tr>
<tr>
<td>United States</td>
<td>5,340,682,818</td>
<td>38,035</td>
</tr>
<tr>
<td>2004**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Diego County</td>
<td>57,680,880</td>
<td>43,346</td>
</tr>
<tr>
<td>California</td>
<td>674,721,020</td>
<td>42,924</td>
</tr>
<tr>
<td>United States</td>
<td>5,466,880,008</td>
<td>38,201</td>
</tr>
<tr>
<td>2005**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Diego County</td>
<td>60,578,879</td>
<td>44,506</td>
</tr>
<tr>
<td>California</td>
<td>705,108,410</td>
<td>43,915</td>
</tr>
<tr>
<td>United States</td>
<td>5,692,909,567</td>
<td>39,324</td>
</tr>
</tbody>
</table>

Source: Sales and Marketing Management - Survey of Buying Power, Effective Buying Income for 2006 are not currently available.

NOTE: As of 2002, Survey of Buying Power changed its reporting methods to be based on projected estimates.
* Actual figures from prior years.
** Projected estimates.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.
San Diego’s International Airport (Lindbergh Field) is located approximately three miles northwest of the downtown area and sits on 614 acres. The facilities are owned and maintained by the San Diego County Regional Airport Commission and are leased to commercial airlines and other tenants. The airport is California’s third most active commercial airport, served by 18 passenger carriers and six cargo carriers. In addition to San Diego International Airport there are two naval air stations and seven general aviation airports located in the County.

Public transit in the metropolitan area is provided by the Metropolitan Transit System (“MTS”). MTS operates the San Diego Trolley, which was recently expanded to serve San Diego State University, as well as San Diego Transit and other bus services. The North County Transit District provides bus services in the northern portion of the County and operates commuter rail services (Coaster) from Oceanside to downtown San Diego.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

Visitor and Convention Activity

An excellent climate, proximity to Mexico, extensive maritime facilities, and such attractions as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory allow San Diego to attract a high level of visitor and convention business each year. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego Community Concourse.

San Diego's visitor industry is a major sector of the region's economy. Visitor revenues in San Diego County reached approximately $7.7 billion in 2006, according to an estimate by the San Diego Convention and Visitors Bureau, an increase of approximately $190 million from the prior year. The County hosted 71 conventions and trade shows in 2006, attended by approximately 573,398 delegates, who spent approximately $462,117,578. Additional visitors pass through the San Ysidro Port of Entry, the busiest border crossing in the world with nearly 70 million crossings each year between San Diego and Tijuana, Mexico.

Education

Forty-two independent school districts provide educational programs for the elementary and secondary public school children in the County. Each school system is governed by a locally elected board of education and administered by a superintendent or other chief administrative officer appointed by the board. In the County there are three types of school districts: elementary, union high and unified. Elementary districts educate elementary students, union high districts for the most part educate secondary students, and unified districts educate both elementary and secondary students. There are currently 12 unified, 24 elementary and 6 union high school districts in the County.

Community colleges in California are locally operated and administered two-year institutions of higher education. They offer Associates in Arts and Associates in Science degrees and have extensive
vocational curricula. There are five community college districts in the County with students at eleven campuses and numerous adult and community centers.

Among the institutions of higher education offering bachelors and graduate programs in metropolitan San Diego are: San Diego State University; the University of California, San Diego; National University; the University of San Diego; Point Loma College; California State University - San Marcos; Alliance International University; and the University of Phoenix.
APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Set forth below are definitions of certain terms used elsewhere in the Official Statement. In addition, this APPENDIX C includes a summary of certain provisions of the Master Indenture, dated as of March 1, 2008, as supplemented by the First Supplemental Indenture, dated as of March 1, 2008 (hereinafter collectively referred to as the “Indenture”), between the San Diego County Regional Transportation Commission and U.S. Bank National Association, as trustee.

Certain terms used in “APPENDIX J—Commission Auction Procedures” are defined in APPENDIX J. Capitalized terms used and not otherwise defined in the Official Statement have the meanings assigned to such terms in the Indenture.

This summary does not purport to be complete or definitive, is supplemental to the summary of provisions of the Indenture contained elsewhere in the Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. This summary does not repeat information set forth in the forepart of the Official Statement concerning terms (such as interest rates and maturities), redemption provisions, and certain other features of the 2008 Bonds. See “DESCRIPTION OF THE SERIES 2008 BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS,” and “ADDITIONAL TERMS OF SERIES 2008 VARIABLE RATE BONDS.”

The Series 2008 Variable Rate Bonds will initially bear interest at the Daily Rate or the Auction Period Rate, determined in accordance with the provisions of the Indenture. Upon satisfaction of certain conditions set forth in the Indenture, the Series 2008 Bonds of each Series may bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Auction Period Rate, the Index Rate, the Term Rate or the Fixed Rate). THE OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION ABOUT THE 2008 VARIABLE RATE DEMAND BONDS OR THE 2008 AUCTION RATE BONDS AFTER CONVERSION TO ANOTHER INTEREST RATE DETERMINATION METHOD (EXCEPT WITH RESPECT TO THE CONVERSION OF ANY 2008 VARIABLE RATE DEMAND BONDS TO A WEEKLY RATE).
APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company (“DTC”) and DTC’s book-entry system has been obtained from sources that the Commission and the Underwriters believe to be reliable, but neither the Commission nor the Underwriters take responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX C – “Definitions and Summary of Certain Provisions of the Indenture.”

DTC will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2008 Bond certificate will be issued for each maturity of each Series of the Series 2008 Bonds, in the aggregate principal amount of such Series, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (“NSCC,” “FICC,” and “EMCC,” also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2008 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.
To facilitate subsequent transfers, all Series 2008 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The Commission and the Trustee will not have any responsibility or obligation to such DTC Participants or the persons for whom they act as nominees with respect to the Series 2008 Bonds.

Redemption notices shall be sent to DTC. If less than all of the Series 2008 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2008 Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2008 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Commission or the Trustee, on each payment date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2008 Bonds at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2008 Bonds are required to be printed and delivered as described in the Indenture.

The Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.
No Assurance Regarding DTC Practices

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE SERIES 2008 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2008 BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2008 BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2008 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the Series 2008 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.


In the event the Commission or the Trustee determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Series 2008 Bonds, and the Commission does not select another qualified securities depository, the Commission shall deliver one or more Series 2008 Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of Series 2008 Bonds will be governed by the provisions of the Indenture.
APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL
APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT
APPENDIX G

THE INSURER

The information contained in this appendix has been provided for inclusion in this Official Statement by [BOND INSURER]. No representation as to the accuracy or completeness of such information is made by the Commission or the Underwriters. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of [BOND INSURER] since the date hereof, or that the information contained or referred to in this appendix is correct as of any time subsequent to its date.
APPENDIX I

THE BANK

The information contained in this appendix has been provided by the Credit Bank. No representation as to the accuracy or completeness of such information is made by the Commission or the Underwriters. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of any of the Credit Bank since the date hereof, or that the information contained or referred to in this appendix is correct as of any time subsequent to its date.
APPENDIX J

COMMISSION AUCTION PROCEDURES

This Appendix J contains provisions relating to the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-1, 2008 Series B-2, Series B-3 and 2008 Series B-4 (the “Series 2008 Auction Rate Bonds” or the “Auction Rate Bonds”) in an Auction Rate Mode, and references in this Appendix J to “Auction Rate Bonds” shall be deemed to refer only to Series 2008 Bonds in an Auction Rate Mode.

ARTICLE I

Definitions

In addition to the words and terms otherwise defined in this Indenture, the following words and terms as used in this Appendix J (hereinafter “this Appendix”) and elsewhere in the Indenture have the following meanings with respect to 2008 Bonds in an Auction Rate Mode unless the context or use indicates another or different meaning or intent:

[to be provided when First Supplemental Indenture is finalized]
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SALES TAX REVENUE BONDS
(LIMITED TAX BONDS)
$150,000,000 2008 SERIES A-1
$150,000,000 2008 SERIES A-2
VARIABLE RATE DEMAND BONDS
BOND PURCHASE AGREEMENT

March __, 2008

San Diego County Regional Transportation Commission
401 B Street, Suite 800
San Diego, California  92101

Ladies and Gentlemen:

Lehman Brothers Inc. (the “Representative”), acting on behalf of itself and Goldman, Sachs & Co. (collectively the “Underwriters”), hereby offers to enter into this Bond Purchase Agreement with the San Diego County Regional Transportation Commission (the “Commission”), which, upon the Commission’s acceptance hereof, will be binding upon the Commission and the Underwriters. This offer is made subject to the written acceptance of this Bond Purchase Agreement by the Commission and the delivery of such acceptance to the Representative or its attorney at or prior to 6:00 p.m., Pacific time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the Commission at any time prior to the acceptance hereof by the Commission.

The Representative represents and warrants to the Commission that it has been duly authorized to enter into this Bond Purchase Agreement and to act hereunder by and on behalf of the Underwriters.

1. Definitions. All capitalized terms not defined herein shall have the meanings ascribed to them in the Indenture, as defined below. Unless a different meaning clearly appears from the context, the following words and terms shall have the following meanings, respectively:

“Auction Agent” shall mean ________________________.

“Auction Agreement” shall mean the Auction Agreement, dated as of March 1, 2008, by and between the Auction Agent and the Commission.

[“Bond Insurance Policy” shall mean the financial guaranty insurance policy issued by ________________ with respect to the 2008 Series B Bonds.]
“Bond Purchase Agreement” shall mean this Bond Purchase Agreement.

“Bond Resolution” shall mean Resolution No. __________ adopted by the Commission on February __, 2008.

“Broker-Dealer Agreements” shall mean the Broker-Dealer Agreement, dated as of March 1, 2008, by and among the Auction Agent, J.P. Morgan Securities Inc. and the Commission, and the Broker-Dealer Agreement, dated as of March 1, 2008, by and among the Auction Agent, UBS Securities LLC and the Commission.

“Business Day” shall mean any day other than a Saturday, Sunday or legal holiday in the State or in New York, New York or a day on which either the Trustee or the Commission is legally authorized to close.

“Closing Date” shall have the meaning given such term in Section 7 hereof.

“Closing Time” shall mean the time at which payment for and delivery of the 2008 Series A Bonds shall occur, as established pursuant to Section 7 hereof.

“Continuing Disclosure Agreement” shall have the meaning given such term in Section 2(b) hereof.

“County” shall mean the County of San Diego, California.

“End Date” shall have the meaning set forth in Section 2 hereof.

[“Escrow Agreement” shall mean the Escrow Agreement, dated as of March 1, 2008, by and between the Commission and the Trustee, as Escrow Agent.]

“First Supplemental Indenture” shall mean the First Supplemental Indenture, dated as of March 1, 2008, by and between the Commission and U.S. Bank National Association, as Trustee (the “Trustee”), as amended or supplemented.

“Indenture” shall mean the Indenture, dated as of March 1, 2008, by and between the Commission and the Trustee, as amended or supplemented, including as to be amended and supplemented by the First Supplemental Indenture.

“Legal Documents” shall mean the Indenture, the Continuing Disclosure Agreement, the Remarketing Agreements, the Broker-Dealer Agreements, the Auction Agreement, [the Escrow Agreement(s)] and the Tax Certificate.

“Letter of Credit” shall mean the direct draw letter of credit to be issued by the Letter of Credit Bank.

“Letter of Credit Bank” shall mean ________________________________.
“Official Statement” shall mean the Official Statement of the Commission, dated March _____, 2008, relating to the 2008 Series A Bonds, together with the cover page thereof and all appendices, exhibits, amendments and supplements thereto.

“Remarketing Agreements” shall mean the Remarketing Agreement, dated as of March 1, 2008, by and between Lehman Brothers Inc. and the Commission, and the Remarketing Agreement, dated as of March 1, 2008, by and between Goldman, Sachs & Co. and the Commission.

[Reserve Surety Bond” shall mean the debt service reserve surety bond issued by _____________.]

“Sales Tax” shall mean the 1/2 of 1% retail transactions and use tax imposed by the Commission and approved by the electors of the County at an election held November 3, 1987 and extended by the electors of the County at an election held November 2, 2004.

“State” shall mean the State of California.

“Tax Certificate” shall mean the Tax Certificate of the Commission dated the Closing Date.

“2008 Series A Bonds” shall mean, collectively, the $150,000,000 aggregate principal amount of San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A-1 and the $150,000,000 aggregate principal amount of San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A-2.


The Commission has delivered or caused to be delivered to the Underwriters copies of the Official Statement. The Commission hereby ratifies, confirms and approves of the use and distribution by the Underwriters prior to the date hereof of the Official Statement. The Commission hereby authorizes the use of the Official Statement and the information contained therein by the Underwriters in connection with the public offering and sale of the 2008 Series A Bonds. The Commission shall deliver sufficient copies of the Official Statement to enable the Underwriters to distribute a single copy to any potential customer of the Underwriters requesting a Official Statement during the time period beginning when the Official Statement becomes available and ending on a date referred to herein as the “End Date,” which is the date when the Official Statement becomes available from a nationally recognized municipal securities information repository (“NRMSIR”), but in no event less than 25 days after the end of the underwriting period (as defined in Rule 15c2-12 of the Securities and Exchange Commission). The Underwriters agree to promptly file a copy of the Official Statement with a NRMSIR. On the Closing Date the Commission may assume that the end of the underwriting period has occurred unless otherwise informed by the Underwriters. In any event, the Underwriters shall promptly notify the Commission of the end of the underwriting period.

(a) The Commission will undertake, pursuant to the Indenture and a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), to provide certain
annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking will be set forth in the Official Statement.

3. **Purchase and Sale of the 2008 Series A Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase from the Commission the 2008 Series A Bonds for offering to the public, and the Commission hereby agrees to sell to the Underwriters, all (but not less than all) of the $300,000,000 aggregate principal amount of the 2008 Series A Bonds, at an aggregate purchase price of $________________ (the “Purchase Price”) (which Purchase Price is equal to the aggregate principal amount of the 2008 Series A Bonds less Underwriters’ discount of $________________).

4. **The 2008 Series A Bonds.** The principal amounts, interest rates, maturity dates and prices or yields with respect to the 2008 Series A Bonds shall be as described in the Official Statement and in Exhibit A hereto.

5. **Public Offering of the 2008 Series A Bonds.** Except as otherwise disclosed and agreed to by the Commission, the Underwriters agree to make a bona fide public offering of all of the 2008 Series A Bonds at the initial public offering price or prices (or yields) set forth on the cover page of the Official Statement and in Exhibit A hereto; provided, however, the Underwriters reserve the right to change such initial public offering prices as the Underwriters seem necessary or desirable, in their sole discretion, in connection with the marketing of the 2008 Series A Bonds, and to sell the 2008 Series A Bonds to certain dealers (including dealers depositing the 2008 Series A Bonds into investment trusts) and others at prices lower than the initial offering prices or higher than the yields set forth in the Official Statement. A “bona fide public offering” shall include an offering to institutional investors or registered investment companies, regardless of the number of such investors to which the 2008 Series A Bonds are sold. The Representative shall provide to the Commission on the Closing Date a certificate setting forth the offering prices to the public of each maturity of the 2008 Series A Bonds at which a substantial amount of such maturity was sold.

6. **Use of Documents.** The Commission hereby authorizes the Underwriters to use, in connection with the public offering and sale of the 2008 Series A Bonds, this Bond Purchase Agreement, the Official Statement and the Legal Documents, and the information contained herein and therein.

7. **Closing.** The Closing Time shall be no later than 10:00 a.m., Pacific time, on March __, 2008, or at such other time or on such later date as shall have been mutually agreed upon by the Commission and the Representative (the “Closing Date”). At the Closing Time, the Commission will deliver or cause to be delivered the 2008 Series A Bonds to the Underwriters through The Depository Trust Company (“DTC”) in definitive or temporary form, duly executed by the Commission, together with the other documents hereinafter mentioned; and the Underwriters will accept such delivery and pay the Purchase Price in immediately available funds to the Trustee.

The 2008 Series A Bonds will be registered in the name of “Cede & Co.” as nominee of DTC. It is anticipated that CUSIP identification numbers will be inserted on the 2008 Series A
Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriters to accept delivery of the 2008 Series A Bonds in accordance with the terms of this Bond Purchase Agreement.

Delivery of the 2008 Series A Bonds will be made at the offices of DTC in New York, New York, or such other place as shall have been mutually agreed upon by the Commission and the Representative, and all other actions to be taken at the Closing Time, including the delivery of the items set forth in Section 9 hereof, shall take place at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California or at such other place as shall have been mutually agreed upon by the Commission and the Representative.

8. Representations, Warranties and Agreements of the Commission. The Commission hereby represents, warrants and agrees with the Underwriters that:

(a) The Commission has been duly created and is validly existing under the laws of the State and has the power to issue the 2008 Series A Bonds pursuant to the Act, the Bond Resolution and the Legal Documents.

(b) The Commission has full legal right, power and authority under the Constitution and the laws of the State to cause the collection of the Sales Tax, to adopt the Bond Resolution, to enter into the Legal Documents and this Bond Purchase Agreement, and to sell, issue and deliver the 2008 Series A Bonds to the Underwriters as provided herein; the Commission has full legal right, power and authority to perform its obligations under the Bond Resolution, the Legal Documents and this Bond Purchase Agreement, and to carry out and consummate the transactions contemplated thereby and hereby and by the Official Statement; except as described in the Official Statement, the Commission has complied with, or will at the Closing Time be in compliance with, in all respects material to this transaction, the Constitution, the Act, the Ordinance and laws of the State, and the terms of the Bond Resolution, the 2008 Series A Bonds, the Legal Documents and this Bond Purchase Agreement.

(c) Except as described in the Official Statement, by all necessary official action, the Commission has duly adopted the Ordinance, which was approved by a majority of the voters in the County on November 3, 1987 and extended by the voters in the County on November 2, 2004.

(d) By all necessary official action, the Commission has duly adopted the Bond Resolution, has duly authorized the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the 2008 Series A Bonds, this Bond Purchase Agreement and the Legal Documents, and the consummation by it of all other transactions contemplated by this Bond Purchase Agreement, the Bond Resolution, the Legal Documents and the Official Statement. When executed and delivered by their respective parties, the Legal Documents and this Bond Purchase Agreement (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the Commission, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors.
rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(e) The 2008 Series A Bonds, when issued, authenticated and delivered in accordance with the Bond Resolution and the Indenture, and sold to the Underwriters as provided herein, will constitute legal, valid and binding obligations of the Commission, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State, and are entitled to the benefits of the laws of the State, the Indenture and the Bond Resolution.

(f) All consents, approvals, authorizations, orders, licenses or permits of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or that would constitute a condition precedent to or the absence of which would materially adversely affect the issuance, delivery or sale of the 2008 Series A Bonds and the execution, delivery of and performance of the Legal Documents by the Commission, have been duly obtained (except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2008 Series A Bonds, as to which no representation is made).

(g) Except as described in the Official Statement, the Commission is not in any material respect in breach of or default under any constitutional provision, law or administrative regulation of the State or of the United States or any agency or instrumentality of either or any judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Commission is a party or to which the Commission or any of its property or assets is otherwise subject (including, without limitation, the Bond Resolution and the Legal Documents), and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the adoption of the Bond Resolution, the issuance, delivery and sale of the 2008 Series A Bonds and the execution and delivery of this Bond Purchase Agreement and the Legal Documents and compliance with the Commission’s obligations therein and herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, agreement, mortgage, lease or other instrument to which the Commission is a party or to which the Commission or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Commission or under the terms of any such law, regulation or instruments, except as provided by the Bond Resolution and the Legal Documents.

(h) As of the date hereof, no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, government agency, public board or body, is pending or, to the best of the Commission’s knowledge, threatened against the Commission: (i) in any way affecting the existence of the Commission or in any way challenging the respective powers of the several offices or the titles of the officials of the Commission to such offices; or (ii)
affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of any of the 2008 Series A Bonds, the application of the proceeds of the sale of the 2008 Series A Bonds, the proceedings authorizing and approving the Sales Tax, the levy or collection of the Sales Tax, or in any way contesting or affecting, as to the Commission, the validity or enforceability of the Act, the proceedings authorizing the Sales Tax, the Bond Resolution, the 2008 Series A Bonds, the Legal Documents or this Bond Purchase Agreement, or contesting the powers of the Commission or its authority with respect to issuance or delivery of the 2008 Series A Bonds, the adoption of the Bond Resolution, or the execution and delivery of the Legal Documents or this Bond Purchase Agreement, or contesting the power or authority to levy the Sales Tax or contesting the completeness or accuracy of the Official Statement, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby or which might materially adversely affect the ability of the Commission to perform and satisfy its obligations under this Bond Purchase Agreement, the Legal Documents or the 2008 Series A Bonds; nor to the best of the Commission’s knowledge is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Act, the proceedings authorizing the Sales Tax, the Bond Resolution, the Legal Documents or this Bond Purchase Agreement or the performance by the Commission of its obligations thereunder, or the authorization, execution, delivery or performance by the Commission of the 2008 Series A Bonds, the Bond Resolution, the Legal Documents or this Bond Purchase Agreement.

(i) Between the date hereof and the Closing Time, the Commission will not, without the prior written consent of the Representative, offer or issue in any material amount any bonds, notes or other obligations for borrowed money, or in any material amount incur any material liabilities, direct or contingent, except in the course of normal business operations of the Commission or relating to the Project or except for such borrowings as may be described in or contemplated by the Official Statement.

(j) The Commission will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order (i) to qualify the 2008 Series A Bonds for sale under the Blue Sky or other securities laws of the United States as the Underwriters may designate and (ii) to determine the eligibility of the 2008 Series A Bonds for investment under the laws of such states and other jurisdictions, provided that in no event shall the Commission be required to subject itself to service of process in any state in which it is not already so subject.

(k) As of the date hereof, and (unless an event occurs of the nature described in paragraph (m) of this Section 8) at all times subsequent thereto, up to and including the Closing Time, the Official Statement (excluding therefrom the information under the captions “Letter of Credit Bank,” “Bond Insurance Policy,” and “Underwriting” and all information concerning the book-entry system set forth under the caption “Description of the Series 2008 Bonds — General” and in Appendix D, and the information in Appendices H, I and J as to which no representations or warranties are made) did not and does not contain, to the best of the Commission’s knowledge, any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in the light of the circumstances under which they are made, not misleading.
(l) If the Official Statement is supplemented or amended pursuant to paragraph (m) of this Section 8, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Time, the Official Statement as so supplemented or amended will not contain, to the best of the Commission’s knowledge, any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) The Commission shall not amend or supplement the Official Statement without the prior written consent of the Representative. If between the date hereof and the Closing Time, any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Commission shall notify the Representative thereof, and if, in the opinion of the Representative, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Commission shall forthwith prepare and furnish (at the expense of the Commission) a reasonable number of copies of an amendment of or supplement to the Official Statement in form and substance satisfactory to the Representative.

(n) Except as described in the Official Statement, the Commission has not granted a lien on or made a pledge of the Revenues or any other money received under the Legal Documents.

(o) The Commission has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Commission is a bond issuer whose arbitrage certificates may not be relied upon.

(p) The Commission is not in default, and at no time has defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(q) The financial statements of the San Diego [Association of Governments] [County Regional Transportation Commission] relating to the receipts, expenditures and cash balances of Revenues by the Commission as of June 30, 2007 fairly represent the receipts, expenditures and cash balances of such amounts and, insofar as presented, other funds of the Commission as of the dates and for the periods therein set forth. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Representative, there has not been any materially adverse change in the financial condition of the Commission or in its operations since June 30, 2007 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

9. Conditions to the Underwriters’ Obligations. The Representative has entered into this Bond Purchase Agreement in reliance upon the representations, warranties and obligations of the Commission contained herein and upon the documents and instruments to be delivered at
the Closing Time. Accordingly, the Underwriters’ obligations under this Bond Purchase Agreement shall be subject to the following conditions:

(a) The representations and warranties of the Commission contained herein shall be true and correct in all material respects at the date hereof and at and as of the Closing Time, as if made at and as of the Closing Time and will be confirmed by a certificate or certificates of the appropriate Commission official or officials dated the Closing Date, and the Commission shall be in compliance with each of the agreements and covenants made by it in this Bond Purchase Agreement;

(b) (i) At the Closing Time, the Bond Resolution and the Legal Documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the Commission and the Representative, and (ii) the Commission shall perform or have performed all of its obligations required under or specified in the Bond Resolution, the Legal Documents, this Bond Purchase Agreement and the Official Statement to be performed at or prior to the Closing Time;

(c) At the Closing Time the Letter of Credit, [the Insurance Policy and the Reserve Surety Bond] shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the Commission and the Representative;

(d) As of the date hereof and at the Closing Time, all necessary official action of the Commission relating to this Bond Purchase Agreement, the Legal Documents, the Letter of Credit, [the Insurance Policy, the Reserve Surety Bond] and the Official Statement shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(e) Subsequent to the date hereof, up to and including the Closing Time, there shall not have occurred any change in or particularly affecting the Commission, the Act, the Ordinance, the Sales Tax, the Revenues, or the 2008 Series A Bonds as the foregoing matters are described in the Official Statement, which in the reasonable professional judgment of the Representative materially impairs the investment quality of the 2008 Series A Bonds;

(f) Subsequent to the date hereof, up to and including the Closing Time, the California State Board of Equalization shall not have suspended or advised the suspension of the collection of the Sales Tax or the escrow of any proceeds thereof; and the General Counsel to the Commission, shall not have advised the suspension of the collection of the Sales Tax or the escrow of any proceeds thereof other than as disclosed in the Official Statement;

(g) At or prior to the Closing Date, the Representative shall receive copies of each of the following documents:

(1) The Official Statement delivered in accordance with Section 2 hereof and each supplement or amendment, if any, executed on behalf of the Commission by its Executive Director, together with executed or certified, as applicable, copies of each of the Legal Documents, the Letter of Credit, [the Insurance Policy and the Reserve Surety Bond].
(2) An approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, dated the Closing Date, as to the validity of the 2008 Series A Bonds and the exclusion of interest on the 2008 Series A Bonds from federal gross income and State income taxation, addressed to the Commission substantially in the form attached as Appendix E to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriters.

(3) A supplemental opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, addressed to the Underwriters, to the effect that:

(i) This Bond Purchase Agreement has been duly executed and delivered by the Commission and is valid and binding upon the Commission, subject to laws relating to bankruptcy, insolvency, reorganization or creditors’ rights generally, to the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of California;

(ii) The information contained in the Official Statement in the sections entitled “Description of the Series 2008 Bonds,” (other than the information concerning DTC and the book-entry system) “Security and Sources of Payment for the Series 2008 Bonds and Source of Payment,” “The Sales Tax—Authorization, Application and Collection of the Sales Tax,” “Summary of Financing Plan,” “Additional Terms of the Series 2008 Variable Rate Bonds,” Practices and Procedures Related to the 2008 Auction Rate Bonds” (other than the information under the subcaption “Broker-Dealer Practices and Procedures”), “Practices and Procedures Related to the 2008 Variable Rate Demand Bonds” (other than the information under the subcaption “Remarketing Agent Practices and Procedures”), “Tax Matters” and “Appendix C Definitions and Summary of Certain Provisions of the Indenture” insofar as such information purports to expressly summarize certain provisions of the 2008 Series A Bonds (except pricing information relating to the 2008 Series A Bonds), the Legal Documents and such counsel’s opinions relating to the federal tax exemption of the 2008 Series A Bonds, are accurate in all material respects; and

(iii) The 2008 Series A Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended (the “1933 Act”) and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”).

(4) A letter, dated the Closing Date and addressed to the Commission, and a reliance letter with respect thereto addressed to the Underwriters, from Nossaman, Guthner, Knox & Elliott, LLP, Disclosure Counsel, to the effect that:

(i) the Bonds are exempt from the registration requirements of the Securities Act of 1933, as amended;
(ii) the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(iii) the Continuing Disclosure Agreement satisfies Section (b)(5)(i) of Rule 15c2-12, which requires an undertaking for the benefit of the holders, including beneficial owners, of the Bonds to provide certain annual financial information and event notices to various information repositories at the time and in the manner required by the Rule; and

(iv) based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, nothing has come to their attention which would lead them to believe that the Official Statement as of its date and as of the Closing Date (excluding therefrom any information in the Official Statement relating to DTC, the operation of the book-entry system or any other financial or statistical data or projections or estimates or expressions of opinion included in the Official Statement and the appendices thereto or information concerning the Insurer, the Bond Insurance Policy, the Letter of Credit Bank, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(5) The opinion of Nixon Peabody LLP, Underwriters’ Counsel, addressed to the Underwriters, in form and substance acceptable to the Underwriters, covering such items as the Representative may request.

(6) The opinion of the General Counsel to the Commission, dated the Closing Date, addressed to the Underwriters and the Trustee, to the effect that:

(i) The Commission has been duly organized and is validly existing under the Constitution and laws of the State of California, and has all requisite power and authority thereunder (a) to adopt the Bond Resolution, and to enter into and perform its covenants and agreements under the Legal Documents and this Bond Purchase Agreement; (b) to approve and authorize the use and distribution of the Official Statement; (c) to issue, sell and deliver the 2008 Series A Bonds; (d) to cause the Sales Tax to be levied and collected as described in the Official Statement; (e) to pledge the Revenues as contemplated by the Legal Documents; and (f) to carry on its activities as currently conducted;

(ii) The Commission has taken all actions required to be taken by it prior to the Closing Date material to the transactions contemplated by the documents mentioned in paragraph (i) above, and the Commission has duly authorized the execution and delivery of, and the due performance of its
obligations under, this Bond Purchase Agreement, the Legal Documents and the 2008 Series A Bonds;

(iii) the Bond Resolution was duly adopted at a meeting of the governing body of the Commission which was called and held pursuant to law and with all required notices and in accordance with all applicable open meetings laws and at which a quorum was present and acting at the time of the adoption of the Bond Resolution;

(iv) the adoption of the Bond Resolution, the execution and delivery by the Commission of this Bond Purchase Agreement, the Legal Documents and the 2008 Series A Bonds and the compliance with the provisions of this Bond Purchase Agreement, the Legal Documents and the 2008 Series A Bonds, do not and will not conflict with or violate in any material respect any California constitutional, statutory or regulatory provision, or, to the best of such counsel’s knowledge after due inquiry, conflict with or constitute on the part of the Commission a material breach of or default under any agreement or instrument to which the Commission is a party or by which it is bound;

(v) the 2008 Series A Bonds, the Legal Documents and this Bond Purchase Agreement constitute binding and legal obligations of the Commission and are enforceable according to the terms thereof, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors’ rights generally, and by the application of equitable principles if equitable remedies are sought, by the exercise of judicial discretion and the limitations on legal remedies against public entities in the State;

(vi) to the best of such counsel’s knowledge after due inquiry, no litigation is pending or, to the best of such counsel’s knowledge after due inquiry, threatened against the Commission in any court in any way affecting the titles of the officials of the Commission to their respective positions, or seeking to restrain or to enjoin the issuance, sale or delivery of the 2008 Series A Bonds, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the 2008 Series A Bonds, or in any way contesting or affecting the validity or enforceability of the 2008 Series A Bonds, the Bond Resolution, the Legal Documents or this Bond Purchase Agreement, or contesting in any way the completeness or accuracy of the Official Statement, or contesting the powers of the Commission or its authority with respect to the 2008 Series A Bonds, the Bond Resolution, the Legal Documents or this Bond Purchase Agreement;

(vii) the information contained in the Official Statement under the captions “San Diego County Regional Transportation Commission” and “Absence of Material Litigation” does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;
(viii) to the best of such counsel’s knowledge after due inquiry, no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the Commission of the Legal Documents and the authorization and distribution of the Official Statement (provided that no opinion need be expressed as to any action required under state securities or blue sky laws in connection with the purchase of the 2008 Series A Bonds by the Underwriters); and

(ix) to the best of such counsel’s knowledge after due inquiry, the Commission is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Commission is a party or is otherwise subject, which breach or default would materially adversely affect the Commission’s ability to enter into or perform its obligations under the Legal Documents and this Bond Purchase Agreement, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which would materially adversely affect the Commission’s ability to enter into or perform its obligations under the Legal Documents and this Bond Purchase Agreement.

(7) A certificate, dated the Closing Date and signed by such officials of the Commission as shall be satisfactory to the Representative, to the effect that (i) the representations, warranties and covenants of the Commission contained herein are true and correct in all material respects on and as of the Closing Time with the same effect as if made at the Closing Time; (ii) the Bond Resolution is in full force and effect at the Closing Time and has not been amended, modified or supplemented, except as agreed to by the Commission and the Representative; (iii) the Commission has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Time; (iv) subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the Commission, whether or not arising in the ordinary course of the Commission’s operations, as described in the Official Statement; and (v) the Official Statement (excluding therefrom the information under the captions “Letter of Credit Bank,” “Bond Insurance Policy” and “Underwriting,” all information concerning the book-entry system set forth under the caption “Description of the Series 2008 Bonds — General” and in Appendix D and the information in Appendices H, I and J as to which no representations and warranties need be made) does not contain any untrue statement of a material fact and or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(8) The audited financial statements of the Commission relating to the receipts, expenditures and cash balances of Sales Tax Revenues by the Commission as of June 30, 2007, certified by the Commission on the Closing Date as being correct and complete.
(9) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Representative, to the effect that:

(i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Indenture;

(ii) the Trustee is duly authorized to enter into, has duly executed and delivered the Legal Documents to which the Trustee is a party and has duly authenticated and delivered the 2008 Series A Bonds;

(iii) the execution and delivery of the Legal Documents to which the Trustee is a party and compliance with the provisions on the Trustee’s part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture;

(iv) it has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor is any such action, to the best of such official’s knowledge after reasonable investigation, threatened against the Trustee affecting the existence of the Trustee, or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Legal Documents to which the Trustee is a party, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Legal Documents to which the Trustee is a party; and

(v) the Trustee will apply the proceeds from the 2008 Series A Bonds as provided in the Indenture.

(10) A certified copy of the general resolution or other documentation of the Trustee authorizing the execution and delivery of the Legal Documents to which the Trustee is a party.
(11) The opinion of counsel of the Trustee, dated the Closing Date, addressed to the Commission and the Underwriters, to the effect that:

(i) the Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the United States having full power and authority and being qualified to enter into, accept and administer the trust created under the Legal Documents to which it is a party and to enter into such Legal Documents;

(ii) the Legal Documents to which it is a party have been duly authorized, executed and delivered by the Trustee and constitute the valid and binding obligations of the Trustee enforceable against the Trustee in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors’ rights generally and by the application of equitable principles if equitable remedies are sought;

(iii) the execution, delivery and performance of the Legal Documents will not conflict with or cause a default under any law, ruling, agreement, administrative regulation or other instrument by which the Trustee is bound;

(iv) all authorizations and approvals required by law and the articles and bylaws of the Trustee in order for the Trustee to execute and deliver and perform its obligations under the Legal Documents to which it is a party have been obtained; and

(v) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the 2008 A Bonds or the application of proceeds thereof in accordance with the Legal Documents to which it is a party, or in any way contesting or affecting the 2008 Series A Bonds or the Legal Documents to which it is a party.

(12) A certified copy of the proceedings relating to authorization and approval of the Sales Tax.

(13) Certified copies of the Resolution adopted by the Board of Directors of the Commission authorizing the execution and delivery of the Legal Documents and the Official Statement and the issuance of the 2008 Series A Bonds.

(14) A copy of the fully executed Letter of Credit.

(15) A copy of the fully executed [Letter of Credit and Reimbursement Agreement.]
(16) A certificate or legal opinion of the Letter Credit Bank as to the accuracy of the description of such Letter of Credit Bank and the Letter of Credit in the Official Statement in form and substance satisfactory to the Representative.

(17) An opinion of Counsel to the Letter of Credit Bank as to the validity and enforceability of the Letter of Credit, dated the Closing Date, addressed to the Commission, the Trustee and the Representative and in form and substance satisfactory to Underwriters’ Counsel.

(18) Fully executed copies of each of the Legal Documents.

(19) A copy of the fully executed Reserve Fund Surety Bond.

(20) A copy of the fully executed Bond Insurance Policy.

(21) A certificate of the provider of the Bond Insurance Policy as to the accuracy of the description of such provider and such Bond Insurance Policy in the Official Statement.

(22) An opinion of Counsel to the Insurer with respect to the validity and enforceability of the Bond Insurance Policy and the Reserve Fund Surety Bond issued by such Insurer, dated the Closing Date, addressed to the Commission, the Trustee and the Representative and in form and substance satisfactory to Underwriters’ Counsel.

(23) Evidence of required filings with the California Debt and Investment Advisory Commission.


(25) A Tax Certificate of the Commission, in form satisfactory to Bond Counsel, signed by such officials of the Commission as shall be satisfactory to the Representative.

(26) Evidence as of the Closing Date satisfactory to the Representative that the 2008 Series A Bonds have received a rating of “[Aaa/VMIG 1]” from Moody’s Investors Service, “[AAA/A-1+]” from Standard & Poor’s Ratings Services [and “[AAA/F1+]” from Fitch Ratings] (or such other equivalent rating as Moody’s Investors Service and Standard & Poor’s Ratings Services [and Fitch Ratings] shall issue), and that such ratings have not been revoked or downgraded.

(27) Two transcripts of all proceedings relating to the authorization and issuance of the 2008 Series A Bonds.

(28) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative, Underwriters’ Counsel or Bond Counsel may reasonably request to evidence compliance by the Commission with legal requirements, the truth and accuracy, as of the Closing Time, of the representations of the
10. Termination. If the Commission shall be unable to satisfy the conditions of the Underwriters’ obligations contained in this Bond Purchase Agreement or if the Underwriters’ obligations shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be cancelled by the Representative at, or at any time prior to, the Closing Time. Notice of such cancellation shall be given to the Commission in writing, or by telephone or telegraph confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the Commission hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Representative at its sole discretion.

The Underwriters shall also have the right, prior to the Closing Time, to cancel their obligations to purchase the 2008 Series A Bonds, by written notice to the Commission, if between the date hereof and the Closing Time:

(i) any event occurs or information becomes known, which, in the reasonable professional judgment of the Representative, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(ii) the market for the 2008 Series A Bonds or the market prices of the 2008 Series A Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2008 Series A Bonds shall have been materially and adversely affected, in the reasonable professional judgment of the Representative, by:

(A) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the joint Committee on Taxation of the Congress of the United States, or legislation
shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the Commission or upon interest received on obligations of the general character of the 2008 Series A Bonds which, in the reasonable judgment of the Representative, may have the purpose or effect, directly or, indirectly, of affecting the tax status of the Commission, its property or income, its securities (including the 2008 Series A Bonds) or the interest thereon, or any tax exemption granted or authorized by State of California legislation; or

(B) legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that obligations of the general character of the 2008 Series A Bonds are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or

(C) the declaration of war or engagement in or escalation of military hostilities by the United States or the occurrence of any other national emergency or calamity or terrorism affecting the operation of the government of, or the financial community in, the United States; or

(D) the declaration of a general banking moratorium by federal, New York or California authorities or the general suspension of trading on any national securities exchange; or

(E) an order, decree or injunction of any court of competent jurisdiction, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the 2008 Series A Bonds, or the issuance, offering or sale of the 2008 Series A Bonds, including any or all underlying obligations, as contemplated hereby or by
the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(iii) additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the reasonable professional judgment of the Representative, materially and adversely affect the market or market price for the 2008 Series A Bonds; or

(iv) an event described in paragraph (m) of Section 8 hereof shall have occurred which, in the reasonable professional judgment of the Representative, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(v) any litigation shall be instituted or be pending at the Closing Time to restrain or enjoin the issuance, sale or delivery of the 2008 Series A Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and approving the Sales Tax or the rates, levy or collection thereof, the issuance, sale or delivery of 2008 Series A Bonds, the Act, the Ordinance, the Bond Resolution, the Legal Documents or the existence or powers of the Commission with respect to its obligations under the Legal Documents or the 2008 Series A Bonds; or

(vi) any rating of the 2008 Series A Bonds by a national rating agency shall have been withdrawn or reduced.

If the Underwriters terminate their obligation to purchase the 2008 Series A Bonds because any of the conditions specified in Section 6, Section 9 or this Section 10 shall not have been fulfilled at or before the Closing Time, such termination shall not result in any liability on the part of the Representative.

11. Conditions to Obligations of the Commission. The performance by the Commission of its obligations is conditioned upon (i) the performance by the Underwriters of their obligations hereunder and (ii) receipt by the Commission and the Underwriters of opinions addressed to the Underwriters and certificates being delivered at the Closing Time by persons and entities other than the Commission.

12. Amendment of Official Statement. For a period beginning on the date hereof and continuing until the End Date, (a) the Commission will not adopt any amendment of, or supplement to, the Official Statement to which the Representative shall object in writing or which shall be disapproved by the Representative’s Counsel and (b) if any event relating to or affecting the Commission shall occur as a result of which it is necessary, in the opinion of Representative’s Counsel, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser of the 2008 Series A Bonds, the Commission will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of, or supplement to, the Official Statement (in form and substance satisfactory to Underwriters’ Counsel) which
will amend or supplement the Official Statement so that it will not contain an untrue statement of
a material fact or omit to state a material fact necessary in order to make the statements therein,
in the light of the circumstances existing at the time the Official Statement is delivered to a
purchaser of the 2008 Series A Bonds, not misleading.

13. Indemnification. The Commission shall indemnify and hold harmless, to the
extent permitted by law, the Underwriters and their respective employees and agents and each
person who controls the Underwriters within the meaning of Section 15 of the Securities Act of
1933 (the “Securities Act”) (any such person being therein sometimes called an “Indemnified
Party”), against any and all losses, claims, damages or liabilities, joint or several, to which such
Indemnified Party may become subject under any statute or at law or in equity or otherwise, and
shall promptly reimburse any such Indemnified Party for any reasonable legal or other expenses
incurred by it in connection with investigating any claims against it and defending any actions,
insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any
untrue statement of a material fact contained in the Official Statement under the captions
“Security and Sources of Payment for the 2008 Series A Bonds,” “San Diego County Regional
Transportation Commission,” “The Sales Tax,” “Commission Investment Portfolio,” and
“Absence of Material Litigation” or any amendment or supplement thereof, or the omission to
state therein a material fact necessary to make the statements therein not misleading. This
indemnity agreement shall not be construed as a limitation on any other liability which the
Commission may otherwise have to any Indemnified Party, provided that in no event shall the
Commission be obligated for double indemnification.

An Indemnified Party shall, promptly after the receipt of notice of the commencement of
any action against such Indemnified Party in respect of which indemnification may be sought
against the Commission, notify the Commission in writing of the commencement thereof, but the
omission to notify the Commission of any such action shall not relieve the Commission from any
liability which it may have to such Indemnified Party otherwise than under the indemnity
agreement contained herein. In case any such action shall be brought against an Indemnified
Party and such Indemnified Party shall notify the Commission of the commencement thereof, the
Commission may, or if so requested by such Indemnified Party shall, participate therein or
assume the defense thereof, with counsel satisfactory to such Indemnified Party, and after notice
from the Commission to such Indemnified Party of an election so to assume the defense thereof,
the Commission will not be liable to such Indemnified Party under this paragraph for any legal or
other expenses subsequently incurred by such Indemnified Party in connection with the defense
thereof other than reasonable costs of investigation. If the Commission shall not have employed
counsel to have charge of the defense of any such action or if the Indemnified Party shall have
reasonably concluded that there may be defenses available to it or them which are different from
or additional to those available to the Commission (in which case the Commission shall not have
the right to direct the defense of such action on behalf of such Indemnified Party), such
Indemnified Party shall have the right to retain legal counsel of its own choosing and reasonable
legal and other expenses incurred by such Indemnified Party shall be borne by the Commission.

The Commission shall not be liable for any settlement of any such action effected without
its consent by any Indemnified Party, which consent shall not be unreasonably withheld, but if
settled with the consent of the Commission or if there be a final judgment for the plaintiff in any
such action against the Commission or any Indemnified Party, with or without the consent of the
Commission, the Commission agrees to indemnify and hold harmless such Indemnified Party to the extent provided herein.

In order to provide for just and equitable contribution in circumstances in which indemnification hereunder is for any reason held to be unavailable from the Commission, to the extent permitted by law, the Commission and the Underwriters shall contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, to which the Commission and the Underwriters may be subject) in such proportion so that the Underwriters are jointly and severally responsible for that portion represented by the percentage that the Underwriters’ discount set forth in the Official Statement bears to the public offering price appearing thereon and the Commission is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph, each person, if any, who controls the Underwriters within the meaning of the Securities Act shall have the same rights to contribution as the Underwriters. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this paragraph, notify such party or parties from whom contribution may be sought, but the omission so to notify shall not relieve that party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph. No party shall be liable for contribution with respect to any action or claim settled without its consent.

14. Expenses. (a) Whether or not the 2008 Series A Bonds are issued as contemplated by this Bond Purchase Agreement, the Underwriters shall be under no obligation to pay and the Commission hereby agrees to pay any expenses incident to the performance of the Commission’s obligations hereunder, including but not limited to the following: (i) the cost of preparation, printing, engraving, execution and delivery of the 2008 Series A Bonds; (ii) any fees charged by any rating agency for issuing the rating on the 2008 Series A Bonds; (iii) the cost of printing (and/or word processing and reproduction), distribution and delivery of the Official Statement; (iv) the fees and disbursements of Bond Counsel, the Trustee (including its counsel’s fees), any disclosure counsel, accountants, consultants and any financial advisor; and (v) any out-of-pocket disbursements of the Commission.

(b) Whether or not the 2008 Series A Bonds are issued as contemplated by this Bond Purchase Agreement, unless the Commission has breached this Bond Purchase Agreement, the Underwriters shall pay (i) any fees assessed upon the Underwriters with respect to the 2008 Series A Bonds by the MSRB or the NASD; (ii) all advertising expenses in connection with the public offering and distribution of the 2008 Series A Bonds (excluding any expenses of the Commission and its employees or agents); (iii) any fees payable to the California Debt Advisory Commission; and (iv) all other expenses incurred by them or any of them in connection with the public offering and distribution of the 2008 Series A Bonds, including the fees and disbursements of Underwriters’ Counsel.
15. **Notices.** Any notice or other communication to be given under this Bond Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing, if to the Commission, addressed to:

San Diego County Regional Transportation Commission  
401 B Street, Suite 800  
San Diego, California 92101  
Attention: Executive Director

or if to the Representative or the Underwriters, addressed to:

Lehman Brothers Inc.  
555 California Street, 30th Floor  
San Francisco, California 94104  
Attention: John McCray-Goldsmith

16. **Parties in Interest; Survival of Representations and Warranties.** This Bond Purchase Agreement when accepted by the Commission in writing as heretofore specified shall constitute the entire agreement between the Commission and the Underwriters and is made solely for the benefit of the Commission and the Underwriters (including the successors or assigns of the Underwriters). No other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Commission in this Bond Purchase Agreement or in any certificate delivered pursuant hereto shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriters, (b) delivery to and payment by the Underwriters for the 2008 Series A Bonds hereunder and (c) any termination of this Bond Purchase Agreement.

17. **Execution in Counterparts.** This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

[Signatures contained on next page.]
18. **Applicable Law.** This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

LEHMAN BROTHERS INC.
GOLDMAN, SACHS & CO.

By Lehman Brothers Inc.,
as Representative

By: ______________________
Senior Vice President

The foregoing is hereby agreed to and accepted as of the date first above written:

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: ______________________
Executive Director
APPENDIX A
MATURITY SCHEDULE

$150,000,000
2008 SERIES A-1 BONDS

<table>
<thead>
<tr>
<th>Maturity (April 1)</th>
<th>Principal Amount</th>
<th>Initial Interest Rate</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$150,000,000</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

$150,000,000
2008 SERIES A-2 BONDS

<table>
<thead>
<tr>
<th>Maturity (April 1)</th>
<th>Principal Amount</th>
<th>Initial Interest Rate</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$150,000,000</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>
This remarketing agreement (the “Remarketing Agreement”) is made and entered into as of March 1, 2008 by and between the San Diego County Regional Transportation Commission (the “Commission”) and Lehman Brothers Inc. (the “Remarketing Agent”), whereby the Remarketing Agent will act as exclusive sales agent with respect to the subsequent placement, if required, of $150,000,000 aggregate principal amount of the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) 2008 Series A-1 (the “2008 Series A-1 Bonds”). The 2008 Series A-1 Bonds are being issued concurrently with the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), comprised of the 2008 Series A-1, A-2, B-1, B-2, B-3 and B-4 Bonds (collectively, the “Series 2008 Bonds”). The 2008 Series A-1 Bonds and the 2008 Series A-2 Bonds are collectively referred to herein as the “2008 Series A Bonds.”

The Series 2008 Bonds are being issued pursuant to a resolution of the Board of Directors of the Commission adopted on February ____, 2008 (the “Resolution”) and an Indenture, dated as of March 1, 2008, between the Commission and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Indenture, dated as of March 1, 2008 (the “First Supplemental Indenture”), between the Commission and the Trustee. The Indenture, as so supplemented and as further supplemented from time to time pursuant to its terms is hereinafter referred to as the “Indenture.”

Pursuant to Sections 132000 et seq. of the Public Utilities Code of the State of California (the “Act”), the Commission is authorized to issue indebtedness payable in whole or in part from revenues of the Sales Tax hereinafter described. The Series 2008 Bonds are limited obligations of the Commission secured by a pledge of sales tax revenues derived from one-half of one percent (0.5%) retail transactions and use tax (the “Sales Tax”), imposed in accordance with the Act and the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251 et seq.), net of an administrative fee paid to the California State Board of Equalization in connection with the collection and disbursement of the Sales Tax. On November 3, 1987, the voters approved the 1987 Ordinance which imposed the Sales Tax in the County for a twenty-year period. On November 2, 2004, more than two-thirds of the voters approved the Extension Ordinance which, among other things, extended the collection of the tax to March 31, 20__. The Series 2008 Bonds are further secured by a pledge of certain amounts held by the Trustee under the Indenture.

The initial Liquidity Facility for the 2008 Series A Bonds will be provided pursuant to one [Letter of Credit and Reimbursement Agreement], dated as of __________, 2008 (the “Reimbursement Agreement”), among the Commission, ________________ (the “Liquidity Providers” and each, a “Liquidity Provider”). The initial Liquidity Provider for the 2008 Series A-1 Bonds is __________ (the “Series A-1 Liquidity Provider”). The 2008 Series A Bonds were sold pursuant to a Purchase Contract, dated March __, 2008 (the “Purchase
Contract”), by and between Lehman Brothers Inc. (“Lehman Brothers”) on behalf of itself and as the representative (the “Representative”) of Goldman, Sachs & Co. (collectively with Lehman Brothers, the “Underwriters”) and the Commission.

WITNESSETH:

SECTION 1. Definitions. Unless a different meaning is clearly required by this Remarketing Agreement capitalized words and terms used herein that are not defined herein shall have the meanings set forth in the Indenture.

SECTION 2. Appointment of Remarketing Agent. Subject to the terms and conditions contained herein and in the Indenture, the Commission hereby appoints Lehman Brothers Inc. as Remarketing Agent, and the Remarketing Agent hereby accepts such appointment herein and under the Indenture, as exclusive Remarketing Agent in connection with the remarketing of the 2008 Series A-1 Bonds from time to time in the secondary market subsequent to the initial offering, issuance and sale of the 2008 Series A-1 Bonds.

SECTION 3. Interest Rate Periods; Remarketing of Bonds; Principal Office. (a) In accordance with the Indenture, the Remarketing Agent’s responsibilities hereunder for each remarketing of the 2008 Series A-1 Bonds include (i) determining and announcing the interest rates applicable thereto for the 2008 Series A-1 Bonds, (ii) so long as no Event of Default under the Indenture has occurred and is continuing and so long as the Liquidity Providers have not given notice that an Event of Default (as such term is defined in the Reimbursement Agreement) has occurred and is continuing or that an event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such an Event of Default, using its best efforts to remarket the 2008 Series A-1 Bonds (including, without limitation, Credit Provider Bonds purchased with amounts drawn under the Letter of Credit and not reimbursed) tendered pursuant to the Indenture; and (iii) performing such other related functions and complying with the provisions set forth in the Indenture relating to the Remarketing Agent, including without limitation Sections 14.05, 15.09 and 15.16 of the Indenture.

(b) The Remarketing Agent shall keep such books and records as shall be consistent with prudent industry practice and shall make such books and records available for inspection by the Commission and the Trustee at all reasonable times.

(c) The Remarketing Agent hereby designates the following address as its principal office:

Lehman Brothers Inc.
745 Seventh Avenue, 6th Floor
New York, New York 10019-6801
Attention: Municipal Short-Term Desk

(d) The Remarketing Agent shall take all actions and do all things as Remarketing Agent required or permitted to be taken and done under the terms of this Remarketing Agreement and the Indenture.
(e) The Remarketing Agent shall incur no liability to the Commission, the Trustee, the Liquidity Providers (or any successor thereto) or any other person for its actions as Remarketing Agent pursuant to the terms of this Remarketing Agreement and the Indenture, except for its willful misconduct or gross negligence.

SECTION 4. Exclusive Agent; Resignation and Removal of Remarketing Agent; Successor Agent. (a) Unless this Remarketing Agreement has been previously terminated pursuant to the terms hereof, the Remarketing Agent shall act as exclusive Remarketing Agent with respect to the 2008 Series A-1 Bonds on the terms and conditions herein contained at all times. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Remarketing Agreement by giving at least thirty (30) days’ prior written notice to the Commission, the Liquidity Providers and the Trustee on behalf of itself and the Bondholders. The Remarketing Agent may be removed at any time by the Commission, with cause upon ten (10) days’ notice to the Remarketing Agent and without cause, upon thirty (30) days’ notice to the Remarketing Agent by an instrument, signed by the Commission and filed with the Remarketing Agent, the Liquidity Providers and the Trustee on behalf of itself and the Bondholders.

(b) In the event the Remarketing Agent shall resign or be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Commission shall appoint a successor Remarketing Agent meeting the requirements set forth in the Indenture.

(c) If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all its assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent hereunder, provided that such corporation shall otherwise be eligible to serve in such capacity under the Indenture.

(d) Unless the Commission shall be in default under this Remarketing Agreement or the Indenture, no resignation or removal of the Remarketing Agent shall be effective until a successor shall have been appointed and shall have accepted its duties; provided, however, that the Commission shall be obligated to use its best efforts to timely appoint a successor Remarketing Agent; and provided, further, that in the event the Commission fails to comply with the requirements of Section 5 hereof, the Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Remarketing Agreement upon ten (10) days’ notice to the Commission.

SECTION 5. Furnishing of Offering Materials. (a) The Commission agrees to furnish the Remarketing Agent with sufficient copies of the Official Statement, dated March ___, 2008 with respect to the Series 2008 Bonds (together with any documents incorporated therein, the “Official Statement,” as it shall be amended or supplemented from time to time) as the Remarketing Agent may require to comply with applicable securities laws and will furnish such other information and materials with respect to the Commission and the 2008 Series A-1 Bonds as the Remarketing Agent, after consultation with the Commission, shall reasonably request from time to time in connection with the remarketing of the 2008 Series A-1 Bonds.
(b) The Commission agrees to immediately notify the Remarketing Agent if (i) any event shall have occurred, to the actual knowledge of the Commission, as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) of any material adverse change that the Commission is aware of that may affect the remarketing of the 2008 Series A-1 Bonds including, but not limited to (A) any material adverse change in the financial condition or general affairs of the Commission or the Liquidity Providers (or successors thereto), (B) any reduction or threatened reduction (by way of Credit Watch or similar rating agency action) in the ratings of the 2008 Series A-1 Bonds below those set forth in the Purchase Contract, (C) any adverse change in the tax treatment of interest on the 2008 Series A-1 Bonds received by the holders of the 2008 Series A-1 Bonds, (D) any substitution of the Liquidity Providers, or (E) any other material adverse change that may affect the remarketing of the 2008 Series A-1 Bonds or any fact or circumstance which constitutes, or with the passage of time would constitute, an event of default under the Bond Documents (as hereinafter defined).

(c) The Commission will cooperate with the Remarketing Agent in the preparation, at the Commission’s expense, of the additional marketing and disclosure materials that the Remarketing Agent, after consultation with the Commission, determines are necessary or required in connection with the reoffering and sale of the 2008 Series A-1 Bonds or which the Remarketing Agent determines, after consultation with the Commission, should be provided to owners of the 2008 Series A-1 Bonds.

SECTION 6. Term and Termination of Remarketing Agreement. This Remarketing Agreement shall become effective upon execution by the Remarketing Agent and the Commission and shall continue in full force and effect until the earlier of the conversion date on which all Outstanding 2008 Series A-1 Bonds are converted to a Fixed Interest Rate or payment in full of the 2008 Series A-1 Bonds (including, without limitation, 2008 Series A-1 Credit Provider Bonds), subject to the right of the Commission and the Remarketing Agent to terminate this Remarketing Agreement, as provided herein.

SECTION 7. Representations, Warranties, Covenants and Agreements of the Commission. The Commission represents, warrants, covenants and agrees with the Remarketing Agent as follows:

(a) It is a public entity duly established and existing pursuant to the Act;

(b) It has full power and authority to take all actions required or permitted to be taken by it by or under, and to perform and observe the covenants and agreements on its part contained in the Act, this Remarketing Agreement, the Purchase Contract, the Reimbursement Agreement, the Indenture and the Series 2008 Bonds (collectively, the “Bond Documents”);

(c) By all necessary official action of the Commission prior to or concurrently with the execution hereof, the Commission has duly authorized and approved the
execution and delivery of, and the performance by the Commission of the obligations on its part contained in, the Bond Documents, and (ii) the carrying out, giving effect to, consummation and performance of the transactions and obligations on its part contemplated by the Official Statement;

(d) The Resolution, when duly adopted, and the Bond Documents, when executed and delivered by the parties thereto, as appropriate, will constitute valid and binding obligations, enforceable against the Commission in accordance with their respective terms, except as the binding effect and enforceability thereof may be limited by bankruptcy, insolvency or other applicable laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity, judicial discretion and the limitation on legal remedies against public entities in California;

(e) The adoption of the Resolution and the execution and delivery of the Bond Documents to which the Commission is a party in connection with the consummation of the transactions contemplated hereby and by the Official Statement, the compliance with the terms, conditions or provisions thereof, and the consummation of the transactions therein contemplated do not and will not violate any material law, regulation, order, writ, injunction or decree of any court or governmental body applicable to the Commission or result in a material breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Commission pursuant to any mortgage, resolution, agreement or instrument to which the Commission is a party or by which it or any of its properties is bound other than those provided for in or contemplated by the Bond Documents;

(f) All authorizations, consents and approvals of, notices to, registrations or filings with, or actions in respect of any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the Commission of the Bond Documents have been obtained, given or taken and are in full force and effect; provided, however, the Commission makes no representation with respect to compliance with any blue sky or state or federal securities laws;

(g) Except as described in the Official Statement, to the knowledge of the Commission, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or threatened against or affecting the Commission wherein an unfavorable decision, ruling or finding is likely to have a material adverse effect on the financial condition or solvency of the Commission, or to affect the validity or enforceability of, or the authority or ability of the Commission to perform its obligations under, the Bond Documents;

(h) At no expense to the Commission, the Commission will cooperate with the Remarketing Agent in the qualification of the 2008 Series A-1 Bonds for offering and sale and the determination of the eligibility of the 2008 Series A-1 Bonds for investment under the laws of such jurisdictions as the Remarketing Agent shall designate and will
use its best efforts to continue any such qualification in effect so long as required for the
distribution of the 2008 Series A-1 Bonds by the Remarketing Agent, provided that the
Commission shall not be required to qualify to do business in any jurisdiction where it is
not now so subject or subject itself to service of process in any jurisdiction in which it is
not now subject;

(i) The information contained in the Official Statement, excluding the
information set forth in the Official Statement under the captions “BOND INSURANCE
POLICY,” “LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT,”
“UNDERWRITING,” APPENDIX D – “BOOK-ENTRY ONLY SYSTEM,”
APPENDIX H – “THE INSURER,” APPENDIX I – “FORM OF BOND INSURANCE
POLICY,” APPENDIX J – “LETTER OF CREDIT BANK,” and all other information
set forth in the Official Statement concerning the book-entry only system (collectively,
the “Excluded Information”), as to which no representations or warranties are made, did
not contain any untrue statement of a material fact or omit to state a material fact
necessary to make the statements therein, in light of the circumstances under which they
were made, not misleading;

(j) The Commission will furnish to the Remarketing Agent copies of audited
reports and financial statements relating to the financial affairs and condition of the
Commission promptly after they are made available to the public by the Commission and
such additional information concerning the operations and financial condition of the
Commission as the Remarketing Agent may reasonably from time to time request; and

(k) In the event the Remarketing Agent is requested to market the 2008 Series
A-1 Bonds in any situation that requires compliance with Rule 15c2-12 of the Securities
Exchange Act of 1934, as amended (the “Rule”), then, the Commission will take all
actions necessary to enable the Remarketing Agent to comply with the Rule.

SECTION 8. Representations, Warranties, Covenants and Agreements of the
Remarketing Agent. The Remarketing Agent, by its acceptance hereof, represents, warrants
and covenants to and with the Commission as follows:

(a) that it satisfies the requirements for “Remarketing Agent” set forth in the
Indenture and is authorized by law to perform all the duties imposed upon it by the
Indenture and this Remarketing Agreement and that it is a member of the National
Association of Securities Dealers, Inc.;

(b) that the execution and delivery of this Remarketing Agreement and the
consummation of the transactions contemplated herein and in the Indenture will not
conflict with or constitute on the part of the Remarketing Agent a breach of or a default
under its charter documents, its by-laws, or any statute, indenture, mortgage, deed of
trust, lease, note agreement or other agreement or instrument to which the Remarketing
Agent is a party or by which it or its properties are bound, or any order, rule or regulation
of any court or governmental agency or body having jurisdiction over the Remarketing
Agent or any of its activities or properties; and
(c) that this Remarketing Agreement has been duly authorized, executed and delivered by the Remarketing Agent and constitutes the legal, valid and binding obligation of the Remarketing Agent enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other laws affecting the rights of creditors generally and except to the extent that the enforceability hereof may be limited by the application of general principles of equity.

SECTION 9. Conditions to Remarketing Agent’s Obligations. (a) The obligations of the Remarketing Agent under the Remarketing Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the Commission of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the representations, warranties, covenants and agreements contained herein, on and as of the date on which the 2008 Series A-1 Bonds are to be offered and sold pursuant to this Remarketing Agreement. The obligations of the Remarketing Agent hereunder with respect to each date on which the 2008 Series A-1 Bonds are to be offered and sold pursuant to this Remarketing Agreement are also subject, in the discretion of the Remarketing Agent, to the following further conditions:

(i) Each of the Bond Documents shall be in full force and effect and shall not have been amended, modified or supplemented in any way which would materially and adversely affect the duties of the Remarketing Agent, except as may have been agreed to in writing by the Remarketing Agent, and there shall be in full force and effect such additional resolutions, agreements, certificates and opinions as shall be necessary to effect a secondary remarketing of the Bonds in the manner contemplated by this Remarketing Agreement, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to the Remarketing Agent;

(ii) No “Event of Default” (as such term is defined in the Indenture) shall have occurred and be continuing and no event shall have occurred and be continuing which, with the passage of time or giving of notice or both, would constitute such an Event of Default;

(iii) At or prior to the Closing Date (as defined in the Purchase Contract), the Remarketing Agent shall have received (or shall otherwise have waived its right to receive) all documents required by, and delivered pursuant to, the Purchase Contract;

(iv) The availability of current information on the Commission in the form of a revised Official Statement or such other documents or information as shall be agreed to by the Remarketing Agent and the Commission;

(v) In the event that the 2008 Series A-1 Bonds shall be or become subject to registration under the Securities Act of 1933, as amended, there shall be in full force and effect all such registration statements, offering materials, opinions, and other filings or documents as may be necessary in the opinion of the
Remarketing Agent, after consultation with the Commission, to remarket the 2008 Series A-1 Bonds in the manner contemplated by this Remarketing Agreement.

(b) The Remarketing Agent may suspend its obligations under this Remarketing Agreement at any time by notifying the Commission in writing or by telegram, telex, telecopy, or other electronic communication of its election so to do; provided, however, the Remarketing Agent will use its best efforts to remarket the 2008 Series A-1 Bonds before suspending its obligations hereunder, if:

(i) The Commission shall fail to pay, or cause to be paid, when due, or shall have declared a moratorium on the payment of, or repudiated any Series 2008 Bonds;

(ii) A court of competent jurisdiction shall enter a final nonappealable order or judgment that any Series 2008 Bonds are illegal or unenforceable;

(iii) Any provision of a Reimbursement Agreement, a Letter of Credit, the Series 2008 Bonds or the Indenture relating to or otherwise affecting the Commission’s obligation to pay the principal of or interest on any Series 2008 Bonds shall be declared to be unenforceable or null and void by any court of competent jurisdiction in a final and nonappealable judgment, or the validity or enforceability thereof shall be contested by the Commission in a judicial or administrative proceeding;

(iv) The Commission shall fail to maintain at least two of the following ratings on the Series 2008 Bonds: “[AAA/F1+]” by Fitch Ratings, “[Aaa/VMIG1]” by Moody’s Investors Service or “[AAA/A-1+]” by Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Incorporated;

(v) legislation is enacted by the State of California or the United States or favorably reported to either the United States House of Representatives or the United States Senate or a decision by the United States Tax Court is rendered, or a ruling or regulation (final, temporary or proposed) is made by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, or a release or official statement is issued by the President, the Treasury Department or the Internal Revenue Service of the United States, affecting the federal or California tax status of the Commission, its property or income, or the interest on its outstanding obligations, bonds or notes (including the Series 2008 Bonds);

(vi) legislation is favorably reported by committee, by amendment or otherwise, in, or is enacted by, the House of Representatives or the Senate or the Congress of the United States, or a decision by a court of the United States is rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission or other federal governmental agency is made or proposed, to the effect that the offering or sale of obligations of the general character of the Series 2008 Bonds, as contemplated
hereby is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect (the “Securities Act”) or the Trust Indenture Act of 1939, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Series 2008 Bonds as contemplated hereby; provided, however, that in the case of legislation favorably reported by committee, by amendment or otherwise, in the House of Representatives or the Senate or the Congress of the United States but not yet enacted, or in the case of a stop order, ruling, regulation or official statement of the United States Securities and Exchange Commission or other federal governmental agency proposed but not yet adopted or promulgated, such event shall only give rise to a right in the Remarketing Agent to suspend its obligations under this Remarketing Agreement if, in the opinion of counsel to the Remarketing Agent, such counsel being acceptable to the Commission, which acceptance shall not be unreasonably withheld, the introduced legislation or proposed stop order, ruling, regulation or official statement, if enacted, adopted or promulgated in its then current form, would apply retroactively to the date as of which the Remarketing Agent seeks to suspend its obligations hereunder;

(vii) any information becomes known or an event occurs which, in the Remarketing Agent’s reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information contained in the Official Statement, as the information contained therein has been supplemented or amended by other information, as of the date furnished to the Remarketing Agent or supplemented in accordance with Section 5 hereof, or causes the Official Statement, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(viii) except as provided in clauses (v) and (vi) of this subparagraph (b), any legislation, resolution, ordinance, rule or regulation is introduced in or is enacted by any governmental body, department or agency of the United States, the State of New York, or the State of California, or a decision by any court of competent jurisdiction within the United States, the State of New York, or the State of California is rendered which, in the opinion of counsel to the Remarketing Agent, such counsel being acceptable to the Commission, which acceptance shall not be unreasonably withheld, precludes the remarketing of the 2008 Series A-1 Bonds;

(ix) additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the opinion of counsel to the Remarketing Agent, such counsel being acceptable to the Commission, which acceptance shall not be unreasonably withheld, preclude the remarketing of the 2008 Series A-1 Bonds;
(x) Any governmental authority imposes, as to the Series 2008 Bonds, or obligations of the general character of the Series 2008 Bonds, any material restrictions not now in force, or materially increases those now in force, which, in the opinion of counsel to the Remarketing Agent, such counsel being acceptable to the Commission, which acceptance shall not be unreasonably withheld, preclude the remarketing of the 2008 Series A-1 Bonds;

(xi) A general banking moratorium is established by federal, New York or California authorities which precludes the remarketing of the 2008 Series A-1 Bonds; or

(xii) the United States engages in hostilities or there is an escalation of such hostilities or an act of terrorism or a calamity occurs the effect of which in the Remarketing Agent’s judgment makes it impracticable or impossible to proceed with the solicitation of offers to purchase the Series 2008 Bonds.

(c) In the event of a suspension of the Remarketing Agent’s obligations under this Remarketing Agreement pursuant to subsection (b) above, the Commission shall have the right to appoint a successor Remarketing Agent.

SECTION 10. Payment of Fees and Expense. The Commission agrees to pay to the Remarketing Agent a fee computed as 0.07% per annum of the average daily outstanding principal amount of the 2008 Series A-1 Bonds during any quarter, payable in quarterly installments in arrears, based on a year of 365 or 366 days, as applicable, and actual days elapsed; payable on April 1, July 1, October 1 and January 1, commencing July 1, 2008. Payment of the fee will be made by the Commission thirty (30) days after issuance of an invoice therefor from the Remarketing Agent. In the event that the interest rate on the 2008 Series A-1 Bonds is converted to a Fixed Interest Rate, the fee and the procedure for payment will be an amount as shall be agreed to by the Commission and the Remarketing Agent. The Remarketing Agent will not be entitled to compensation for any period during which its obligations are suspended, nor after this Remarketing Agreement shall be terminated except for a pro rata portion of the fee in respect of the quarter in which such suspension or termination occurs.

SECTION 11. Dealing in Bonds by the Remarketing Agent. The Remarketing Agent, in its individual capacity, may, in good faith, buy, sell, own, hold and deal in any of the 2008 Series A-1 Bonds offered and sold by it pursuant to this Remarketing Agreement, and may join in any action which any Bondholder may be entitled to take with like effect as if it did not act in any capacity hereunder. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Commission and may act as depository, trustee, or agent for any committee or body of owners of 2008 Series A-1 Bonds secured hereby or other obligations of the Commission as freely as if it did not act in any capacity hereunder.

SECTION 12. Intention of Parties. It is the express intention of the parties hereto that any purchase, sale or transfer of any 2008 Series A-1 Bonds, as herein provided, shall not constitute or be construed to be the extinguishment of any 2008 Series A-1 Bonds or the indebtedness represented thereby or to be the reissuance of any 2008 Series A-1 Bonds.
SECTION 13. Miscellaneous. (a) Except as otherwise specifically provided in this Remarketing Agreement, all notices, demands and formal actions under this Remarketing Agreement shall be in writing and mailed, telegraphed or delivered to the Remarketing Agent, the Commission, the Liquidity Providers and the Trustee at their respective addresses set forth in the Indenture. The Remarketing Agent, the Commission, the Liquidity Providers and the Trustee may, by notice given under this Remarketing Agreement, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed.

(b) This Remarketing Agreement will inure to the benefit of and be binding upon the Remarketing Agent and the Commission and their respective successors and assigns. The terms “successors” and “assigns” shall not include any purchaser of any of the 2008 Series A-1 Bonds solely because of such purchase.

(c) This Remarketing Agreement and each provision hereof may be amended, changed, waived, discharged or terminated only by an instrument in writing signed by the parties hereto.

(d) Section headings have been inserted in this Remarketing Agreement only for convenience of reference, and it is agreed that such section headings are not a part of this Remarketing Agreement and will not be used in the interpretation of any provisions of this Remarketing Agreement.

(e) If any provision of this Remarketing Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule or public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Remarketing Agreement invalid, inoperative or unenforceable to any extent whatsoever.

(f) This Remarketing Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(g) This Remarketing Agreement shall be interpreted and construed under the provisions of the laws of the State of California.
IN WITNESS WHEREOF, the parties hereto have caused this Remarketing Agreement to be duly executed as of the day and year first written above.

LEHMAN BROTHERS INC.

By: ________________________________
    Authorized Signatory

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: ________________________________
    Authorized Signatory
BROKER-DEALER AGREEMENT

Dated as of March 1, 2008

among

_________________________,
as Auction Agent

and

_________________________,
as Broker-Dealer

and

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

Relating To

$150,000,000
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SALES TAX REVENUE BONDS (LIMITED TAX BONDS)
2008 SERIES B-__ and 2008 SERIES B-__
TABLE OF CONTENTS

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION........................................ 1
  1.1 Terms Defined by Reference to the Auction Procedures or the Indenture............ 1
  1.2 Additional Terms Defined Herein................................................................. 1
  1.3 Rules of Construction................................................................................... 2
SECTION 2. THE AUCTION ................................................................................................. 3
  2.1 Incorporation by Reference of Auction Procedures............................................. 3
  2.2 Preparation for Each Auction............................................................................ 3
  2.3 Securities Depository Participant Numbers and Reconciliations.......................... 3
  2.4 Transfers ......................................................................................................... 4
  2.5 Compensation.................................................................................................. 5
  2.6 Settlement ....................................................................................................... 6
SECTION 3. THE AUCTION AGENT ................................................................................... 6
  3.1 Duties and Responsibilities of the Auction Agent ............................................... 6
  3.2 Rights of the Auction Agent ............................................................................ 7
  3.3 Auction Agent's Disclaimer.............................................................................. 8
SECTION 4. FURNISHING OF INFORMATION AND OFFERING MATERIALS; INDEMNIFICATION ........................................................................................ 9
  4.1 Furnishing of Information................................................................................ 9
  4.2 Supplements and Amendments to Official Statement......................................... 9
  4.3 Additional Information................................................................................... 10
  4.4 Indemnification and Contribution.................................................................... 10
SECTION 5. MISCELLANEOUS......................................................................................... 11
  5.1 Termination.................................................................................................... 11
  5.2 Participant..................................................................................................... 12
  5.3 Communications............................................................................................ 12
  5.4 Recording of Conversations.......................................................................... 12
  5.5 Entire Agreement........................................................................................... 13
  5.6 Benefits; Successors and Assigns.................................................................. 13
  5.7 Amendment; Waiver .................................................................................... 13
  5.8 Severability.................................................................................................. 13
  5.9 Execution in Counterparts............................................................................. 13
  5.10 Governing Law; Waiver of Trial by Jury......................................................... 13
  5.11 No Implied Duties....................................................................................... 14
EXHIBIT A — Auction Procedures
THIS BROKER-DEALER AGREEMENT, dated as of March 1, 2008, among (i) _______________________, (the "Auction Agent"), a __________________, not in its individual capacity but solely as agent of U.S. Bank National Association (the "Trustee"), pursuant to authority granted to the Auction Agent in the Auction Agreement, dated as of March 1, 2008 (the "Auction Agreement"), between the Trustee and the Auction Agent; (ii) _______________________, ("BD"); and (iii) the SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION (the "Commission")

WITNESSETH:

WHEREAS, the Commission is issuing, in six series, $600,000,000 in aggregate principal amount of San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) pursuant to an Indenture, dated as of March 1, 2008, as supplemented by a First Supplemental Indenture, dated as of March 1, 2008 (as so supplemented, and as it may be further supplemented and amended, the "Indenture"), between the Commission and the Trustee, including the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-__ and 2008 Series B--__ (the "Bonds");

WHEREAS, the interest rate on the Bonds will initially be set in accordance with the Auction Procedures;

WHEREAS, _________________________ has been appointed as Auction Agent for purposes of the Auction Agreement, and pursuant to Section 2.1 of the Auction Agreement, the Commission has requested and directed the Auction Agent to execute and deliver this Broker-Dealer Agreement; and

WHEREAS, the Auction Procedures require the participation of one or more Broker-Dealers;

NOW, THEREFORE, the Auction Agent, as agent for the Trustee, BD and the Commission agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION.

1.1 Terms Defined by Reference to the Auction Procedures. Capitalized terms used herein shall have the respective meanings specified in the Auction Procedures.

1.2 Additional Terms Defined Herein. As used herein, the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Auction Procedures" shall mean the procedures for conducting Auctions for the Bonds during an ARS Rate Period as set forth in Exhibit A hereto.

(b) "Authorized Officers" shall mean [to be supplied by the Auction Agent].
(c) "BD Officer" shall mean each officer or employee of BD designated as a "BD Officer" for purposes of this Broker-Dealer Agreement in a communication to the Auction Agent.

(d) "Broker-Dealer Agreement" shall mean this Broker-Dealer Agreement, including Exhibit A hereto, and any substantially similar agreement between the Auction Agent and a Broker-Dealer.

(e) "Broker-Dealer Fee" shall mean the fee due to the BD, as set forth in Section 2.5(b) hereof.

(f) "Broker-Dealer Fee Rate" shall have the meaning set forth in Section 2.5(a) hereof.

(g) "Order Form" shall mean the form by which Orders are to be submitted by any Broker-Dealer on any Auction Date which shall be in a form acceptable to the Auction Agent and may be by Electronic Means or in writing.

1.3 Rules of Construction. Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Broker-Dealer Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for convenience of reference and shall neither constitute a part of this Broker-Dealer Agreement nor affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto," and other words of similar import refer to this Broker-Dealer Agreement as a whole and not to any particular section or subsection.

(d) All references herein to a particular time of day shall be to New York City time.

(e) Each reference to the purchase, sale or holding of "Bonds" shall refer to beneficial ownership interests in Bonds unless the context clearly requires otherwise.

(f) Any reference herein to Bonds shall be deemed to be a reference to each Series of Bonds. References herein to an Auction and the Auction Procedures shall apply separately to each Series of Bonds.

SECTION 2. THE AUCTION.

2.1 Incorporation by Reference of Auction Procedures.

(a) The parties to this Broker-Dealer Agreement agree to comply with
the Auction Procedures. No amendment to the Auction Procedures shall be effective without the consent of the parties hereto. In addition if this Broker-Dealer Agreement takes effect as a result of an ARS Conversion Date, BD agrees to set the Initial Period Rate as provided in Schedule I of the Auction Procedures and give notice thereof as provided in such Schedule I. In the event there are multiple Broker-Dealers for the Bonds, the Commission shall designate which Broker-Dealer shall determine the Initial Period Rate.

(b) BD agrees to act as, and assumes the obligations of, and limitations and restrictions placed upon, a Broker-Dealer under this Broker-Dealer Agreement. BD understands that other Persons meeting the requirements specified in the definition of "Broker-Dealer" contained in the Auction Procedures may execute Broker-Dealer Agreements and participate as Broker-Dealers in Auctions.

(c) BD and other Broker-Dealers may participate in Auctions for their own accounts. The Commission may, however, by notice to BD and all other Broker-Dealers, prohibit all of the Broker-Dealers from submitting Bids in Auctions for their own accounts, provided that Broker-Dealers may continue to submit Hold Orders and Sell Orders. The Auction Agent shall be under no duty or liability with respect to monitoring compliance with this Section 2.1(c).

2.2 Preparation for Each Auction.

(a) Not later than 3:00 P.M. on the Business Day preceding each Auction Date, the Auction Agent shall notify BD of any change in the aggregate principal amount of the Bonds, as of the opening of business on such day by delivering a notice to BD by Electronic Means or other communication acceptable to the parties.

(b) In the event the Auction Date for any Auction shall be changed pursuant to Section 2.09(c) of the Auction Procedures after the Auction Agent has given notice of such Auction Date pursuant to Section 2.06 of the Auction Procedures, the Auction Agent, by such means as the Auction Agent deems practicable, shall promptly give notice of such change to BD. Thereafter, BD shall use its best efforts to promptly notify its customers who are Existing Owners and Potential Owners of which it is aware of such change in the Auction Date.

2.3 Securities Depository Participant Numbers and Reconciliations.

The Auction Agent may, but shall have no duty to, request, from time to time, BD to provide it with a list of the number of Units and affiliated Securities Depository participant numbers for customers BD believes are Existing Owners. BD shall comply with any such request, and the Auction Agent shall keep confidential any such information, including information received as to the identity of Bidders in any Auction, and shall not disclose any such information so provided to any person other than the Trustee, the Commission, and their respective agents, provided that the Auction Agent reserves the right, and is authorized, to disclose any such information if required to do so by rule or regulation, or as confidential information to its internal and external accountants, auditors and counsel, its regulators and examiners, and any other person if the Auction Agent has been advised by its counsel that it may be unlawful to fail to disclose or the Auction Agent may be liable for a failure to effect such
disclosure, or if it is ordered to do so pursuant to a subpoena, civil investigative demand or similar demand by a court of competent jurisdiction or regulatory, judicial, quasi judicial agency or authority having the authority to mandate such disclosures; provided, further, however, that the Auction Agent may refrain from making requested disclosures if in its sole discretion it receives satisfactory indemnity therefor for any actual or potential loss, claim, damage, liability or expense.

If any of the Commission, the BD or the Trustee requests that the Auction Agent reconcile the number of Units for which a Broker-Dealer is listed as the Broker-Dealer in the Existing Owner Registry maintained by the Auction Agent pursuant to Section 2.2(a) of the Auction Agreement with the records of the Broker-Dealers, the Auction Agent may, but shall not be required to, perform such reconciliation with the consent of the Commission. Any such reconciliation shall be based upon information provided by the Broker-Dealers and/or the Securities Depository. If the Auction Agent requires information from the Securities Depository in order to perform such reconciliation, the Commission or the Trustee shall request such information from the Securities Depository or authorize the Auction Agent to request and obtain such information from the Securities Depository. The fees for services rendered and expenses (including any charges of the Securities Depository) incurred by the Auction Agent in performing any such reconciliation shall be paid by the Commission. If as a result of any such reconciliation a discrepancy is discovered between the records of the Broker-Dealers and the Existing Owner Registry maintained by the Auction Agent pursuant to Section 2.2(a) of the Auction Agreement, such Existing Owner Registry shall be adjusted to conform to the records of the Broker-Dealers. If as a result of such reconciliation it is discovered that there are Units for which no Broker-Dealer has made known to the Auction Agent a Securities Depository participant account, such Units will be reflected in the Existing Owner Registry maintained by the Auction Agent pursuant to Section 2.2.(a) of the Auction Agreement as belonging to the lead underwriter/Broker-Dealer. The result of any reconciliation shall be final and binding upon the Commission, the Broker-Dealers, the Trustee and the Auction Agent, absent manifest error; and, in no event, shall the Auction Agent incur any liability for any determination or adjustment made in connection with any reconciliation hereunder.

2.4 Transfers.

BD shall deliver to the Auction Agent a notice, in a form reasonably acceptable to the Auction Agent, of transfers of Bonds made through BD by an Existing Owner to another Person other than pursuant to an Auction. The Auction Agent is not required to accept any notice delivered pursuant to the terms of the foregoing sentence with respect to an Auction unless it is received by the Auction Agent by 11:00 a.m. on the applicable Auction Date.

Notwithstanding the provisions of Section 2.6(a) hereof, any delivery or non-delivery of Bonds which represents any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the terms of this Section 2.4.
2.5 Compensation.

(a) The initial Broker-Dealer Fee Rate shall equal [___] of one percent (___%) per annum. The Broker-Dealer Fee for the Bonds shall be paid by the Auction Agent solely from moneys received from the Commission or the Trustee pursuant to this Section 2.5 or Section 3.5 of the Auction Agreement and represents compensation for the services of the BD in facilitating Auctions for the benefit of the beneficial owners of the Bonds. The Broker-Dealer Fee rate may be adjusted from time to time with the approval of the Commission upon a written request of the Broker-Dealers delivered to the Commission.

(b) While the Bonds are in an Auction Period other than a daily Auction Period on each Interest Payment Date following each Auction Date, each Broker-Dealer shall be entitled to receive an amount equal to the product of (x) the Broker-Dealer Fee Rate multiplied by (y)(A) if an Auction was held on such Auction Date, the sum of the aggregate principal amount of Bonds that were (1) the subject of a valid Hold Order of an Existing Owner submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction and (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer or (B) if an Auction was not held on such Auction Date, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is (i) if the Auction Period is 180 days or less, the actual number of days in the Auction Period next succeeding such Auction Date or (ii) if the Auction Period is more than 180 days, the number of days in the Auction Period next succeeding such Auction Date calculated on the basis of twelve 30 day months in a year, and in either case the denominator of which is 360.

If the Bonds are in a daily Auction Period each Broker-Dealer shall be entitled to receive on each Interest Payment Date an amount equal to the sum calculated for each Auction Period in the preceding month of the product of (x) the Broker-Dealer Fee Rate multiplied by (y) the aggregate principal amount of Bonds for each Auction Period that were (1) the subject of a valid Hold Order submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction, (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer and (5) if an Auction was not held for any Auction Period, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the number of days in the Auction Period and denominator of which is 360.

The Broker-Dealer Fee (the "Broker-Dealer Fee") shall be calculated as set forth in this Section 2.5 by the Auction Agent, which shall be conclusive absent manifest error. Such amounts shall be communicated by the Auction Agent to the Commission and the Trustee by 4:00 P.M., New York City time, on the Business Day immediately preceding each
Interest Payment Date. On or before 10:00 A.M. on each Interest Payment Date, the Commission shall pay to the Trustee the Broker-Dealer Fee. By noon on each Interest Payment Date, the Trustee shall deliver to the Auction Agent the amount constituting the Broker-Dealer Fee, by wire transfer of immediately available funds to such account as the Auction Agent may designate. The amount constituting the Broker-Dealer Fee shall be held by the Auction Agent on behalf of the Broker-Dealer and, immediately upon receipt of such fee, the Auction Agent shall deliver such fee to the Broker-Dealer pursuant to the written instructions of the Broker-Dealer. If any Existing Owner who acquired Bonds through a Broker-Dealer transfers any such Bonds to another Person other than through an Auction, the Broker-Dealer for the Bonds so transferred shall continue to be the Broker-Dealer with respect to such Bonds, provided, however, that if the transfer was effected by, or if the transferee is, another Person who has met the requirements specified in the definition of "Broker-Dealer" and executed a Broker-Dealer Agreement, such Person shall be the Broker-Dealer for such Bonds.

2.6 Settlement.

(a) If any Existing Owner on whose behalf BD has submitted a Bid or Sell Order that was accepted in whole or in part fails to instruct its Participant to deliver the Bonds subject to such Bid or Sell Order against payment therefor, BD shall instruct such Participant to deliver such Bonds against payment therefor and BD may deliver to the Potential Owner on whose behalf BD submitted a Bid that was accepted in whole or in part a principal amount of the Bonds that is less than the principal amount of the Bonds specified in such Bid to be purchased by such Potential Owner.

(b) The Auction Agent, the Trustee, and the Commission shall have no responsibility or liability with respect to the failure of an Existing Owner, a Potential Owner or its respective Participant to deliver Bonds or to pay for Bonds sold or purchased pursuant to the Auction Procedures or otherwise.

(c) The Auction Agent shall have no duty or liability with respect to enforcement of this Section 2.6.

SECTION 3. THE AUCTION AGENT.

3.1 Duties and Responsibilities of the Auction Agent.

(a) The Auction Agent is acting solely as non-fiduciary agent for the Trustee and owes no duties, fiduciary or otherwise, to any other Person by reason of this Broker-Dealer Agreement except as expressly set forth herein or in the Auction Agreement, and no implied duties, fiduciary or otherwise, shall be read into this Broker-Dealer Agreement against the Auction Agent.

(b) The Auction Agent undertakes to perform such duties and only such duties as are specifically set forth in the Broker-Dealer Agreement or expressly incorporated herein by reference pursuant to Section 2.1(a) hereof and no implied covenants or obligations shall be read into this Broker-Dealer Agreement against the Auction Agent.
(c) In the absence of willful misconduct or negligence on its part, as determined by a court of competent jurisdiction, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d) hereof, shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties hereunder. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment, as determined by a court of competent jurisdiction.

(d) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation: acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; acts of terrorism; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; or acts of civil or military authority or governmental actions; it being understood that the Auction Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(e) The Auction Agent shall not be (i) required to and does not make any representations nor have any responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, except with respect to itself, on any document delivered pursuant to or as contemplated by this Broker-Dealer Agreement; (ii) obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with indemnity satisfactory to the Auction Agent; or (iii) responsible for or liable in any respect on account of the identity, authority or rights of any Person executing or delivering or purporting to execute or deliver any document under this Broker-Dealer Agreement or the Auction Agreement except with respect to its own individuals executing or delivering this Broker-Dealer Agreement or the Auction Agreement.

(f) Anything in this Broker-Dealer Agreement to the contrary notwithstanding, in no event shall the Auction Agent be liable for special, indirect, punitive or consequential damage (or loss) of any kind whatsoever (including but not limited to lost profits).

3.2 Rights of the Auction Agent.

(a) The Auction Agent may conclusively rely on and shall be fully protected in acting or refraining from acting upon any communication authorized hereby and upon any written instruction, notice, request, direction, consent, report, certificate, security certificate or other instrument, paper, document or communication reasonably believed by it to be genuine. The Auction Agent shall not be liable for acting, or refraining from action, upon any communication made by telephone, Electronic Means or other means acceptable to the parties and authorized hereby which the Auction Agent believes (or has no reason not to believe) to have been given by the Trustee, a Broker-Dealer, the Commission or the Securities Depository. The Auction Agent may record telephone communications with the Trustee, the Commission or
(b) The Auction Agent may consult with counsel of its choice, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder.

(d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any agent or attorney appointed by it with due care hereunder.

(e) The Auction Agent shall have no obligation to monitor, or liability in respect of, the registration or exemption therefrom of the Bonds (or any beneficial ownership interest therein) under any federal or state securities laws or in respect of any transfer of the Bonds (or any beneficial ownership interest therein) pursuant to the terms of this Broker-Dealer Agreement, the Auction Agreement, the Indenture, any other document contemplated by any thereof, or otherwise, including, but not limited to, compliance with any such laws in regards to any such registration, exemption or transfer.

(f) (i) Any corporation or other entity into which the Auction Agent may be merged or converted or with which it may be consolidated, (ii) any corporation or other entity resulting from any merger, conversion or consolidation to which the Auction Agent may be a party or (iii) any corporation or other entity succeeding to all or substantially all of the auction agent business of the Auction Agent shall be the successor of the Auction Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto, except where any instrument of transfer or assignment is required by law to effect such succession, anything hereunder to the contrary notwithstanding.

3.3 Auction Agent's Disclaimer.

The Auction Agent makes no representations as to, and shall have no liability with respect to, the correctness of the recitals in, or the validity with respect to parties other than the Auction Agent, the accuracy or adequacy of this Broker-Dealer Agreement, the Auction Agreement, the Indenture, the Bonds or the Official Statement, as hereinafter defined, or any other offering material used in connection with the offer and sale of the Bonds or any other agreement or instrument executed in connection with the transactions contemplated herein or in any thereof.

SECTION 4. FURNISHING OF INFORMATION AND OFFERING MATERIALS; INDEMNIFICATION.

4.1 Furnishing of Information.

The Commission agrees to furnish, or cause to be furnished, BD with as
many copies as BD may reasonably request, of the official statement relating to the Bonds (the "Official Statement") as the same may be supplemented or amended from time to time, and such other information with respect to the Commission and its finances, the Indenture, and the Bonds as BD shall reasonably request from time to time.

4.2 Supplements and Amendments to Official Statement.

If at any time during the term of this Broker-Dealer Agreement any event or condition known to the Commission relating to or affecting the Commission or its finances, the Bonds, the Indenture, or the documents or transactions contemplated thereby, shall occur which, in the reasonable judgment of the Commission or the Broker-Dealer, might affect the accuracy, correctness or completeness of any statement of a material fact contained in the Official Statement, as it shall have been supplemented or amended from time to time pursuant to this Section or included in any report or notice filed by the Commission (each, a "Disclosure Statement") pursuant to the undertaking entered into by the Commission with respect to the Bonds pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Continuing Disclosure Undertaking") which in the reasonable judgment of the Commission, or BD might result in the Official Statement, as so supplemented or amended, containing any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading, then:

(a) the Commission (as to events or conditions relating to itself and otherwise of which it becomes aware) shall promptly notify BD of the circumstances and details of such event;

(b) if, in the opinion of BD and the Commission, such event or condition requires the preparation and publication of an amendment or supplement to the Official Statement, the Commission at its expense shall promptly prepare or cause to be prepared an appropriate amendment or supplement thereto, in a form and manner approved by BD, so that the statements in the Official Statement, as so amended or supplemented, will not contain any untrue, incorrect or misleading statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading; and

(c) the Commission shall take all necessary action to approve such supplement or amendment.

4.3 Additional Information.

Without limiting the foregoing, the Commission shall notify BD of:

(a) proposed adverse determination letter from the Internal Revenue Service with respect to the federal income tax treatment of the Bonds, of which the Commission shall have knowledge;

(b) any replacement of the Trustee under the Indenture;
(c) Any Event of Default under the Indenture provided such Event of Default relates to the Commission, or any other default which, with notice or lapse of time or both, would constitute such an Event of Default;

(d) the publication of notice of redemption or purchase of the Bonds, together with a copy of such notice (which notice shall be provided to BD no later than the date of publication of such notice); and

(e) the occurrence of any of the following events with respect to the Bonds; (i) principal and interest payment delinquencies; (ii) non payment related defaults; (iii) unscheduled draws on debt service reserves; (iv) unscheduled draws on credit enhancements; (v) substitution of credit provider or liquidity provider, or their failure to perform; (vi) adverse tax opinions or events affecting the tax exempt status of the Bonds; (vii) modifications to rights of security holders; (viii) bond calls; (ix) defeasance; (x) release, substitution, or sale of property, if any, securing repayment of the securities; (xi) rating changes (including any announcement that either the Bonds or the Commission has been put on credit watch); and (xii) failure of the Commission to provide “annual financial information” in accordance with Rule 15c2-12(b)(5)(i)(D) under the Securities Exchange Act.

4.4 Indemnification and Contribution.

(a) To the extent, if any, that a court of competent jurisdiction would enforce such agreement as not contrary to law or public policy, the Commission agrees to indemnify and hold harmless BD and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "1933 Act")) BD against any and all losses, claims, damages, expenses, and liabilities whatsoever arising out of any violation of this Broker-Dealer Agreement by the Commission, including any untrue statement or alleged untrue statement in a Disclosure Statement or in the Official Statement under the captions ["SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION," "THE SALES TAX," "SUMMARY OF FINANCING PLAN," "COMMISSION INVESTMENT PORTFOLIO," and "ABSENCE OF MATERIAL LITIGATION"] of a material fact or any omission or alleged omission of any material fact necessary to make the statements therein, at the time and in light of the circumstances under which they were made, not misleading, including, without limiting the generality of the foregoing, the aggregate amount paid in settlement of any litigation commenced or threatened or of any claim whatsoever based upon any such untrue statement or omission or alleged untrue statement or omission, including without limitation the reasonable costs and expenses (including fees and expenses of counsel) of investigating, preparing for or defending itself, if such settlement is effected with the written consent of the Commission; provided, however, that the Commission shall not be liable in any such case to the extent that any such loss, claim, damage, expense, liability or action arises out of , or is based upon, any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission of any material fact necessary to make the statements therein, at the time and in light of the circumstances under which they were made, not misleading, made either in reliance on and in conformity with written information provided by BD specifically for use therein or relating to the [Banks] (as defined in the Official Statement), [the bond insurer, the bond insurance policy,] The Depository Trust Company, the Initial Swaps (as defined in the Official Statement) or the counterparties to such Initial Swaps. In each case the indemnification for any such settlement or
expense shall be made promptly by the Commission as the costs of such settlement or expenses are incurred by BD. In case any claim should be made or action brought against any of BD or any controlling person (as aforesaid) based upon a violation of this Broker-Dealer Agreement by the Commission, in respect of which indemnity may be sought against the Commission, BD or such controlling person shall, as a condition to its right to indemnification hereunder, promptly notify the Commission in writing setting forth the particulars of such claim or action and the Commission shall assume the defense thereof, including the retaining of counsel and the payment of all expenses. BD or any such controlling person shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at BD’s expense or the expense of such controlling person unless the retaining of such counsel has been specifically authorized in writing by the Commission or counsel retained by the Commission has advised BD that the representation of the two parties would constitute a conflict.

(b) If for any reason indemnification is unavailable to BD or insufficient to hold BD harmless in connection with this Broker-Dealer Agreement, then the Commission shall contribute to the amount paid or payable by BD as a result of any loss, claim, damage or liability or action in respect thereof (including such legal or other expenses) in such proportion as is appropriate to reflect the relative benefits received by the Commission on the one hand and BD on the other hand from the sale of the Bonds (as described in the next sentence) or, if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Commission on the one hand and BD on the other as well as any other relevant equitable considerations. For this purpose the relative benefits received by Commission on the one hand and BD on the other shall be deemed to be in the same proportion as the principal amount of the Bonds sold bears to one year’s compensation, at the rate applicable at the time of such loss, claim, damage or liability or action, received by BD pursuant to Section 2.5 above. The Commission agrees with BD that it would not be just and equitable if contribution pursuant to this provision were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above. The reimbursement, indemnity and contribution obligations of the Commission under this subsection shall be in addition to any liability which the Commission may otherwise have, shall extend upon the same terms and conditions to the officers, members, partners, employees an controlling persons (if any) of BD and shall be binding upon and inure to the benefit of any successors and assigns of the Commission and BD.

SECTION 5. MISCELLANEOUS.

5.1 Termination. BD may resign at any time, upon five Business Days’ notice to the Auction Agent; provided, however, that BD may suspend its duties hereunder immediately if it determines, in its reasonable judgment, that for any reason, including, without limitation, (a) a pending or proposed change in applicable tax laws, (b) a material adverse change in the financial condition of the Commission, (c) hostilities involving the United States, (d) a down-rating of the Bonds, or (e) an imposition of material restrictions on the Bonds or similar obligations, it is not advisable to attempt to Auction the Bonds. The Auction Agent upon the written direction of the Commission may terminate this Broker-Dealer Agreement at any time on five Business Days’ notice to the other parties hereto; and provided that this Broker-Dealer
Agreement shall terminate upon the resignation or removal of the BD pursuant to this Section 5.1 or termination of the Auction Agreement.

5.2 Participant. BD is and for the term of this Broker-Dealer Agreement shall remain a member of, a participant in, or an affiliate of such a member or participant in Securities Depository; and will give the Auction Agent, each other Broker-Dealer, the Commission and the Trustee two Business Days’ notice if it ceases to be so or if it changes its participation or affiliation to a different Securities Depository.

5.3 Communications. Except for communications authorized to be made by Electronic Means or other communication acceptable to the parties pursuant to this Broker-Dealer Agreement or the Auction Procedures all notices, requests and other communications to any party hereunder shall be in writing (which may be by facsimile) and shall be given to such party, addressed to it, at its address or facsimile number set forth below and, where appropriate, reference the particular Auction to which such notice relates:

If to BD addressed:

____________________________
____________________________
Attention: 
Telephone Number: 
Fax: 
Email: 

If to the Auction Agent addressed:

____________________________
____________________________
Attention: 
Telephone Number: 
Fax: 
Email: 

If to the Commission addressed: San Diego Association of Governments
401 B Street, Suite 800
San Diego, California 92101
Attention: Director of Finance
Telephone Number: (619) 699-1940
Fax: (619) 699-4890
Email: 
or such other address, telephone, facsimile number or e-mail address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective when delivered at the address specified herein. Communications shall be given on behalf of BD by a BD Officer and on behalf of the Auction Agent by an Authorized Officer.
5.4 **Recording of Conversations.** BD may record telephone communications with the Commission, the Trustee, or the Auction Agent, or all of them.

5.5 **Entire Agreement.** This Broker-Dealer Agreement, and the other agreements and instruments executed and delivered in connection with the issuance of the Bonds, contain the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof.

5.6 **Benefits; Successors and Assigns.** This Broker-Dealer Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of BD, the Auction Agent and the Commission. Except as provided in Section 3.2(f) hereof, this Broker-Dealer Agreement may not be assigned by any party hereto absent the prior written consent of the other parties; provided, however, that: (a) the Broker-Dealer Agreement may be assigned by the Auction Agent to a successor Auction Agent selected by the Commission without the consent of BD and BD may assign its rights and obligations hereunder to an affiliate of BD or to an entity succeeding to the business of BD. Nothing in this Broker-Dealer Agreement, express or implied, shall give to any person, other than the Auction Agent and BD and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim under this Broker-Dealer Agreement, other than the rights expressly granted to the Issuer herein.

5.7 **Amendment; Waiver.**

(a) This Broker-Dealer Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the parties hereto.

(b) Failure of any party to this Broker-Dealer Agreement to exercise any right or remedy hereunder in the event of a breach of this Broker-Dealer Agreement by any other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

(c) Notwithstanding anything herein to the contrary, the Auction Agent may, but shall have no obligation to execute any amendment or waiver which affects its rights, powers, immunities or indemnities hereunder.

5.8 **Severability.** If any clause, provision or section of this Broker-Dealer Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

5.9 **Execution in Counterparts.** This Broker-Dealer Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.
5.10  *Governing Law; Waiver of Trial by Jury.*

(a) This Broker-Dealer Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State, without giving effect to principles of choice of law or conflicts of law thereof, except that the capacity, power and authority of the Commission to enter into this Broker-Dealer Agreement shall be governed by and construed in accordance with the laws of the State of California.

(b) Each party to this Broker-Dealer Agreement irrevocably consents to service of process in the manner provided for notices in Section 5.3 hereof. Nothing in this Broker-Dealer Agreement will affect the right of any party to this Broker-Dealer Agreement to serve process in any other manner permitted by law.

(c) **TO THE EXTENT PERMITTED BY LAW, EACH PARTY TO THIS BROKER-DEALER AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE, THIS BROKER-DEALER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE). EACH PARTY HERETO ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS BROKER-DEALER AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.**

5.11  *No Implied Duties.*

Nothing contained in this Broker-Dealer Agreement, the Auction Procedures or the Auction Agreement shall be deemed to imply any duties, covenants or obligations on the part of the Commission not otherwise expressly set forth herein or therein.
IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

______________________________,
as Auction Agent

By: ________________________________
    Authorized Signatory

______________________________,
as Broker-Dealer

By: ________________________________
    Authorized Signatory

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: ________________________________
    Authorized Signatory
EXHIBIT A — Auction Procedures
AUCTION AGREEMENT

between

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

and

[AUCTION AGENT],

as Auction Agent

Dated as of March 1, 2008

Relating to

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

SALES TAX REVENUE BONDS (LIMITED TAX BONDS)

2008 SERIES B-1, 2008 SERIES B-2, 2008 SERIES B-3 AND 2008 SERIES B-4
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Definitions and Rules of Construction</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Terms Defined by Reference to the Auction Procedures or the Indenture</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Additional Terms Defined Herein</td>
<td>2</td>
</tr>
<tr>
<td>1.3 Rules of Construction</td>
<td>2</td>
</tr>
<tr>
<td>2. The Auction</td>
<td>3</td>
</tr>
<tr>
<td>2.1 Purpose; Incorporation by Reference of Auction Procedures</td>
<td>3</td>
</tr>
<tr>
<td>2.2 Preparation for Each Auction; Maintenance of Registry of Existing Owners; Notice of Redemption/Defeasance</td>
<td>3</td>
</tr>
<tr>
<td>2.3 Public Dissemination of Auction Results</td>
<td>4</td>
</tr>
<tr>
<td>2.4 Notices to Existing Owners</td>
<td>5</td>
</tr>
<tr>
<td>2.5 Broker-Dealers</td>
<td>5</td>
</tr>
<tr>
<td>2.6 Access to and Maintenance of Auction Records</td>
<td>5</td>
</tr>
<tr>
<td>2.7 Membership in the Securities Depository</td>
<td>6</td>
</tr>
<tr>
<td>2.8 Conversion from Auction Period</td>
<td>6</td>
</tr>
<tr>
<td>2.9 Notice of Conversion</td>
<td>6</td>
</tr>
<tr>
<td>3. The Auction Agent</td>
<td>7</td>
</tr>
<tr>
<td>3.1 Duties and Responsibilities</td>
<td>7</td>
</tr>
<tr>
<td>3.2 Rights of the Auction Agent</td>
<td>8</td>
</tr>
<tr>
<td>3.3 Auction Agent’s Disclaimer</td>
<td>8</td>
</tr>
<tr>
<td>3.4 Compensation, Expenses and Indemnification Relating to the Auction Agent</td>
<td>9</td>
</tr>
<tr>
<td>3.5 Compensation of the Broker-Dealers</td>
<td>9</td>
</tr>
<tr>
<td>3.6 Ratings Changes</td>
<td>9</td>
</tr>
<tr>
<td>4. Miscellaneous</td>
<td>10</td>
</tr>
<tr>
<td>4.1 Terms of Agreement</td>
<td>10</td>
</tr>
<tr>
<td>4.2 Commission’s Obligations</td>
<td>10</td>
</tr>
<tr>
<td>4.3 Communications</td>
<td>10</td>
</tr>
<tr>
<td>4.4 Entire Agreement</td>
<td>11</td>
</tr>
<tr>
<td>4.5 Benefits</td>
<td>12</td>
</tr>
<tr>
<td>4.6 Amendment; Waiver; Successors and Assigns</td>
<td>12</td>
</tr>
<tr>
<td>4.7 Severability</td>
<td>12</td>
</tr>
<tr>
<td>4.8 Execution in Counterparts</td>
<td>12</td>
</tr>
<tr>
<td>4.9 Governing Law; Waiver of Trial by Jury</td>
<td>13</td>
</tr>
<tr>
<td>4.10 Duties and Responsibilities of the Trustee</td>
<td>13</td>
</tr>
</tbody>
</table>

**EXHIBIT A**
AUCTION PROCEDURES

**EXHIBIT B**
FORM OF BROKER-DEALER AGREEMENT

**EXHIBIT C**
LIST OF INITIAL BROKER-DEALERS
This AUCTION AGREEMENT dated as of March 1, 2008 (this "Agreement"), between U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Trustee") pursuant to the Indenture, dated as of March 1, 2008, as supplemented by the First Supplemental Indenture, dated as of March 1, 2008 (as so supplemented, and as it may be further supplemented and amended, the "Indenture"), between the San Diego County Regional Transportation Commission (the "Commission") and the Trustee, and [AUCTION AGENT], as auction agent (together with its successors and assigns, the "Auction Agent")

W I T N E S S E T H:

WHEREAS, concurrently with the execution and delivery of this Agreement, the Commission is issuing seventy-five million dollars ($75,000,000) of San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-1 (the "2008 Series B-1 Bonds"), seventy-five million dollars ($75,000,000) of San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-2 (the "2008 Series B-2 Bonds"), seventy-five million dollars ($75,000,000) of San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-3 (the "2008 Series B-3 Bonds"), and seventy-five million dollars ($75,000,000) of San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series B-4 (the "2008 Series B-4 Bonds," and, together with the 2008 Series B-1 Bonds, the 2008 Series B-2 Bonds, and the 2008 Series B-3 Bonds, hereinafter referred to collectively as the "Bonds"), the net proceeds of which will be received by the Trustee on behalf of the Commission and, as set forth in the Indenture, deposited into the Funds described therein;

WHEREAS, the Bonds will initially be issued as auction rate securities;

WHEREAS, the Trustee is entering into this Agreement as agent for the beneficial owners of the Bonds;

WHEREAS, the Auction Agent will perform certain duties set forth in Exhibit A, including Schedule I thereto, attached hereto (the "Auction Procedures");

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Trustee and the Auction Agent agree as follows:

1. **Definitions and Rules of Construction.**

1.1 **Terms Defined by Reference to the Auction Procedures.**

Capitalized terms not defined herein shall have the respective meanings specified in the Auction Procedures.
1.2 Additional Terms Defined Herein.

Certain terms used herein are defined in the recitals to this Agreement. In addition, as used herein, the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Auction Agent Acceptance Fee" means an acceptance fee, if any, as set forth in a written agreement signed or entered into by the Auction Agent and the Commission.

(b) "Auction Agent Fee" means the fees, other than the Auction Agent Acceptance Fee, set forth in a written agreement signed or entered into by the Auction Agent and the Commission.

(c) "Authorized Officer" means each [Managing Director, Director, Senior Vice President, Vice President, Assistant Vice President, and Assistant Treasurer, Associate and authorized representative of the Auction Agent assigned to the [Auction Rate Group Designation or Name]] and every other officer or employee of the Auction Agent designated as an "Authorized Officer" for purposes hereof in a written communication from the Auction Agent signed by an Authorized Officer and delivered to the Trustee.

(d) "Authorized Trustee Representative" means each [Senior Vice President, Vice President, Assistant Vice President, Senior Trust Officer, Trust Officer, and Assistant Treasurer] of the Trustee and every other officer or employee of the Trustee designated as an "Authorized Trustee Representative" for purposes hereof in a written communication signed by an Authorized Trustee Representative and delivered to the Auction Agent.

(e) "Broker-Dealer Agreement" means each agreement between the Auction Agent and a Broker-Dealer substantially in the form attached hereto as Exhibit B.

(f) "Broker-Dealer Fee Rate" means the rate per annum at which the fees to be paid to the Broker-Dealers for the services rendered by them under the Broker-Dealer Agreements in connection with the Auctions accrue pursuant to Section 2.5 of the Broker-Dealer Agreement.

(g) "Existing Owner Registry" means the register maintained by the Auction Agent pursuant to Section 2.2(a)(i).

(h) "Participant" of any Person means the member of, or participant in, the Securities Depository that will act on behalf of an Existing Owner or Potential Owner.

1.3 Rules of Construction.

Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.
(b) The captions and headings herein are solely for convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto," and other words of similar import refer to this Agreement as a whole and not to any particular section or other subdivision.

(d) All references herein to a particular time of day shall be to New York City time.

(e) All references herein to Sections or Exhibits are to Sections of or Exhibits to this Agreement unless the context otherwise indicates.

(f) Any reference to Bonds shall be deemed to be a reference to each series of Bonds. References herein to an Auction and the Auction Procedures shall apply separately to each series of Bonds.

2. **The Auction.**

2.1 **Purpose; Incorporation by Reference of Auction Procedures.**

(a) The Indenture provides that the interest rate on the Bonds for each Auction Period after the Initial Period, except as provided in Section 2.04 of the Auction Procedures, shall equal the Auction Rate that an Auction Agent appointed by the Trustee determines to have resulted from implementation of the Auction Procedures. The Trustee, at the written direction of the Commission, hereby appoints [AUCTION AGENT] as Auction Agent for purposes of the Auction Procedures and to perform such other obligations and duties as are set forth herein and in each Broker-Dealer Agreement, in each case, specified to be performed by the Auction Agent. The Auction Agent hereby accepts such appointment as Auction Agent and agrees that, on each Auction Date after the Initial Period, it shall follow the procedures set forth in the Auction Procedures for the purpose of, among other things, determining the Auction Period Rate for each Auction Period.

(b) Subject to Section 4.1(a), all of the provisions contained in the Auction Procedures are incorporated herein by reference in their entirety and shall be deemed to be a part hereof to the same extent as if such provisions were fully set forth herein. No amendment to the Auction Procedures shall be effective without the consent of the parties hereto.

2.2 **Preparation for Each Auction; Maintenance of Registry of Existing Owners; Notice of Redemption/Defeasance.**

(a) Prior to each Auction Date in which a Broker-Dealer will participate, the Commission shall provide the Auction Agent with a manually signed Broker-Dealer Agreement executed by such Broker-Dealer, if not previously so provided. The Auction Agent shall maintain a current registry of Persons that are Existing Owners, which shall for this purpose be the Broker-Dealers (such registry being herein called the "Existing Owner Registry"). Such Persons shall constitute the Existing Owners for purposes of each Auction. The Auction Agent may conclusively rely upon, as evidence of the identities of the Existing Owners, (i) the results
of each Auction, and (ii) notices from any Existing Owner as described in the first sentence of Section 2.2(e).

(b) The Trustee shall notify the Auction Agent by Electronic Means of any notice of redemption or defeasance on the date received and prior to sending the notice to the Securities Depository as Holder of the Bonds. In the case of a partial redemption or defeasance, the Trustee shall verify with the Auction Agent by Electronic Means the lottery publication date to be used in the notice. The Trustee shall then send the notice of redemption or defeasance to the Securities Depository.

(c) If the Trustee and the Auction Agent are unable to verify a lottery publication date prior to sending a notice of partial redemption or defeasance to the Securities Depository, then such notice shall include, under an item entitled "Publication Date for Securities Depository Purposes," the Securities Depository lottery publication date applicable to such Bonds, which date shall be two (2) Business Days after the second Auction Date that immediately precedes the date specified in such notice as the date fixed for the redemption or defeasance of such Bonds (the "Redemption/Defeasance Date") (three (3) Business Days immediately preceding such Redemption/Defeasance Date in the case of Bonds in the daily Auction Period).

(d) On the lottery publication date prior to the Redemption/Defeasance Date with respect to such Bonds, the Trustee shall request the lottery results from the Securities Depository. Upon receipt, the Trustee shall notify the Auction Agent by Electronic Means of such lottery results, i.e. the identities of the Participants and the respective principal amounts from the accounts of Bonds that have been called for redemption or defeasance. At least two (2) Business Days prior to the Redemption/Defeasance Date with respect to Bonds being partially redeemed or defeased, the Auction Agent shall request each eligible Broker-Dealer to disclose to the Auction Agent (upon selection by such Participant of the Existing Owners whose Bonds are to be redeemed or defeased) the aggregate principal amount of such Bonds of each such Existing Owner, if any, to be redeemed or defeased. By the close of business on the day the Auction Agent receives any notice pursuant to this paragraph (d), the Auction Agent shall forward the contents of such notice to the related Broker-Dealer by Electronic Means.

(e) The Auction Agent shall register in the Existing Owner Registry a transfer of Bonds from an Existing Owner to another Person only if (i) such transfer is pursuant to an Auction or (ii) if such transfer is made other than pursuant to an Auction, the Auction Agent has been notified in writing, which may be in Electronic Means acceptable to the Auction Agent, by the Existing Owner that is the transferor of such transfer. The Auction Agent is not required to accept any notice of transfer delivered prior to an Auction unless it is received by the Auction Agent by 11:00 a.m. on the Auction Date on which the applicable Auction is taking place.

2.3 Public Dissemination of Auction Results.

The Auction Agent, unless instructed otherwise by the Commission, is authorized (but not required) to release the Auction Rate after each Auction for public dissemination.
2.4 **Notices to Existing Owners.**

The Auction Agent shall be entitled to conclusively rely upon the address of each Existing Owner as such address is delivered by such Existing Owner in connection with any notice to Existing Owner required to be given by the Auction Agent.

2.5 **Broker-Dealers.**

(a) If the Auction Agent is provided with a copy of a Broker-Dealer Agreement, which has been manually signed with any Broker-Dealer listed on Exhibit C hereto, then, subject to Section 2.5(b), the Auction Agent shall enter into such Broker-Dealer Agreement with such Person.

(b) The Auction Agent may, at the written direction of the Commission, enter into a Broker-Dealer Agreement with any other Person who requests to be selected to act as a Broker-Dealer. The Auction Agent shall enter into a Broker-Dealer Agreement with each Broker-Dealer prior to the participation of any such Broker-Dealer in any Auction. The Auction Agent shall only be required to enter into a Broker-Dealer Agreement if such Broker-Dealer Agreement is in substantially the form attached hereto as Exhibit B and has been duly executed and delivered by the proposed Broker-Dealer. The Auction Agent shall also be entitled to request and receive from each Broker-Dealer an incumbency and specimen signatures certificate with respect to representatives of such Broker-Dealer who are authorized to act on behalf of such Broker-Dealer in regards to the Auction Procedures and the matters covered thereby, hereby and the related Broker-Dealer Agreement. The Auction Agent may refuse to act upon any direction from such representative if such certificate has not been submitted.

(c) The Auction Agent shall terminate any Broker-Dealer Agreement as set forth therein if so directed by the Trustee in writing, the Trustee acting at the written direction of the Commission (of which a copy shall be provided to the Auction Agent).

2.6 **Access to and Maintenance of Auction Records.**

The Auction Agent shall afford to the Trustee and the Commission, and their respective agents, independent public accountants and counsel, upon prior reasonable notice, access at reasonable times during normal business hours to review and make extracts or copies (in all cases at the Commission’s sole cost and expense) of all books, records, documents and other information concerning the conduct and results of Auctions, provided that any such agent, accountant, or counsel shall furnish the Auction Agent with a letter from the Trustee or the Commission requesting that the Auction Agent afford such Person access. The Auction Agent shall maintain records relating to any Auction for a period of at least two years after such Auction (unless requested by the Commission to maintain such records for a longer period, or for such longer period as may be required by the Auction Agent's internal policies and procedures, or applicable law or regulation, then for such longer period), and such records shall, in reasonable detail, accurately and fairly reflect the actions taken by the Auction Agent hereunder. The Trustee agrees to keep any information regarding the customers of any Broker-Dealer received from the Auction Agent in connection with this Agreement or any Auction confidential and shall not disclose such information or permit the disclosure of such information without the
prior written consent of the applicable Broker-Dealer to anyone unless required to do so by any rule or regulation except such agent, accountant or counsel engaged to audit or review the results of Auctions, or to its internal and external auditors and counsel, its regulators and examiners and any other Person if the Trustee has been advised by its counsel that it may be liable for a failure to effect such disclosure or if ordered to do so pursuant to a subpoena, civil investigative demand or similar demand by a court of competent jurisdiction or regulatory, judicial, quasi-judicial agent or authority having the authority to mandate such disclosure. Any such agent, accountant or counsel engaged to audit or review the results of Auctions, before having access to such information, shall agree to keep such information confidential and not to disclose such information or permit disclosure of such information without the prior written consent of the applicable Broker-Dealer, except as may otherwise be required by law. The Auction Agent shall not be responsible for any actions of the Trustee, the Commission, or their respective agents, accountants or counsel for passing on confidential information as a result of access to records of the Auction Agent.

2.7 Membership in the Securities Depository.

As of the date hereof, the Auction Agent is a member of, or participant in, the Securities Depository. The Auction Agent will provide the Trustee with notice at least 90 days prior to the date, if any, on which it shall resign as a member of, or participant in, the Securities Depository.

2.8 Conversion from Auction Period.

Pursuant to the Indenture, the Commission may cause the interest rate borne by the Bonds to be converted from an Auction Period Rate to an interest rate determined other than pursuant to the Auction Procedures. Assuming a successful conversion of the Bonds to an interest rate determined other than pursuant to the Auction Procedures, and assuming the Auction Agent has not received a notice of a failed conversion from the Commission, the Auction Agent shall no longer conduct Auctions with respect to the Bonds. If, however, in such case the Auction Agent receives a notice of a failed conversion, the Auction Agent shall follow the provisions of Section 2.04(d) of the Auction Procedures. Upon the conversion of the Bonds to bear interest at an interest rate determined other than pursuant to the Auction Procedures, this Agreement shall automatically terminate; provided, however, in any case, the provisions of Section 3.4 hereof shall survive any such termination.

2.9 Notice of Conversion.

At least 30 days prior to a proposed Conversion Date, the Trustee shall send a copy of any notice provided pursuant to Section 14.05(b)(iv) of the Indenture to the Securities Depository and the Auction Agent. At the expense of the Commission, the Trustee shall make available or cause to be made available to the Securities Depository such other information as the Securities Depository may reasonably require in order to effect the exchange of Bonds bearing interest at an Auction Period Rate for Bonds bearing interest at an interest rate determined other than pursuant to the Auction Procedures.
3. The Auction Agent.

3.1 Duties and Responsibilities.

(a) The Auction Agent is acting solely as a non-fiduciary agent for the Trustee hereunder and owes no duties, fiduciary or otherwise, to any other Person except as otherwise expressly provided in Section 4.5, and no implied duties, fiduciary or otherwise, shall be read into this Agreement against the Auction Agent.

(b) The Auction Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement or incorporated herein by reference from the Auction Procedures or a Broker-Dealer Agreement, and no implied covenants or obligations shall be read into this Agreement or the Auction Procedures against the Auction Agent.

(c) In the absence of willful misconduct or negligence on its part, as determined by a court of competent jurisdiction, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d) hereof, shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under this Agreement. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment as determined by a court of competent jurisdiction.

(d) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligation under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; wars; acts of terrorism; civil or military disturbances; sabotage; epidemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Auction Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(e) The Auction Agent shall not be: (i) required to and does not make any representations nor have any responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own, on any document delivered pursuant to or as contemplated by this Auction Agreement or any Broker-Dealer Agreement; (ii) obligated to take any legal action hereunder that might, in its judgment, involve any expenses or liability, unless it has been furnished with indemnity satisfactory to the Auction Agent; and (iii) responsible for or liable in any respect on account of the identity, authority or rights of any Person executing or delivering or purporting to execute or deliver any document under this Auction Agreement or any Broker-Dealer Agreement.

(f) Anything in this Agreement to the contrary notwithstanding, in no event shall the Auction Agent be liable for special, indirect, punitive or consequential damage (or loss) of any kind whatsoever (including but not limited to lost profits).
3.2 Rights of the Auction Agent.

(a) The Auction Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any communication authorized hereby and upon any written instruction, notice, request, direction, consent, report, certificate, security certificate or other instrument, paper or document or communication believed by it to be genuine. The Auction Agent shall not be liable for acting upon any communication made by telephone, Electronic Means or other means acceptable to the parties and authorized hereby which the Auction Agent believes (or has no reason not to believe) to have been given by the Trustee, a Broker-Dealer, the Commission or the Securities Depository. The Auction Agent may record telephone communications with, the Commission, the Trustee or with the Broker-Dealers or any one or more of them.

(b) The Auction Agent may consult with counsel of its choice, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder.

(d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for misconduct or negligence on the part of, or for the supervision of, any agent or attorney appointed by it with due care hereunder.

(e) The Auction Agent shall have no obligation to monitor or liability in respect of the registration or exemption therefrom of the Bonds (or any beneficial ownership interest therein) under federal or state securities laws in respect of the sufficiency or the conformity of any transfer of the Bonds (or any beneficial ownership interest therein) pursuant to the terms of the Auction Agreement, any Broker-Dealer Agreement, the Indenture or any other document contemplated by any thereof, including, but not limited to, compliance with such laws in regards to any such transfer.

(f) (i) Any corporation or other entity into which the Auction Agent may be merged or converted or with which it may be consolidated, or (ii) any corporation or other entity resulting from any merger, conversion, or consolidation to which the Auction Agent shall be a party, or (iii) any corporation or other entity succeeding to all or substantially all of the auction agent business of the Auction Agent shall be the successor of the Auction Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto, except where any instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

3.3 Auction Agent’s Disclaimer.

Each of the Auction Agent and the Trustee makes no representation as to, and shall have no liability with respect to, the correctness of the recitals in, or the validity with respect to parties other than the Auction Agent or the Trustee, as the case may be, or the
accuracy or adequacy of this Agreement, the Broker-Dealer Agreement, the Indenture, the Bonds or the Official Statement or any other offering material used in connection with the offer and sale of the Bonds or any other agreement or instrument executed in connection with the transactions contemplated herein or in any thereof.

3.4 Compensation, Expenses and Indemnification Relating to the Auction Agent.

(a) The Commission shall pay (i) the Auction Agent Acceptance Fee on the date of payment for and delivery of the Bonds, (ii) the Auction Agent Fee for the Bonds on the Closing Date or as mutually agreed upon and annually on the anniversary of the Closing Date thereafter, and (iii) upon request of the Auction Agent, reasonable expenses, disbursements and advances incurred or made by the Auction Agent in accordance with this Agreement and any Broker-Dealer Agreement (including the compensation, expenses and disbursements of its agents and counsel), except any expense, disbursement or advance attributable to the negligence or willful misconduct of the Auction Agent. The Auction Agent Fee represents compensation for the services of the Auction Agent in conducting Auctions. The Auction Agent Fee may be adjusted from time to time with the approval of the Commission upon a written request of the Auction Agent delivered to the Commission.

(b) The Commission shall indemnify the Auction Agent, its directors, officers, agents and employees, for, and hold it and each of them harmless against any loss, liability or expense incurred without willful misconduct or negligence on its part arising out of or in connection with its agency under this Agreement and the Broker-Dealer Agreements, or the transactions contemplated hereby or thereby, including the costs and expenses of defending itself, its directors, officers, agents and employees, against any claim or liability in connection with its exercise or performance of any of its duties hereunder or thereunder.

(c) This Section 3.4 shall survive the termination of this Agreement, the satisfaction and discharge of the Bonds and the earlier removal or resignation of the Auction Agent.

3.5 Compensation of the Broker-Dealers.

On each Interest Payment Date, the Auction Agent shall pay the Broker-Dealer Fee out of funds provided to it for that purpose by the Commission or the Trustee payable to each Broker-Dealer on such Interest Payment Date, as provided in Section 2.5 of the Broker-Dealer Agreements.

3.6 Ratings Changes.

Upon the Trustee’s receipt of written notification of a ratings change by the Ratings Agencies then rating the Bonds, the Trustee shall send to the Auction Agent written notice of such change.
4. **Miscellaneous.**

4.1 Terms of Agreement.

(a) This Agreement shall terminate on the earlier of (i) the date on which the Bonds are no longer subject to the Auction Procedures and (ii) the date on which this Agreement is terminated in accordance with this Section 4.1. The Auction Agent may terminate this Agreement upon written notice to the Trustee, the Credit Provider, and the Commission on the date specified in such notice, which date shall be no earlier than 60 days after the date of delivery of such notice. Notwithstanding the foregoing, the provisions of this Agreement (except as provided in Section 4.1(b) below) shall terminate upon the delivery of certificates representing the Bonds pursuant to Section 2.08(c) of the Auction Procedures. Notwithstanding the foregoing, the Auction Agent may terminate this Agreement upon 30 days’ prior written notice to the Commission, the Credit Provider, and the Trustee if it has not received payment of any Auction Agent Fee or Auction Agent Acceptance Fee due in accordance with Section 3.4(a) hereof for more than 30 days. The Auction Agent may be removed at any time by the Trustee if the Auction Agent is an entity other than the Trustee, acting at the written direction of the (i) Commission or (ii) the Holders of a majority of the aggregate principal amount of the Bonds by an instrument signed by the Trustee and filed with the Auction Agent and the Commission upon at least 90 days notice; provided that an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Trustee are the same entity, the Auction Agent may be removed as described above, with the Commission acting in lieu of the Trustee.

(b) Except as otherwise provided in this Section 4.1(b), the respective rights and duties of the Trustee and the Auction Agent under this Agreement shall cease upon termination of this Agreement. The obligations of the Commission to the Auction Agent under Section 3.4 shall survive the termination of this Agreement. Upon termination of this Agreement, the Broker-Dealer Agreements shall automatically terminate and the Auction Agent shall (i) promptly deliver to the Commission copies of all books and records maintained by it in connection with its duties hereunder if so requested in writing, and (ii) at the request of the Trustee promptly transfer to the Trustee or any successor Auction Agent any funds deposited by the Commission with the Auction Agent pursuant to this Agreement which have not previously been distributed by the Auction Agent in accordance with this Agreement.

4.2 Commission’s Obligations.

Notwithstanding anything herein to the contrary, the Commission’s payment obligations hereunder are payable as additional required payments under the Indenture.

4.3 Communications.

Except for communications authorized to be made by Electronic Means pursuant to this Agreement or the Auction Procedures all notices, requests and other communications to any party hereunder shall be in writing (which may be by facsimile) and shall be given to such party addressed to it at its address, or facsimile number set forth below and, where appropriate, reference the particular Auction to which such notice relates:
If to the Trustee, addressed: U.S. Bank National Association  
633 West 5th Street, 24th Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Division  
Telephone: (213) 615-6023  
Fax: (213) 615-6197

If to the Auction Agent, addressed:  
Attention:  
Telex:  
Telephone:  
Email:  

If to the Broker-Dealer, addressed:  
Attention:  
Telex:  
Telephone:  
Email:  

If to the Commission, addressed: San Diego Association of Governments  
401 B Street, Suite 800  
San Diego, California 92101  
Attention: Director of Finance  
Telephone: (619) 699-1940  
Fax: (619) 699-4890  
Email:  

or such other address, facsimile number or email address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective when delivered at the address specified herein. Communications shall be given on behalf of the Trustee by an Authorized Trustee Representative and on behalf of the Auction Agent by an Authorized Officer.

4.4 Entire Agreement.

This Agreement contains the entire agreement between the parties and the Commission relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred between the parties hereto and the Commission relating to the subject matter hereof.
4.5 Benefits.

Nothing herein, express or implied, shall give to any Person, other than the Trustee, the Auction Agent and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim hereunder. The Commission is an intended third-party beneficiary of the obligations of the Auction Agent hereunder, and such obligations create a duty in the Trustee and the Auction Agent to the Commission to perform such obligations, and the Commission shall have the right to enforce such duty.

4.6 Amendment; Waiver; Successors and Assigns.

(a) This Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the party to be charged; provided, however, that the prior written consent of an affected third party shall be obtained if the modification, amendment, rescission, cancellation or waiver would affect provisions expressly related to the affected third party.

(b) Failure of either party hereto to exercise any right or remedy hereunder in the event of a breach hereof by the other party or the Commission shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

(c) The Auction Agent may, but shall have no obligation to, execute any amendment or waiver which, in its sole determination, affects its rights, powers, immunities or indemnities hereunder.

(d) This Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and permitted assigns of each of the Trustee and the Auction Agent. This Agreement may not be assigned by either party hereto absent the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed, except that the Trustee may assign or transfer this Agreement to a successor trustee under the Indenture without the Auction Agent’s prior written consent and the Auction Agent may assign or transfer this Agreement to a successor Auction Agent pursuant to Section 3.2(f) hereof, without the Trustee's prior written consent.

4.7 Severability.

If any clause, provision or section hereof shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

4.8 Execution in Counterparts.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.
4.9 **Governing Law; Waiver of Trial by Jury.**

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, (including, without limitation, Section 5-1401 of the New York General Obligations Law or any successor to such statute). TO THE EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

4.10 **Duties and Responsibilities of the Trustee.**

(a) The Trustee is acting hereunder solely as agent for the owners and beneficial owners of the Bonds in its capacity as the Trustee under the Indenture, and owes no duties, fiduciary or otherwise, to any other Person by reason of this Agreement, and no implied duties, fiduciary or otherwise, shall be read into this Agreement.

(b) The Trustee undertakes to perform such duties and only such duties as are expressly set forth herein, or expressly incorporated herein by reference pursuant to Section 2.1 hereof, to be performed by it, and no implied covenants or obligations shall be read into this Agreement against the Trustee.

(c) The Trustee shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties except as provided in Article VIII of the Indenture. The Trustee shall have the same rights, protections, immunities and indemnities in acting hereunder, as afforded to it in the Indenture. The Trustee shall not have any obligation to pay the fees, costs or expenses of the Auction Agent or any Broker-Dealer.
IN WITNESS WHEREOF, the parties hereto have caused this Auction Agreement to be duly executed and delivered by their proper and duly authorized representatives as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: __________________________
   Authorized Trustee Representative

[AUCTION AGENT], as Auction Agent

By: __________________________
   [Name:]
   [Title:]

[By: __________________________
   Name:]
   [Title:]
The Commission hereby, in accordance with Section 2.1 hereof, directs the Trustee to appoint [AUCTION AGENT] as Auction Agent pursuant to this Agreement, and requests and directs the Auction Agent to enter into Broker-Dealer Agreements with J.P. Morgan Securities Inc. and UBS Securities LLC, as Broker-Dealers for the Bonds. The Commission hereby makes the representations and warranties set forth in Indenture. The Commission acknowledges and agrees to its obligations hereunder, including but not limited to such obligations under Sections 3.4 and 3.5 hereof.

By: ______________________________
Renee Wasmund
Director of Finance,
San Diego County Regional
Transportation Commission
EXHIBIT A

AUCTION PROCEDURES
EXHIBIT B

FORM OF BROKER-DEALER AGREEMENT
EXHIBIT C

LIST OF INITIAL BROKER-DEALERS

J.P. MORGAN SECURITIES, INC.
UBS SECURITIES LLC
This Continuing Disclosure Certificate (this "Disclosure Certificate"), dated March __, 2008, is executed and delivered by the San Diego Regional Transportation Commission (the "Issuer") in connection with the issuance of $___________ San Diego Regional Transportation Commission Sales Tax Revenue Bonds, 2008 Series B (hereinafter collectively referred to as the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of March 1, 2008, as supplemented and amended by a First Supplemental Indenture thereto, dated as of March 1, 2008, (hereinafter collectively referred to as the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee. Pursuant to Section 6.09 of the Indenture, the Issuer covenants and agrees as follows:

SECTION 1.  Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as such term is defined in the Indenture) and the Beneficial Owners (as hereinafter defined) of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2.  Definitions. In addition to the definitions set forth in the Indenture which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Central Post Office means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate.

Commission means the Securities and Exchange Commission.

Disclosure Representative shall mean the designee of the Issuer designated to act as the Disclosure Representative.

Dissemination Agent shall mean an entity selected and retained by the Issuer, or any successor thereto selected by the Issuer. The initial Dissemination Agent shall be Digital Assurance Certification LLC.

Listed Events shall mean any of the events listed in Section 5(a) of this Disclosure Certificate and any other event legally required to be reported pursuant to the Rule.

National Repository shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Securities and Exchange Commission as of the date of this Disclosure Certificate are currently set forth at the following website: http://www.sec.gov/info/municipal/nrmsir.htm.
**Participating Underwriters** shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

**Repository** shall mean each National Repository and each State Repository.

**Rule** shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**State** shall mean the State of California.

**State Repository** shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

**2008 Insurer** shall mean ________________, a _____________ insurance company and its successors and assigns.

**SECTION 3. Provision of Annual Reports.**

(a) The Issuer shall provide to each Repository and the 2008 Insurer, or shall cause the Dissemination Agent to provide to each Repository and the 2008 Insurer, not later than two hundred ten (210) days after the end of the Issuer's fiscal year, commencing with the fiscal year ending June 30, 2008, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. Not later than one (1) Business Day prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Issuer hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer.

(b) If by one (1) Business Day prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent has not received an Annual Report by the date required in the first sentence of subsection (a), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A, a copy of which shall be provided to the 2008 Insurer.

(d) The Dissemination Agent shall:

   (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

   (ii) (if the Dissemination Agent is other than the Issuer), to the extent appropriate information is available to it, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided, listing all the
Repositories to which it was provided and confirming that the Annual Report was also provided to the 2008 Insurer.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, dated September 18, 2008, relating to the Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The amount of Sales Tax Revenues (as such term is defined in the Official Statement) received as of the most recently ended fiscal year of the Issuer.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Holders;
4. optional, contingent or unscheduled Bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
8. unscheduled draws on the debt service reserves, if any, reflecting financial difficulties;
9. unscheduled draws on credit enhancements, if any, reflecting financial difficulties;
10. substitution of credit or liquidity providers, if any, or their failure to perform; and

11. release, substitution, or sale of property, if any, securing repayment of the Bonds.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for Holders of Bonds.

(c) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d).

(d) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository, the Municipal Securities Rulemaking Board and the 2008 Insurer. Notwithstanding the foregoing:

(i) notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the Issuer gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) notice of Listed Events described in subsections (a)(4) and (5) shall not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

(e) Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(f) hereof.

SECTION 6. Dissemination Agent; Use of Central Post Office; Use of Internet Site.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least thirty (30) days' notice in writing to the Issuer.

(b) The Issuer reserves the right to make any filing with a Repository which is required by this Disclosure Certificate by submitting such filing information to the Central Post Office.

(c) Notwithstanding any other provision of this Disclosure Certificate to the contrary, the Issuer may provide any Annual Report to Beneficial Owners by means of posting such Annual Report on an internet site that provides open access to Beneficial Owners.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, provided no amendment
increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the
consent of such party, and any provision of this Disclosure Certificate may be waived if such amendment
or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer
and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself,
cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the
date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be
deemed to prevent the Issuer from disseminating any other information, using the means of dissemination
set forth in this Disclosure Certificate or any other means of communication, or including any other
information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is
required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual
Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this
Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such
information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any
provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such
actions, as may be necessary and appropriate, including seeking mandate or specific performance by court
order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under
this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole
remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this
Disclosure Certificate shall be an action to compel performance. The Issuer hereby represents and
warrants that it is currently not in default under any other continuing disclosure arrangement entered into
in connection with the Rule.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The
Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate,
and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees
and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the
exercise or performance of their respective powers and duties hereunder, including the costs and expenses
(including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the
Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid
compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as
amended from time to time, and all expenses, legal fees and advances made or incurred by the
Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no
duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting
in any fiduciary capacity for the Issuer, the Holders, or any other party. The obligations of the Issuer
under this Section shall survive resignation or removal of the Dissemination Agent and payment of the
Bonds.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the
benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial
Owners from time to time of the Bonds, and shall create no rights in any other person or entity.
SECTION 12. Notices. All notices or communications herein required or permitted to be given shall be in writing and shall be delivered in such manner and to such addresses as are specified in the Indenture.

SAN DIEGO REGIONAL TRANSPORTATION COMMISSION

By: __________________________
    Director of Finance

Receipt Acknowledged By:

DIGITAL ASSURANCE CERTIFICATION LLC,
as Dissemination Agent

By: __________________________
    Authorized Signatory
NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Diego Regional Transportation Commission
Name of Bond Issue: San Diego Regional Transportation Commission Sales Tax Revenue Bonds, 2008 Series B
Date of Issuance: March __, 2008

NOTICE IS HEREBY GIVEN that the San Diego Regional Transportation Commission (the "Issuer") has not provided an Annual Report with respect to the above-referenced Bonds as required by Section 6.09 of that certain Indenture, dated as of March 1, 2008, as supplemented and amended, by a First Supplemental Indenture thereto, dated as of March 1, 2008, between the Issuer and U.S. Bank National Association, as trustee. The Issuer anticipates that the Annual Report will be filed by ______________.

Dated:
Digital Assurance Certification LLC,
as dissemination agent on behalf of the Issuer

By: ________________________________
Its: ________________________________

cc: San Diego Regional Transportation Commission
2008 Insurer
 FY 2009 FEDERAL TRANSPORTATION APPROPRIATIONS PROPOSALS

Introduction

Each year, SANDAG approves a list of transportation projects for funding consideration during the annual federal appropriations process. It is anticipated that the FY 2009 transportation appropriations process will begin early February 2008. In order to provide Members of Congress with SANDAG proposals for this next cycle of funding, the Transportation Committee and the Board of Directors should approve a list of projects in January 2008.

In October 2007, the Transportation Committee approved a set of criteria for any new local project to be included in the SANDAG submittal of federal funding requests to the Congressional delegation, listing proposed project funding requests, which includes prior year submittals, new transit requests, and local projects meeting the approved criteria.

Discussion

At its October 5, 2007, meeting, the Transportation Committee approved criteria for selecting local transportation projects for consideration in the FY 2009 federal transportation appropriations cycle. A local project must meet all of the three following eligibility criteria before it will be considered for the funding cycle. The intent of the eligibility criteria is to ensure that a proposed project is included in our adopted Regional Transportation Plan (RTP), has at least a minimum commitment of local funding, and can use the requested funding in a timely manner.

Eligibility Criteria

1. Project is in the adopted RTP
2. Project has the minimum non-federal match (e.g., 20 percent local/state match)
3. Requested federal funds can be obligated in FY 2009

Based on information submitted to SANDAG using the SANDAG FY 2009 Appropriations form, staff reviewed the projects using the evaluation criteria below. Projects that meet the greater number of the criteria are recommended for inclusion in the comprehensive list of transportation projects for the FY 2009 federal process.
During discussion at the October 5, 2007, meeting, the Transportation Committee approved the addition of two new evaluation criteria proposed by the City Heights Community Development Corporation. The first five listed evaluation criteria are the same as were used in the FY 2008 federal funding process and criteria numbers six and seven are the recently added criteria.

Evaluation Criteria

1. Project is in construction and requires additional funding
2. Project is ready to advertise
3. Project is environmentally cleared
4. Project improves the security and safety in the region
5. Project protects the region’s investment in infrastructure, including rolling stock
6. Project will achieve environmental justice objectives
7. Project fulfills a mitigation measure required by a previously approved federal environmental document

For criteria numbers one and two, the federal FY 2009 timeframe (October 1, 2008, to September 30, 2009) was used to determine whether a project was in construction or ready to advertise. A project met criterion number three, if it demonstrated that it had its National Environmental Policy Act (NEPA) environmental clearance at time of submission.

A project was considered to meet criterion number four, if it demonstrated that it improved traffic, bicycling, or pedestrian safety and security. A project met criterion number five if it helped protect the region’s investment in infrastructure, including rolling stock. All of the projects met criteria numbers four and five.

For criterion number six, environmental justice objectives were measured by taking a half-mile radius around each project and comparing income and race of each project area to the rest of the region. Areas that provided increased accessibility to minorities and to persons with income below the region’s median income were given half a point for each, respectively. A project met criterion number seven if it demonstrated that it fulfilled a mitigation measure from a previous improvement project; no projects met this criterion.

New Project Proposals

Eighteen project proposals were received from the Centre City Development Corporation (CCDC), the Cities of Chula Vista, Coronado, Escondido, Lemon Grove, National City, San Diego, Santee, Vista, and the County of San Diego. Attachment 2 lists the local project proposals that were submitted and their evaluation against the approved criteria.

Staff recommends selecting projects that meet four or more of the evaluation criteria for inclusion in the FY 2009 federal transportation appropriations process. The eight projects meeting all of the eligibility criteria and four or more of the evaluation criteria are shown below:
<table>
<thead>
<tr>
<th>Project</th>
<th>Amount Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harbor Drive Pedestrian Bridge (CCDC)</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>North Broadway Basin (Chula Vista)</td>
<td>$2.2 million</td>
</tr>
<tr>
<td>Bear Valley Parkway (Escondido)</td>
<td>$3.8 million</td>
</tr>
<tr>
<td>Nordahl Road (Escondido)</td>
<td>$2.5 million</td>
</tr>
<tr>
<td>Plaza Boulevard Widening (National City)</td>
<td>$20.0 million</td>
</tr>
<tr>
<td>La Jolla Village Drive/ Interstate 805 (City of San Diego)</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>State Route 163/Clairemont Mesa Boulevard (City of San Diego)</td>
<td>$8.0 million</td>
</tr>
<tr>
<td>West Vista Way (Vista)</td>
<td>$2.0 million</td>
</tr>
</tbody>
</table>

With the addition of these new projects, the proposed list of FY 2009 federal funding requests for the San Diego region totals $172 million.

In light of the many competing needs that Congress is currently facing, it is likely that the funding levels for discretionary projects will be limited. In FY 2008, the region’s list of federal funding requests totaled $186 million, and the region received $3.9 million as part of the FY 2008 federal omnibus legislation. All FY 2009 federal appropriations requests also will be subject to the new disclosure rules as set forth by the 110th Congress.

**Next Steps**

Following Board approval of project proposals, staff will initiate the necessary steps to participate in the federal appropriations process, including scheduling SANDAG and transit agency staff meetings in February and March with members of the Congressional delegation, and submittal of the appropriation request forms.

For next year’s process, staff recommends that the Transportation Committee consider making one of the evaluation criteria, federal environmental clearance, as an eligibility criterion. This is because all federally funded projects must have NEPA clearance; and this environmental clearance is a key factor in the ability of a project to be able to obligate the federal funding in a timely manner.

KIM KAWADA  
Policy and Legislative Affairs Program Manager

Attachments:  
1. Proposed FY 2009 Federal Transportation Appropriations  
2. Matrix Ranking New Projects Proposed for FY 2009 Funding

Key Staff Contact: Victoria Stackwick, (619) 699-6926, vst@sandag.org
### PROPOSED PROJECT FUNDING REQUESTS FOR FY 2009 FEDERAL TRANSPORTATION APPROPRIATIONS

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Project Name</th>
<th>Existing or New Request</th>
<th>Prior Federal Discretionary Funds</th>
<th>Funding Request ($millions)</th>
<th>Federal Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>State Route (SR) 76- Melrose Drive to Interstate 15 (I-15)</td>
<td>Existing</td>
<td>Yes</td>
<td>$9.0</td>
<td>Highway</td>
</tr>
<tr>
<td>B</td>
<td>San Luis Rey Transit Center</td>
<td>Existing</td>
<td>Yes</td>
<td>$3.1</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>C</td>
<td>Transit First Priority Measures</td>
<td>Existing</td>
<td>Yes</td>
<td>$3.0</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>D</td>
<td>I-5/SR 78 Interchange Improvements</td>
<td>Existing</td>
<td>Yes</td>
<td>$0.5</td>
<td>Highway</td>
</tr>
<tr>
<td>E</td>
<td>LOSSAN Rail/ Intermodal Improvements</td>
<td>Existing</td>
<td>Yes</td>
<td>$3.0</td>
<td>Transit-New Starts</td>
</tr>
<tr>
<td>F</td>
<td>North Coast I-5</td>
<td>Existing</td>
<td>Yes</td>
<td>$10.0</td>
<td>Highway</td>
</tr>
<tr>
<td>G</td>
<td>I-15 Managed Lanes</td>
<td>Existing</td>
<td>Yes</td>
<td>$10.0</td>
<td>Highway and Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>H</td>
<td>I-805 Managed Lanes</td>
<td>Existing</td>
<td>No</td>
<td>$10.0</td>
<td>Highway</td>
</tr>
<tr>
<td>I</td>
<td>SR 52 East/West Improvements</td>
<td>Existing</td>
<td>Yes</td>
<td>$5.0</td>
<td>Highway</td>
</tr>
<tr>
<td>J</td>
<td>Mid-Coast Light Rail Trolley Extension</td>
<td>Existing</td>
<td>Yes</td>
<td>$4.0</td>
<td>Transit-New Starts</td>
</tr>
<tr>
<td>K</td>
<td>I-5/I-8 Connector</td>
<td>Existing</td>
<td>Yes</td>
<td>$2.0</td>
<td>Highway</td>
</tr>
<tr>
<td>L</td>
<td>East County Bus Maintenance Facility</td>
<td>Existing</td>
<td>Yes</td>
<td>$10.0</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>M</td>
<td>San Diego Joint Transportation Operations Center</td>
<td>Existing</td>
<td>Yes</td>
<td>$1.0</td>
<td>Intelligent Transportation Systems</td>
</tr>
<tr>
<td>N</td>
<td>SR 905</td>
<td>Existing</td>
<td>Yes</td>
<td>$10.0</td>
<td>Highway</td>
</tr>
<tr>
<td>O</td>
<td>SR 11 and East Otay Mesa Port of Entry (POE)</td>
<td>Existing</td>
<td>Yes</td>
<td>$10.0</td>
<td>Highway</td>
</tr>
<tr>
<td>P</td>
<td>Otay Mesa POE Truck Lane Improvements</td>
<td>Existing</td>
<td>Yes</td>
<td>$9.0</td>
<td>Highway</td>
</tr>
<tr>
<td>Q</td>
<td>Regional Bus Replacement Vehicles</td>
<td>Existing</td>
<td>Yes</td>
<td>$18.0</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>R</td>
<td>Regional Grade Separation Program</td>
<td>Existing</td>
<td>Yes</td>
<td>$3.0</td>
<td>Highway</td>
</tr>
<tr>
<td>S</td>
<td>Blue Line Station Shelter Improvements</td>
<td>Existing</td>
<td>No</td>
<td>$2.25</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>T</td>
<td>Command and Control Infrastructure</td>
<td>Existing</td>
<td>No</td>
<td>$5.0</td>
<td>Transit-Bus and Bus Related; Homeland Security</td>
</tr>
<tr>
<td>U</td>
<td>Solana Beach Transit Center</td>
<td>Existing</td>
<td>Yes</td>
<td>$2.0</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>V</td>
<td>Harbor Drive Pedestrian Bridge</td>
<td>Existing</td>
<td>Yes</td>
<td>$2.0</td>
<td>Transportation and Community System Preservation</td>
</tr>
<tr>
<td>W</td>
<td>North Broadway Basin</td>
<td>New</td>
<td>No</td>
<td>$2.2</td>
<td>Highway</td>
</tr>
<tr>
<td>X</td>
<td>Bear Valley Parkway</td>
<td>New</td>
<td>Yes</td>
<td>$3.8</td>
<td>Highway</td>
</tr>
<tr>
<td>Y</td>
<td>Nordahl Road</td>
<td>New</td>
<td>Yes</td>
<td>$2.5</td>
<td>Highway</td>
</tr>
<tr>
<td>Z</td>
<td>Plaza Boulevard Widening</td>
<td>Existing</td>
<td>No</td>
<td>$20.0</td>
<td>Highway</td>
</tr>
<tr>
<td>AA</td>
<td>La Jolla Village Drive/ I-805 Interchange</td>
<td>Existing</td>
<td>No</td>
<td>$2.0</td>
<td>Highway</td>
</tr>
<tr>
<td>BB</td>
<td>SR 163/Clairemont Mesa Boulevard Interchange Phase II</td>
<td>Existing</td>
<td>No</td>
<td>$8.0</td>
<td>Highway</td>
</tr>
<tr>
<td>CC</td>
<td>West Vista Way</td>
<td>Existing</td>
<td>Yes</td>
<td>$2.0</td>
<td>Highway</td>
</tr>
</tbody>
</table>

**Total FY 2009 Requests $172.35**
<table>
<thead>
<tr>
<th>Project Description</th>
<th>Agency Submitted</th>
<th>Request</th>
<th>In RTP</th>
<th>Project has minimum non-federal match</th>
<th>Funds can be obligated in FY 09</th>
<th>Projects in construction and require additional funding</th>
<th>Project is ready to advertise</th>
<th>Projects that are environmentally cleared</th>
<th>Project improves security and safety</th>
<th>Projects that protect the region’s investment in infrastructure, including rolling stock</th>
<th>Project Achieves Environmental Justice</th>
<th>Minority Status</th>
<th>Income</th>
<th>Includes mitigation measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Harbor Island Pedestrian Bridge</td>
<td>CCDC(^1)</td>
<td>$2.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>2 West Vista Way</td>
<td>City of Vista</td>
<td>$2.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>3 Bear Valley Parkway</td>
<td>Escondido</td>
<td>$3.8</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>4 La Jolla Village/ Interstate 805</td>
<td>City of San Diego</td>
<td>$2.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>5 Nordahl Road</td>
<td>Escondido</td>
<td>$2.5</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>6 North Broadway Basin</td>
<td>Chula Vista</td>
<td>$2.2</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>7 Plaza Boulevard/I-805</td>
<td>National City</td>
<td>$20.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>8 State Route (SR) 163/ Clairemont</td>
<td>City of San Diego</td>
<td>$8.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>9 I-5/SR 56</td>
<td>City of San Diego</td>
<td>$5.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>10 Rancho Santa Fe Roundabouts</td>
<td>County of San Diego</td>
<td>$4.8</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>11 East Vista Way</td>
<td>Vista</td>
<td>$1.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>12 Realignment Project</td>
<td>Lemon Grove</td>
<td>$6.8</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No (CEQA only)(^2)</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

\(^1\) Centre City Development Corporation  
\(^2\) California Environmental Quality Act
| Project Description | Agency Submitted | Request | In RTP | Project has minimum non-federal match | Funds can be obligated in FY 09 | Projects in construction and require additional funding | Project is ready to advertise | Projects that are environmentally cleared | Project improves security and safety | Projects that protect the region’s investment in infrastructure, including rolling stock | Project Achieves Environmental Justice | Includes mitigation measure | Minority Status | Income Status |
|---------------------|------------------|---------|--------|---------------------------------------|-------------------------------|--------------------------------------------------------------|-------------------------------|----------------------------------|---------------------------------|--------------------------------------------------|----------------------------------|----------------|----------------|
| South Santa Fe Avenue | County of San Diego | $54.4 | Yes | Yes | Yes | No | No | No | Yes | Yes | Yes | No | No |
| Bradley Avenue/SR 67 | County of San Diego | $25.8 | Yes | Yes | Yes | No | No | No | Yes | Yes | No | No |
| Citracado Parkway | Escondido | $1.5 | Yes | Yes | Yes | No | No | No | Yes | Yes | No | No |
| Genesee Avenue/I-5 | City of San Diego | $3.0 | Yes | Yes | Yes | No | No | No | Yes | Yes | N/A* | N/A* | No |
| SR 72/SR 282 | Coronado | $1.5 | Yes | Yes | Yes | No | No | No | Yes | Yes | No | No |
| Forester Creek | Santee | $4.5 | Yes | Yes | No | | | | | | | |

* Figures not available, as all population in project area is located within group quarters (dormitories).
SAN DIEGO ASSOCIATION OF GOVERNMENTS

TRANSPORTATION COMMITTEE

January 18, 2008

AGENDA ITEM NO.: 13

Action Requested: APPROVE

NEW FREEDOM PROGRAM EVALUATION CRITERIA

File Number 3002300

Introduction

SANDAG was selected by the Governor of California to be the designated recipient of the Jobs Access and Reverse Commute (JARC) and New Freedom federal funding programs for the San Diego urbanized area. The responsibilities with this designation include developing the evaluation criteria and competitive selection process, holding the competitive selection process, and recommending to the Federal Transit Administration (FTA) which projects should be funded.

At its August 3, 2007, meeting, the Transportation Committee approved the evaluation criteria that were used for the recent JARC and New Freedom Competitive Process. On December 14, 2007, the culmination of this competitive process was the approval by the Transportation Committee of the JARC and New Freedom funding recommendations for Federal Fiscal Years 2007, 2008, and 2009. At this meeting, the Transportation Committee also raised several questions regarding the evaluation criteria, and asked that they be reviewed prior to the next competitive selection process to be held in March 2008. Several changes to the evaluation criteria are proposed based on the comments that were made.

Discussion

The Federal Transit Administration issued guidance on potential strategies for addressing the requirements set forth by SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users) in regards to JARC and New Freedom. This guidance, along with the evaluation criteria used by Caltrans for its most recent statewide competitive process, was used in the development a set of draft evaluation criteria. The draft evaluation criteria was reviewed by the Coordinated Plan Ad Hoc Group, composed of representatives from the transit operators, social services agencies, and the Consolidated Transportation Services Agency (CTSA), prior to adoption by the Transportation Committee in August 2007.

Currently Adopted Evaluation Criteria

The recommendation to review the evaluation criteria resulted from concerns that some projects received a low ranking even though they were addressing important needs in the community. The FY 2007 Coordinated Plan, from which all projects must be derived, was not required to prioritize projects for funding. Under SAFETEA-LU, the Coordinated Plan in all future years must prioritize...
projects for funding. This means that in future years the purpose of the JARC and New Freedom Competitive Process evaluation criteria will be limited to ranking the technical merit of the proposals, while the prioritization of needs will occur in the Coordinated Plan. The JARC and New Freedom Competitive Process this year was a hybrid which considered need as well as technical merit due to the unique federal rules in place for FY 2007. In future years the funding priority for JARC and New Freedom projects will be addressed in the Coordinated Plan and will be reviewed by the Social Services Transportation Advisory Committee which includes representatives from transit agencies, CTSA, social service agencies, and individuals from target groups. New JARC and New Freedom evaluation criteria will be developed as part of the planning process for the Coordinated Plan update in FY 2008 and provided to the Transportation Committee prior to the start of the FY 2008 JARC and New Freedom Competitive Process. Those criteria will be applied to all future JARC and New Freedom Competitive Processes where the funding priorities are determined within the Coordinated Plan.

Proposed Changes to the Evaluation Criteria

SANDAG has received confirmation from the FTA that a second competitive process for New Freedom may be held based on the FY 2007 Coordinated Plan (no second competitive process for JARC funding is planned at this time since all monies were allocated with the previous competitive process). SANDAG will hold this second New Freedom Competitive Process during March 2008.

In response to the discussion at the Transportation Committee on December 14, 2007, staff is proposing several changes to the criteria that will be used for this competitive process (Attachment 1). First, the Project Need/Goals and Objectives will be separated into two separate criteria. Isolating the Project Need criteria will allow the review committee to rate the importance of community need being addressed by the project. Additionally staff is recommending altering the weightings of the evaluation criteria in order to allow the need being addressed to have a weightier bearing on the final score.

### Revised Scoring for March 2008 New Freedom Competitive Process

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Previous Maximum Score</th>
<th>Proposed Maximum Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Need</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Goals and Objectives</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Implementation Plan</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Project Budget</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Financial/Environmental Sustainability</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Coordination and Program Outreach</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Program Effectiveness and Performance Indicators</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Innovation</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>
Staff also will strive for improved collaboration with applicants during the competitive process, with the aim of having applicants submit clearly outlined applications that are responsive to the New Freedom program requirements.

**Proposed Schedule for March 2008 Competitive Process**

The proposed schedule for the competitive process and grant award for the second round of FY 2008 New Freedom funding is shown below:

<table>
<thead>
<tr>
<th>Event</th>
<th>Tentative Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of process and criteria by Transportation Committee</td>
<td>January 18, 2008</td>
</tr>
<tr>
<td>Advertisement of Request for Proposals for New Freedom</td>
<td>January 21, 2008</td>
</tr>
<tr>
<td>Public pre-proposal meetings</td>
<td>January 29 – February 6, 2008</td>
</tr>
<tr>
<td>Closing date for receipt of New Freedom proposals</td>
<td>March 14, 2008</td>
</tr>
<tr>
<td>Transportation Committee Approval of New Freedom Grants</td>
<td>April 18, 2008</td>
</tr>
</tbody>
</table>

BOB LEITER  
Director of Land Use and Transportation Planning

Attachment: 1. FY 2008 New Freedom Program Funding Scoring Criteria

Key Staff Contact: Dan Levy, (619) 699-6942, dle@sandag.org
FY 2008 New Freedom Program Funding Scoring Criteria
Revised January 18, 2008

The information and scoring criteria below will be used to score and rate project applications for New Freedom funding. An evaluation committee will be formed to conduct the scoring and rating. The evaluation committee will be comprised of individuals from various local transportation agencies; however, representatives from agencies submitting applications will not be allowed to serve on the evaluation committee.

A. **Project Need (20 points):** The application should directly address transportation gaps and/or barriers identified in the 2008 – 2011 Short Range Transit Plan and Coordinated Public Transit and Human Services Transportation Plan (Coordinated Plan), and demonstrate how the project was derived from the strategies identified in the Coordinated Plan.

B. **Goals and Objectives (10 points):** The application should clearly state the overall program goals and objectives, and demonstrate how the project is consistent with the objectives of the JARC and New Freedom grant programs, as described in the Federal Transit Administration’s circulars. The application should clearly describe the project’s purpose and scope.

C. **Implementation Plan (15 points):** For projects seeking funds to support program operations, applicants must provide a well-defined service operations plan, including days and hours of operation for operating grants. The applicant must describe implementation steps and timelines for carrying out the plan. The application should indicate the number of persons expected to be served, and the number of trips (or other units of service) expected to be provided. The service operations plan should identify key personnel assigned to this project and their qualifications. Applicants should demonstrate their institutional capability to carry out the service delivery aspect of the project as described.

For projects seeking funds for capital purposes, the applicant must provide a solid rationale for use of New Freedom funds and demonstrate that no other funding sources are appropriate to meet this need, as well as provide an implementation plan and timelines for completing the capital project.

D. **Project Budget (15 points):** Applicants must submit a clearly defined project budget, indicating anticipated project expenditures and revenues, including documentation of matching funds. Applications should address long-term efforts and identify potential funding sources for sustaining the service beyond the grant period. Applicant shall demonstrate how using this funding leverages resources to the maximum possible extent.

E. **Financial and Environmental Sustainability (10 points):** The highest point scores will be awarded to that have a high probability of becoming self-sufficient (e.g. not require Jobs Access and Reverse Commute funding) in future years. Points also may be awarded for projects that are environmentally sustainable or promote good environmental stewardship.

F. **Coordination and Program Outreach (15 points):** Proposed projects will be evaluated based on their ability to coordinate with other community transportation and/or social service resources. Applicants should clearly identify project stakeholders, and how they will keep stakeholders involved and informed throughout the project. Applicants also should describe how they would promote public awareness of the project. **Letters of support from key stakeholders should be attached to the grant application.**
G. **Program Effectiveness and Performance Indicators (10 points):** The project will be scored based on the applicant’s ability to demonstrate that the proposed project is the most appropriate match of service delivery to the need, and is a cost-effective approach. Applicants also must identify clear, measurable outcome-based performance measures to track the effectiveness of the service in meeting the identified goals. If an organization operates similar services, its must show how this service compares in terms of efficiency and cost-effectiveness with other services currently being offered. For grants that involve providing a transportation service, the cost per passenger trip must be indicated, as well as the estimated typical trip length.

A plan should be provided for ongoing monitoring and evaluation of the service, and steps to be taken if original goals are not achieved. Applicant should describe its steps to measure the effectiveness and magnitude of the impact that the project will have on disabled residents.

H. **Innovation (5 points):** Applicants should provide new or innovative service concepts or facilities that have the potential for improving access and mobility for the target populations and may have future application elsewhere in the region.
INTERSTATE 15 FasTrak® STATUS UPDATE AND REVENUE CONTRIBUTIONS

Introduction

In March 2007, the SANDAG Board of Directors adopted resolution 2007-20 updating the FasTrak Value Pricing Policy for the Interstate 15 (I-15) Corridor. As part of the recommendation, SANDAG staff was directed to provide the Transportation Committee with an update on the first six months of operation under the updated pricing policy. This report summarizes the performance of the pricing policy at achieving the goals presented to the Transportation Committee and Board of Directors.

In addition, an eight-mile section of I-15 FasTrak (middle section) will be open to traffic in 2008. A Cooperative Agreement (Attachment 1) for the moveable barrier operations between Caltrans and SANDAG is required by the state before Caltrans can add additional resources in its state budget to operate this new managed lanes segment. A Memorandum of Understanding (Attachment 2) with MTS also is included to layout how pass-through funds will be administered within the FasTrak program for enhanced transit services.

Staff has developed agreements with Caltrans and MTS which provide for revenue contributions to offset the fair share costs of operating the I-15 Managed Lanes facility and to fund enhanced transit services within the corridor. These agreements will serve as funding commitments as long as the revenue stream remains positive and minimum operating reserves are maintained.

Discussion

The strategic goal of the Region’s FasTrak system is to maximize throughput within the HOV lanes. This is accomplished by selling excess capacity on the HOV lanes to single occupancy drivers. Legislation was enacted in 1994 allowing SANDAG to operate the FasTrak system and mandating that the revenue collected shall first be expended on maintenance and operations of the system. Surplus revenue must then be used to enhance transit along the FasTrak Corridor.

In March 2007, the SANDAG Board of Directors adopted Resolution No. 2007-20 updating the FasTrak Value Pricing Policy for the I-15 Corridor. The intent of the new policy was to implement a sustainable business model, which stabilizes program revenues and ensures that the business costs of the program were addressed. The updated policy introduced an incentives based program where all account holders provided financial support to the program through tolls or account fees. The new policy also sought to achieve parity with other toll operators in Southern California, who had similar fee structures.
Outcomes from I-15 FasTrak Policy Update

Account Holders

As predicted, few frequent accounts, or accounts that generate over $4.50 in toll revenue per month, dropped out of the program, and many of the inactive accounts started using the Managed Lanes (see Table 1). This demonstrates that frequent users are minimally impacted by the policy, that the incentive approach has enticed some inactive patrons to use the Managed Lanes, and that the majority of inactive accounts have chosen to retain the benefit of having access to FasTrak.

<table>
<thead>
<tr>
<th>Table 1: Effect on Accounts Before and After Implementation of Updated Pricing Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Before Implementation (April)</td>
</tr>
<tr>
<td>Number of Accounts</td>
</tr>
<tr>
<td>Active Accounts</td>
</tr>
<tr>
<td>6,945</td>
</tr>
<tr>
<td>11,104</td>
</tr>
</tbody>
</table>

Program Sustainability

For the six months prior to enacting the fees, the I-15 FasTrak program toll revenue was less than the monthly operating expenditures, requiring operating reserves be used to cover the deficit. Since enacting the fee, program revenues have stabilized and are now covering program operating costs (see Table 2).
I-15 FasTrak Operational Expenses

The opening of the expanded managed lanes, in summer 2008, will impact the cost of operating the FasTrak system in two ways: first, the annual expense for the expanded FasTrak system will increase from $1.2 million to approximately $2.8 million; second, Caltrans will need to adjust the moveable barriers twice each day for a segment of the system where the two existing managed lanes meet the new four managed lanes. The FasTrak program will likely need to use some of its reserves to fund these higher operating costs over the next three to five years.

Revenue Projections and Uses

Revenue projections for the new facility range from $3 million to $3.3 million in FY 09 to $4.5 million to $5.9 million in FY 13. FasTrak revenue is difficult to predict because of ongoing construction in the corridor and changing customer demand.

In accordance with SANDAG’s authorizing legislation for the I-15 Value Pricing Program, revenues collected from tolls are applied in the following priority:
1. **Value Pricing Program Delivery and Management Costs**

Through a competitive contracting process SANDAG has selected a contractor to operate and maintain the FasTrak system. The expense for maintaining, operating and enforcing the new FasTrak system will be approximately $2.8 million in FY 09, growing to $3.9 million in FY 13.

2. **Facility Operations and Maintenance (Attachment 1)**

Staff has developed a Cooperative Agreement with Caltrans (Attachment 1), which provides for cost sharing of Moveable Barrier Operations. The cost share allocated to the FasTrak program is based on the percentage of paying customers using FasTrak, currently estimated at 25 percent. Each year SANDAG and Caltrans District 11 staff are required to propose a “Moveable Barrier Operations Budget” for inclusion in the FasTrak budget as part of the Overall Work Program. Should FasTrak revenues for a fiscal year exceed program costs, contributions toward Caltran’s expenses would be provided by SANDAG, up to 25 percent of Caltrans’ actual incurred expense. It is anticipated that Caltrans would receive approximately $209,000 in FY 09, $475,000 in FY 13, and then approximately $250,000 per year starting in FY 14 after the south segment is completed as shown in Table 3.

The note included in Exhibit A of the agreement with Caltrans provides an alternative that reduces the initial costs related to equipment and spreads the cost over several years. Caltrans has informed staff that it will be exercising this alternative as a means to better manage costs. The estimated total annual cost for the Moveable Barrier Operations Budget under this alternative is $2,800,000. The FasTrak cost share is estimated to be $700,000.

3. **Corridor Transit Services (Attachment 2)**

The proposed MTS Memorandum of Understanding provides for revenue contributions to MTS for enhanced transit services in the corridor. Contributions would be based on the reserve balance at end of the preceding fiscal year, less a minimum operating reserve balance of $400,000 plus any contingency reserve necessary to offset deficit projections in the next five years.

Based on program costs and conservative revenue projections, MTS is expected to receive approximately $500,000 in FY 09, and $100, 000 in FY 10. Although the conservative projections do not support a FasTrak funding contribution in years FY 11 through FY 13, beginning in FY 12 MTS is expected to receive $1.5 million per year in TransNet operating funds for I-15 BRT service. The revenue projections for FY 13 would provide for a transit contribution of approximately $240,000 in FY 14. Should the FasTrak revenues significantly exceed the projections in any fiscal year, staff would provide recommendations for increasing the level of contribution beyond the $500,000 ceiling.
Table 3: Projected Revenue Use Breakdown ($000)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Program Revenue</th>
<th>Program Costs</th>
<th>Net Income</th>
<th>Caltrans Operations</th>
<th>I-15 Transit Services (see notes)</th>
<th>Reserve Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>$3,027</td>
<td>$2,818</td>
<td>$209</td>
<td>$210</td>
<td>$500</td>
<td>$1,237</td>
</tr>
<tr>
<td>High</td>
<td>$3,297</td>
<td></td>
<td>$479</td>
<td>$479</td>
<td>$500</td>
<td>$1,367</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>$3,071</td>
<td>$3,386</td>
<td>($315)</td>
<td>$0</td>
<td>$100</td>
<td>$822</td>
</tr>
<tr>
<td>High</td>
<td>$3,351</td>
<td></td>
<td>($35)</td>
<td>$0</td>
<td>$500</td>
<td>$831</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>$3,115</td>
<td>$3,393</td>
<td>($278)</td>
<td>$0</td>
<td>$0</td>
<td>$400</td>
</tr>
<tr>
<td>High</td>
<td>$3,405</td>
<td></td>
<td>$12</td>
<td>$12</td>
<td>$432</td>
<td>$544</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>$3,431</td>
<td>$3,575</td>
<td>($144)</td>
<td>$0</td>
<td>$1,500</td>
<td>$400</td>
</tr>
<tr>
<td>High</td>
<td>$3,781</td>
<td></td>
<td>$206</td>
<td>$206</td>
<td>$1,500</td>
<td>$400</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>$4,577</td>
<td>$3,861</td>
<td>$716</td>
<td>$475</td>
<td>$1,500</td>
<td>$640</td>
</tr>
<tr>
<td>High</td>
<td>$5,947</td>
<td></td>
<td>$2,086</td>
<td>$475</td>
<td>$1,500</td>
<td>$2,011</td>
</tr>
</tbody>
</table>

Notes: - MTS agreement for pass-through has a ceiling of $500,000 per year, unless amended
- Beginning in FY 12 amounts include $1.5m in TransNet contributions

Staff will closely monitor the FasTrak program revenue and costs and provide updated status reports to the Transportation Committee periodically.

JACK BODA
Director of Mobility Management and Project Implementation

Attachments: 1. Caltrans Cooperative Agreement
              2. Memorandum of Understanding and Fund Transfer Agreement

Key Staff Contact: Samuel Johnson, (619) 699-6958, sjo@sandag.org
COOPERATIVE AGREEMENT

THIS AGREEMENT, ENTERED INTO, EFFECTIVE ON ______________________, 2008, is between the STATE OF CALIFORNIA, acting by and through its Department of Transportation, referred to herein as “STATE”, and the San Diego Association of Governments, acting as the San Diego County Metropolitan Planning Organization, referred to herein as “SANDAG”.

RECITALS

1. STATE and SANDAG, pursuant to Streets and Highways Code sections 130 and 149.1, are authorized to enter into a Cooperative Agreement for implementation of a value pricing system on Interstate 15 managed lanes between State Route 163 (SR 163) and State Route 78.

2. SANDAG, pursuant to Streets and Highways Code section 149.1, and encroachment permit from STATE, currently operates and maintains a value pricing system on an existing 8-mile reversible managed lanes expressway on Interstate 15 between SR 163 and SR 56. Value pricing system is the program, which authorizes the entry into and use of managed lanes on Interstate 15 by single-occupant vehicles (SOVs) in exchange for payment of a fee.

3. SANDAG and STATE are expanding the existing managed lanes from two-lanes to four-lanes wide and constructing additional managed lanes that extend another 12 miles to the north between SR 56 and SR 78. The complete 20-mile, 4-lane managed lanes are collectively referred to herein as “PROJECT”. The managed lanes will be limited access lanes in which carpools/vanpools, permitted vehicles, and buses are permitted to use the facility free of user fees. Use of the managed lanes may be modified by SANDAG and STATE in the future to the extent permitted by law.

4. SANDAG, pursuant to Streets and Highways Code section 149.1, is extending the existing value pricing and toll collection system to another 12 miles in correlation to the PROJECT, and the system will consist of an automatic vehicle identification (AVI) system, variable toll message sign (VTMS) system, and computer systems that process and post transactions to FasTrak® customer accounts. FasTrak® is the physical tool to facilitate the operation of value pricing, which authorizes the entry and use of PROJECT by single-occupant vehicles (SOVs) in exchange for payment of a fee.

5. The Department of the California Highway Patrol (CHP) provides enforcement of the existing managed lanes and will continue to have responsibility for enforcement of Sections 21655.5(a) through 21655.5 of the Vehicle Code for the entire stretch of PROJECT. To augment CHP enforcement, SANDAG is currently evaluating alternative enforcement
technologies and may implement a Violation Enforcement System (VES) to pursue violators in accordance with Sections 4770 et seq. and 40250 et seq. of the Vehicle Code.

6. Pursuant to Sections 5205.5 and 21655.9 of the Vehicle Code, certain classes of vehicles that meet or exceed specified emissions standards may be issued ‘Clean Air Vehicle Stickers’ from the STATE through its Department of Motor Vehicles (DMV). This allows these exempt vehicles to be operated in the managed lanes or ramps of California's freeways, including PROJECT, regardless of vehicle occupancy or ownership.

7. Unique to PROJECT is the provision for a movable barrier and barrier transfer machines, referred to herein as “MOVABLE BARRIER OPERATIONS,” that will allow STATE to reposition the barrier that separates northbound from southbound traffic within the managed lanes in order to adjust the number of lanes per direction depending on traffic conditions, time of day, demand, incidents, etc. For the foreseeable future, the movement of the barrier will be conducted by the criteria specified in I-15 Managed Lanes Traffic Incident Management (TIM) Plan dated January 2007 and amendments thereto. All costs, as approved in the Final Budget, to keep the movable barrier operations operational and functional such as automatic delineators (pop-ups), in-pavement lights, message boards, computer software, yard facilities and close caption TV cameras will be included in the cost sharing method described herein.

8. STATE and SANDAG understand that MOVABLE BARRIER OPERATIONS, which are unique to PROJECT, will require the STATE to perform additional operations and maintenance activities beyond what is considered “typical” freeway maintenance and operations. The parties are willing to share the cost for operations and maintenance specifically attributable to the MOVABLE BARRIER OPERATIONS, according to the percentage of FasTrak transactions and non-FasTrak vehicles utilizing the PROJECT as further defined in Section III of this agreement.

9. The parties hereto intend to define herein the terms and conditions under which the cost for MOVABLE BARRIER OPERATIONS are to be shared as to the responsibility of SANDAG to operate and maintain FasTrak® value pricing and implementation of VES and the extension of value pricing in correlation with PROJECT.

SECTION I

SANDAG AGREES:

1. To implement the FasTrak® toll collection system and administer a Value Pricing Program for PROJECT at no cost to the STATE including: (a) planning, designing, constructing, and installing the system; (b) operations and maintenance for any devices installed by SANDAG exclusively needed for the toll collection system; (c) establishing the value pricing program business rules and account policies, including setting the amount of the FasTrak® fees; and (d) collecting fees from FasTrak® customers in accordance with the business rules and account policies.

2. To pay STATE for SANDAG’s estimated share of electrical usage fees according to an estimation methodology that is mutually agreed to by the parties, as the power consumption of field elements specifically related to the FasTrak® system imposes an additional financial obligation on the STATE beyond what is considered typical for freeway operations. The estimate is included in the cost data referred to in Section II, Article 2.
3. At no cost to STATE, SANDAG may enter into separate agreement with the CHP regarding reimbursement for officer overtime hours spent enforcing PROJECT by CHP as requested by SANDAG for the purpose of prohibiting unauthorized use of the managed lanes.

4. To evaluate alternative enforcement technologies and to conduct proof-of-concept testing for selected VES technologies and enforcement policies with the goal of identifying a viable VES strategy for PROJECT. If successful during the proof-of-concept and with the SANDAG Board of Director’s approval, SANDAG may implement a VES for PROJECT at no cost to the STATE, including: (a) planning, designing, constructing, and installing the system, including; (b) operations and maintenance for any devices installed by SANDAG exclusively needed for the VES; (c) establishing the VES business rules and enforcement policies, in accordance with State law; (d) administering and processing of violations; and (e) collecting the fees from violators.

5. Through its authorized agent(s), to apply for necessary encroachment permit(s) for required toll collection system or vehicle enforcement system work within State highway rights-of-way, in accordance with STATE’s standard permit procedures, as more specifically defined in Section II of this Agreement.

6. To deposit with STATE within thirty (30) days of receipt of invoice for eligible expenses incurred based on cost data report including utility costs related to the MOVABLE BARRIER OPERATIONS and to the Value Pricing Program. SANDAG’s payments to STATE for its share of MOVABLE BARRIER OPERATIONS shall be recorded as revenue by STATE and known as “Contribution Payments” as specified under SECTION III. The initial Budget Estimate for MOVEABLE BARRIER OPERATIONS in fiscal year 2008/2009 is included as Exhibit A, attached hereto and made a part of this Agreement.

7. SANDAG Point of Contact:

   Jack Boda, Director of Mobility Management & Project Implementation
   401 B Street, Suite 800
   San Diego, CA  92101-4231
   (619) 699-6930
   jbo@sandag.org

SECTION II

STATE AGREES:

1. To be responsible for operations and maintenance of the PROJECT and to fund STATE’s share of all direct and indirect costs related to the operations and maintenance of the MOVABLE BARRIER OPERATIONS, as more specifically defined in Section III of this Agreement.

2. To provide cost data to SANDAG on a monthly basis for any eligible expenses incurred by STATE related to the MOVABLE BARRIER OPERATIONS and to the Value Pricing Program, as documented in the approved SANDAG budget, pursuant to the process defined in Section III of this agreement. The initial estimate for costs of MOVEABLE BARRIER OPERATIONS for the first year of operation is shown in Exhibit A.

3. To issue, upon proper application by SANDAG and/or by SANDAG's contractor, the necessary Encroachment Permit(s) for required work within the State highway rights-of-way, and for covering oversight, control, and approval of the Value Pricing or VES.
4. To provide qualified STATE representative who shall have the authority to accept or reject work and materials, or to order any actions needed for public safety or the preservation of property, and to assure compliance with all provisions of the Encroachment Permit(s) issued to SANDAG and/or to SANDAG's authorized agent(s).

5. To submit an invoice to SANDAG quarterly for eligible expenses incurred related to the MOVABLE BARRIER OPERATIONS, including, if applicable, the cost for traffic breaks that to be performed by CHP. If at the end of each quarter it is determined the Value Pricing Program does not yield any net revenue, the State shall not invoice SANDAG for MOVABLE BARRIER OPERATIONS. Under no circumstance shall the annual contribution payments for MOVABLE BARRIER OPERATIONS made pursuant to this Agreement exceed the net revenue remaining after annual costs of operating the Value Pricing Program.

6. The percentage share for invoicing purposes will be recalculated and adjusted annually based on the estimated percentage of value pricing vehicles utilizing the managed lanes as discussed in Section III, Article 6 of this Agreement.

7. STATE Point of Contact:

Gustavo Dallarda, I-15 Corridor Director
4050 Taylor Street MS 333
San Diego, CA  92110
(619) 688-6738
gustavo_dallarda@dot.ca.gov

SECTION III

IT IS MUTUALLY AGREED:

1. All obligations of STATE under the terms of this Agreement are subject to the appropriation of resources by the Legislature, State Budget Act authority, and the allocation of resources by the California Transportation Commission.

2. All obligations of SANDAG under the terms of this Agreement are subject to the approval of the allocation of resources to the PROJECT in Annual Budget and Overall Work Program (OWP) by the SANDAG Board of Directors.

3. In the event of STATE deciding to contract out MOVABLE BARRIER OPERATIONS within the PROJECT, STATE must obtain a written consent from SANDAG to do so. SANDAG shall not unreasonably withhold consent.

4. SANDAG’s FasTrak® revenue operations for PROJECT will not commence until a toll collection system has been installed, tested, and commissioned into maintenance and operations mode. STATE is constructing the PROJECT in a phased-manner and SANDAG’s ability to install, test, and commission the toll system are dependent upon STATE’s completion of a number of interfacing milestones. The parties mutually agree that Contribution Payments under this Agreement for MOVABLE BARRIER OPERATIONS shall not commence until SANDAG has commissioned a toll collection system for the completed Stage 1 (middle segment), between SR 56 and Rancho Bernardo Road, into revenue operations and maintenance mode. Furthermore, the process for notifying STATE when this event has occurred shall be as follows:
a. SANDAG Point of Contact shall forward a letter to STATE Point of Contact indicating the toll collection system has been commissioned for Stage 1;

b. STATE Point of Contact shall acknowledge receipt of said letter by sending confirmation letter to SANDAG indicating that approved expenses under this Agreement shall be eligible beginning the first day of the following month but no sooner than fifteen (15) days from the date of the confirmation letter:

c. Following the completion of said notifications described above, STATE shall submit to SANDAG thereafter monthly cost data including a detailed breakdown of the eligible expenses incurred in support of the MOVABLE BARRIER OPERATIONS during the month, as further defined below.

5. SANDAG’s share for the first fiscal year of operations and maintenance of MOVABLE BARRIER OPERATIONS shall not exceed twenty five percent (25%) of the eligible expenses incurred, which is the current estimated percentage of value pricing vehicles utilizing the existing managed lanes. STATE’s share for the first fiscal year of operations and maintenance of MOVABLE BARRIER OPERATIONS shall be seventy five percent (75%) of the actual costs incurred, which is the current estimated percentage of HOV, exempt, and violator vehicles utilizing the existing managed lanes.

6. The process of arriving at the percentage share between the parties is as follows:

   a. For subsequent fiscal years, on an annual basis, SANDAG and STATE shall reassess the proper share of costs and revise the payments in accordance with actual transaction data of the last 12 months. SANDAG’s Contribution Payments for MOVABLE BARRIER OPERATIONS shall not exceed the percentage of FasTrak® transactions as a proportion of total traffic utilizing the managed lanes within the PROJECT boundaries that are open to traffic. The remaining percentage shall represent the STATE’s share for the MOVABLE BARRIER OPERATIONS costs, which amount represents the proportion of HOV, exempt, and violator vehicles utilizing the same.

   b. The revised shares shall be based on all hours of all days traffic counts and FasTrak transaction counts for the period, including mid-days, evenings, and weekends.

   c. Standard reports shall be developed by SANDAG or its authorized agent(s) to measure the actual number of FasTrak transactions as a proportion of the total number of vehicle trips using the managed lanes.

   d. Standard reports shall be generated by SANDAG on a quarterly basis. The reports shall be in a format approved by STATE. The report is referred to herein as “Traffic and Toll Report

   e. SANDAG shall submit the proposed percentage share to STATE.

   f. Pursuant to Streets and Highway Code Section 149.1, the annual contribution payment shall not exceed the net revenue remaining after annual costs of operating the value pricing program.
7. Contribution Payments for each fiscal year are subject to approval of an Annual MOVABLE BARRIER OPERATIONS budget and a FasTrak® operations budget, as follows:
   
a. Not later than one hundred eighty (180) days prior to each fiscal year (July 1st to June 30th), STATE, using its normal workload projections techniques, shall submit to SANDAG a Draft Annual MOVABLE BARRIER OPERATIONS Budget hereafter “DRAFT BUDGET”. The DRAFT BUDGET shall include an estimate of the hours and rates by task and position/classification that are projected for the fiscal year (“fiscal year” is defined as July 1st to June 30th) and the proposed percentage share of operations cost in accordance with Section III, Article 6. An estimate of the cost for traffic breaks that are expected to be performed by CHP shall be included in the DRAFT BUDGET, if applicable. The DRAFT BUDGET shall also include an analysis of the projected frequency of tasks directly related to MOVABLE BARRIER OPERATIONS including the proposed lane configurations by time of day, and day of week.
   
b. SANDAG shall have thirty (30) days to review and comment on the DRAFT BUDGET, including the hours, rates, and frequency of tasks to be performed and the proposed percentage share of MOVABLE BARRIER OPERATIONS
   
c. Following an initial review by staff, SANDAG and STATE shall negotiate the proposed terms for MOVABLE BARRIER OPERATIONS and shall adjust the DRAFT BUDGET and the proposed percentage share of MOVABLE BARRIER OPERATIONS cost, if necessary, into its final form, which shall be known as the FINAL BUDGET.
   
d. Following negotiations, staff shall present the FINAL BUDGET and the proposed percentage share of MOVABLE BARRIER OPERATIONS cost to the SANDAG Transportation Committee for their approval and recommendation concerning inclusion in SANDAG’s Annual budget and OWP.
   
e. Upon positive recommendation by the Transportation Committee, SANDAG shall incorporate the relevant portions of the FINAL BUDGET and the proposed percentage share of MOVABLE BARRIER OPERATIONS cost into SANDAG’s Annual Budget and OWP, subject to approval by the SANDAG Board of Directors.
   
f. Once the SANDAG Board of Directors approves its Annual Budget and OWP, including the relevant portions of the FINAL BUDGET and the proposed percentage share of MOVABLE BARRIER OPERATIONS cost, it shall be referred to as the “Approved MOVABLE BARRIER OPERATIONS Budget” or “APPROVED MBO BUDGET”.
   
g. If STATE and SANDAG have not reached agreement regarding the APPROVED MBO BUDGET and the proposed percentage share of MOVABLE BARRIER OPERATIONS cost by the start of STATE’s fiscal year (July 1st), or budget approval by the SANDAG Board, STATE incurred expenses will accrue and payments for eligible expenses will resume upon budget approval.
   
h. Any unplanned STATE activities that are not in the approved MOVABLE BARRIER OPERATIONS Budget shall be approved in writing by SANDAG or said unplanned expenditures shall be deemed ineligible for contribution payments by SANDAG as defined under the terms of this Agreement.
8. On a fiscal year annual basis, SANDAG will provide STATE with value pricing revenue and expenditure reports. Standard reports shall be developed by SANDAG or its authorized agent(s) to measure the FasTrak revenues and expenditures. The reports shall be in a format approved by STATE. The report is referred to herein as “Value Pricing Revenue and Expenditure Report.”

9. STATE may close managed lanes and/or open managed lanes to general-purpose traffic for construction purposes, maintenance purposes, incident management, or emergency response in accordance with established rules, guidelines, and criteria, at STATE’s discretion. In such event, STATE shall notify SANDAG promptly of such occurrences in accordance with the Approved Traffic Incident Management (TIM) Plan for PROJECT. In such event, SANDAG shall adjust its VTMS signs upon receipt of the proper notification from STATE to reflect the special operating configuration of the lanes. STATE will not bill SANDAG for the costs related to moving the movable barrier for incident management.

10. In the event that there is a dispute between SANDAG and STATE regarding STATE’s monthly cost data, the disputing party shall endeavor to notify the other party in writing and both parties agree to seek to resolve disputes in the following manner:

   a. The Point of Contact for the disputing party (defined in Sections I and II of this Agreement) shall notify the other party Point of Contact in writing, including a statement of the grounds for the dispute, pertinent dates and supporting documentation.

   b. Upon receipt of a written dispute, the receiving party Point of Contact, and other appropriate agency staff, shall review the documentation in a timely manner and reply to the disputing party within 30 days.

   c. Appeals shall be referred to SANDAG’s Executive Director and STATE’s District Director for District 11. SANDAG’s Executive Director and STATE’s District Director for District 11 shall make every attempt to respond to the request for reconsideration and reach resolution within thirty (30) days.

   d. If an agreement cannot be reached between SANDAG’s Executive Director and STATE’s District Director for District 11, the dispute shall be referred to the Department of Transportation Director for final resolution. The Director will have 60 days to make a final resolution after receiving written request to resolve the dispute.

11. Nothing in the provision of this Agreement is intended to create duties or obligations to or rights in third parties not parties to this Agreement or affect the legal liability of any party to the Agreement by imposing any standard of care with respect to the maintenance of State highways different from the standard of care imposed by law.

12. Neither STATE nor any officer or employee thereof is responsible for any injury, damage or liability occurring by reason of anything done or omitted to be done by SANDAG under or in connection with any work, authority or jurisdiction allocated to SANDAG or arising under this agreement. It is understood and agreed that, SANDAG will fully defend, indemnify, and save harmless STATE and all of its officers and employees from all claims, suits or actions of every name, kind and description brought forth under, including, but not limited to, tort, contractual, inverse condemnation or other theories or assertions of liability occurring by reason of anything done or omitted to be done by SANDAG under this agreement.
13. Neither SANDAG nor any officer or employee thereof is responsible for any injury, damage or liability occurring by reason of anything done or omitted to be done by STATE, under or in connection with any work, authority or jurisdiction allocated to STATE or arising under this agreement. It is understood and agreed that, STATE will fully defend, indemnify, and save harmless SANDAG and all of its officers and employees from all claims, suits or actions of every name, kind and description brought forth under, including, but not limited to, tort, contractual, inverse condemnation or other theories or assertions of liability occurring by reason of anything done or omitted to be done by STATE under this agreement.

14. This Agreement shall terminate on December 31, 2012, unless it is extended or terminated by mutual agreement by both parties.

STATE OF CALIFORNIA
Department of Transportation

WILL KEMPTON
Director

By _________________________
Gary L. Gallegos
Executive Director

By _______________________
Deputy District Director

Certified as to funds:

By _______________________
District Budget Manager BK____

By _______________________
Julie D. Wiley
General Counsel

Approved as to form and procedure:

By _______________________
Attorney
Department of Transportation

Certified as to procedure:

By _______________________
Accounting Administrator
EXHIBIT A

11-SD-15
K.P. M 18.4/M 50.7
Agreement Number 11-8300
I-15 Managed Lanes
926499

MOVEABLE BARRIER OPERATIONS BUDGET ESTIMATE
FISCAL YEAR 2008/2009

<table>
<thead>
<tr>
<th>Program</th>
<th>Title/Description</th>
<th>Personal Services</th>
<th>Operating Expenses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance</td>
<td>Operations</td>
<td>$689,000</td>
<td>$1,369,000</td>
<td>$2,058,000</td>
</tr>
<tr>
<td>Maintenance</td>
<td>MAZEEP</td>
<td>0</td>
<td>$90,000</td>
<td>$90,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>Equipment Support</td>
<td>$61,000</td>
<td>$2,793,000(*)</td>
<td>$2,854,000(*)</td>
</tr>
<tr>
<td>Traffic Operations</td>
<td>TMC Hardware and Software Support</td>
<td>$77,000</td>
<td>$8,000</td>
<td>$85,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$827,000</strong></td>
<td><strong>$4,260,000 (*)</strong></td>
<td><strong>$5,087,000 (*)</strong></td>
</tr>
</tbody>
</table>

Proposed Cost Sharing:

25% SANDAG $1,271,750(*)

75% STATE $3,815,250(*)

(*)Note: These figures assume that all the equipment is purchased and that the capital cost for the purchase of equipment is allocated entirely in the 8/9 FY. As an alternative, the cost of the purchase of the equipment may be spread over a number of years or equipment may be rented instead of purchased.
MEMORANDUM OF UNDERSTANDING
AND FUND TRANSFER AGREEMENT
BETWEEN SAN DIEGO ASSOCIATION OF GOVERNMENTS
AND THE METROPOLITAN TRANSIT SYSTEM
FOR OPERATION OF TRANSIT SERVICES IN THE I-15 CORRIDOR
FUNDED BY THE I-15 FASTRAK™ VALUE PRICING PROJECT
FY 2009 - FY 2013

This Memorandum of Understanding (“MOU”) is made and entered into effective as of this 25th day of January 2008, by and between the San Diego Association of Governments (“SANDAG”) and Metropolitan Transit System (“MTS”).

RECITALS

The following recitals are a substantive part of this Agreement:

WHEREAS, the San Diego Association of Governments (SANDAG) administers the Interstate 15 (I-15) FasTrak Value Pricing Project (Project) in which single-occupant vehicles are able to access the I-15 high occupancy vehicle lanes for a fee; and

WHEREAS, state law permits a portion of the fee revenues generated by the Project to be allocated for the provision of public transit services in the I-15 corridor, and such fee revenues have been used to fund the operation of Routes 980/990 “Inland Breeze” express bus service, which serves the I-15 corridor, since 1997; and

WHEREAS, the region’s first Bus Rapid Transit (BRT) service will operate along the I-15 corridor beginning in 2012; and

WHEREAS, the Project revenues that MTS has currently dedicated to I-15 transit services, together with TransNet and FasTrak funding, will be needed in order to provide the preferred level of BRT service to the corridor; and

WHEREAS, California Streets & Highways Code section 149.1 states that SANDAG’s use of FasTrak net revenues shall be used within the I-15 corridor “exclusively for (A) high occupancy vehicle facilities and (B) the improvement of transit service, including, but not limited to, support for transit operations, and shall not be used for any other purpose;” and

WHEREAS, this MOU and Fund Transfer Agreement is needed for SANDAG to fund I-15 corridor transit services.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises set forth herein, the parties agree as follows:

SANDAG Agrees:

1. SANDAG will pay MTS an amount not to exceed $500,000 for the period beginning July 1, 2008, through June 30, 2009 using available operating reserves from FasTrak operations. MTS
shall invoice SANDAG for this period after July 30, 2008 and SANDAG shall remit payment within 30 days of receipt.

2. SANDAG will pay MTS an amount not to exceed $500,000 for each of the SANDAG fiscal years 2009 thru 2013. Unless this MOU and Fund Transfer Agreement is otherwise amended, MTS will invoice SANDAG and SANDAG will make quarterly payments not to exceed $125,000 for each fiscal year.

3. SANDAG will estimate each April the revenue and reserves associated with the Project to determine:
   a. The amount of subsidy to be provided from FasTrak Operating Reserves in the following fiscal year.
   b. If the subsidy to MTS for transit services along the I-15 corridor can be increased above the annual $500,000 allocation beginning in FY 2009. If the subsidy can be increased, the MOU will be amended accordingly and the payment schedule adjusted.

4. Should FasTrak net operating reserves not be sufficient to satisfy the payment terms of this Agreement, SANDAG will assess other funding opportunities to address any shortfalls, including fiscal year carry over.

MTS Agrees:

1. MTS is responsible for the day-to-day operation of I-15 corridor transit services and has the authority to adjust service levels based on passenger demand, productivity of the service, and/or funding levels. At least 90 days prior to implementation, MTS will review any planned major routes or service level changes with SANDAG to assess impacts to the intent of this MOU.

2. MTS will provide SANDAG information on ridership of I-15 corridor services at the end of each fiscal year. The report will analyze the ridership trends over time and compare the ridership to other peak-period express bus services in other corridors.

3. Neither MTS nor any officer thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by SANDAG under or in connection with any work, authority, or jurisdiction delegated to SANDAG under this MOU. It is understood and agreed that, pursuant to Government Code Section 895.4, SANDAG shall fully defend, indemnify and save harmless MTS, all officers and employees from all claims, suits or actions of every name, kind, and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by SANDAG under or in connection with any work, authority or jurisdiction delegated to SANDAG under this MOU.

4. Neither SANDAG nor any officer thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by MTS under or in connection with any work, authority or jurisdiction delegated to MTS under this MOU. It is understood and agreed that, pursuant to Government Code Section 895.4, MTS shall fully defend, indemnify and save harmless SANDAG, all officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code
THE PARTIES MUTUALLY AGREE:

1. That all obligations of SANDAG under the terms of this MOU are subject to the appropriation of the required resources by SANDAG and the approval of the SANDAG Board of Directors.

2. The parties agree that MTS may only use funds provided by SANDAG under this MOU for the improvement of transit service, including, but not limited to, support for transit operations, in the I-15 corridor as required by Streets & Highways Code section 149.1.

3. Any notice required or permitted under this MOU may be personally served on the other party, by the party giving notice, or may be served by certified mail, return receipt requested, to the following addresses:

   SANDAG:
   401 B Street, Suite 800
   San Diego, CA 92101
   Attn: Executive Director

   San Diego Metropolitan Transit System:
   1255 Imperial Avenue, Suite 1000
   San Diego, CA 92101-7490
   Attn: Chief Executive Officer

4. That unless it is amended by the parties in writing, this MOU is subject to termination upon a minimum of a 90 days' written notice by either party and automatically upon termination of legislative or administrative authorization of the Program by any state or federal government agency. Should SANDAG terminate this agreement, SANDAG shall reimburse MTS for all reasonable costs directly associated with providing service until the next scheduled route change but not to exceed the payment provisions identified in this agreement.

5. The indemnification provisions of this MOU shall survive termination of the MOU.

6. This MOU shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this MOU, the action shall be brought in a state or federal court situated in the County of San Diego, State of California.

7. All terms, conditions, and provisions hereof shall inure to and shall bind each of the parties hereto, and each of their respective heirs, executors, administrators, successors, and assigns.

8. For purposes of this MOU, the relationship of the parties is that of independent entities and not as agents of each other or as joint venturers or partners. The parties shall maintain sole and exclusive control over their personnel, agents, consultants, and operations.

9. No alteration or variation of the terms of this MOU shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto.

10. Nothing in the provisions of this MOU is intended to create duties or obligations to or rights in third parties to this MOU or affect the legal liability of the parties to this MOU.

11. This MOU may be executed in any number of identical counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument when each party has signed one such counterpart.
IN WITNESS WHEREOF, the Parties hereto have executed this MOU effective on the day and year first above written.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM               SAN DIEGO ASSOCIATION OF GOVERNMENTS

PAUL C. JABLONSKI                                       GARY L. GALLEGOS
Chief Executive Officer                                   Executive Director

Date: _______________________________________________    Date: _______________________________________________

APPROVED AS TO FORM:                                     APPROVED AS TO FORM

Office of General Counsel                                  Office of General Counsel

Date: _______________________________________________    Date: _______________________________________________
UPDATE ON SHORT-TERM AIRPORT PLANNING AND TRANSIT ISSUES

Introduction

In May 2006, the San Diego County Regional Airport Authority (Airport Authority) released a draft Environmental Impact Report (DEIR) on the Airport Master Plan for San Diego International Airport (SDIA). The DEIR analyzed the impacts of a number of short-term airport improvements, including a ten-gate expansion of Terminal II and new parking facilities. SANDAG provided comments on the DEIR that disputed some of the findings of the traffic analysis and the mitigation measures.

In June 2007, SANDAG and Airport Authority staff presented a discussion item to the Transportation Committee on aviation and ground transportation facilities to be included in the 2007 Regional Transportation Plan (RTP). At that time, the Transportation Committee recommended that SANDAG and the Airport Authority:

- Undertake a comprehensive regional air-rail network study to address the region’s long-term aviation needs,
- Develop a long-term master plan for the efficient utilization of SDIA, and
- Ensure that short-term plans for SDIA be designed so as not to preclude the future configuration of uses on the airport.

These planning programs were discussed more fully in a follow-up report to the Transportation Committee on November 16, 2007.

This report discusses the revised Airport Master Plan DEIR released by the Airport Authority in October 2007, and also updates the Transportation Committee on the Airport Authority’s ongoing effort to improve transit access to the airport as identified in a draft Airport Transit Plan.

Discussion

Previous Airport Master Plan DEIR Comments

SANDAG provided written comments to the original DEIR released by the Airport Authority in May 2006 (Attachment 1). These comments, endorsed by the Executive Committee, centered on the traffic study and mitigation measures proposed in the DEIR.
The comments are summarized below:

- The EIR should project traffic impacts to 2030, rather than 2015.
- The EIR should compare the proposed project to existing conditions, including current passenger boarding levels, rather than to future projected passenger boarding levels.
- The EIR should identify an aggressive but achievable transit mode share goal.
- The EIR should identify the Airport Authority's fair share responsibility in implementing transit, parking management, and freeway improvements as mitigation measures.

In addition, the Executive Committee expressed an interest in the Airport Authority conducting comprehensive site planning for the airport that would include passenger access on the north side, connected to freeway and transit facilities.

Revised Airport Master Plan DEIR

SANDAG staff has reviewed the revised DEIR to determine whether its original comments have been addressed. SANDAG staff supports the following new elements of the revised DEIR:

- The time horizon for the travel forecast has been extended to 2030, as requested by SANDAG and others. This timeline conforms to the time horizon for the RTP and its traffic models.

- The DEIR contains alternative development plans for the airport, including the option to include or exclude the 2,000- to 4,000-space parking structure, and the option of pursuing development of an intermodal transit center and consolidated rental car facility on the north side of the airfield. These new alternatives are intended to move the airport closer to the long-range possibility of providing for passenger access on the north side, where freeway and transit access improvements could be provided. The intermodal facility also could include passenger drop-off and an internal shuttle to the terminals. The concept will need further definition, design work, and environmental documentation. Selection of the preferred option will be made by the Airport Authority Board following completion of the final EIR.

- Potential transit improvements that have been identified by the Airport Transit Committee (see discussion below) are referenced in the revised DEIR.

SANDAG staff has concerns about the following elements of the revised DEIR:

- The alternative that eliminates the Terminal 2 parking structure does not evaluate possible parking management and transit improvements that could help mitigate the reduction in parking. Thus, it is not described on an equal footing with the parking structure alternative. The conclusion in the revised DEIR that this alternative does not meet the project objectives is not supportable without consideration of these mitigation measures.

- The traffic analysis assumes that the proposed airport improvements do not generate additional trips on the road network. Projected growth in air passengers is not attributed to airport improvements identified in the airport master plan, and is assumed to occur whether or not the proposed airport improvements are made. In other words, the revised DEIR does not include a “plan-to-ground” impact comparison. Therefore, traffic impacts are understated.
• The revised DEIR does not commit the Airport Authority to implement a fair share of improvements to the freeway and public transit network needed to mitigate impacts from the proposed airport improvements. While potential freeway and transit improvements are described, they are not included as mitigation measures.

SANDAG and Airport Authority staff have been working to resolve these concerns, but no resolution has been reached to date. Airport Authority staff has recommended a meeting with Federal Aviation Administration (FAA) officials to further discuss FAA guidelines regarding how EIRs should be prepared for airports. This meeting has been tentatively set for January 14, 2008. Staff will report on the results of this meeting at the January 18, 2008, Transportation Committee meeting. It is the intention of SANDAG staff to submit a letter containing the comments outlined above to the Airport Authority prior to the deadline of February 4, 2008.

Airport Transit Access

Since 2005, the Airport Authority has led an Airport Transit Committee to discuss potential transit access improvements to the airport. SANDAG, the City of San Diego, the Centre City Development Corporation, Caltrans, the Metropolitan Transit System, the North County Transit District, and the FAA serve on the committee, which meets quarterly. The goal of the effort is to increase the transit market share from the current 1.2 percent of the 48,000 daily airline passengers to 4 percent to 6 percent. The committee has discussed an extensive list of potential transit improvements, and is currently in the process of prioritizing these improvements for implementation in the short-term (1 year to 3 years), mid-term (3 years to 5 years), and long-term (6-plus years).

The Airport Authority recently has released a draft Airport Transit Plan and Cost Estimates for review and comment. Staff is currently reviewing this draft and will report back on the details of the plan at a future Transportation Committee meeting.

BOB LEITER
Director of Land Use and Transportation Planning

Attachment: 1. Letter of October 18, 2006, on the DEIR for the Airport Master Plan

Key Staff Contact: Miriam Kirshner, (619) 699-6995, mki@sandag.org
October 18, 2006

Mr. Ted Anasis
San Diego Regional Airport Authority
SBCRAA
P.O. Box 82776
San Diego, CA 92138-776

Dear Mr. Anasis:

SUBJECT: Draft Environmental Impact Report for the Airport Master Plan

Thank you for the opportunity to review the Draft Environmental Impact Report (DEIR) for the Airport Master Plan. SANDAG has reviewed the DEIR relative to its direct, indirect, and cumulative impacts on the regional transportation system.

We also appreciate having had the opportunity to meet with you and other members of the Airport Authority over the last few weeks to review SANDAG’s concerns about the DEIR and to discuss how the Airport Authority might participate in making improvements to surface transportation to mitigate the project’s traffic impacts and improve access to the airport.

SANDAG disagrees with the DEIR’s conclusion that the Airport Master Plan’s improvements, including expansion of Terminal 2 and the construction of a 2,000 - 4,000-space parking structure, do not result in significant impacts to the existing or planned transit system, and cause only minor impacts on the freeway and street network in the airport’s surroundings. SANDAG’s view is that the Master Plan will impact the regional transportation system and that the Airport Authority should play a role in providing transit improvements to address those impacts.

The DEIR underestimates traffic impacts by two means: 1) by limiting the traffic projections to 2015, instead of 2030; and 2) by defining the no project alternative as generating the same number of trips as the proposed project. These two assumptions are incorrect and inconsistent with common practice. The proposed project should be compared to the existing levels of passenger activity at the airport, and impacts should be projected to 2030. These revisions to the traffic analysis would show that the proposed Airport Master Plan will result in significant impacts to the area’s freeways and street network, requiring mitigation. In our recent meetings, the Airport Authority staff has agreed to project traffic impacts to 2030, subject to approval by the Airport Authority Board of Directors. We fully support this staff recommendation. However, we continue to believe that the traffic study should compare the project’s impacts to the existing condition rather than to potential capacity.
In accordance with California Environmental Quality Act (CEQA) Guidelines Section 15125, "where a proposed project is compared with an adopted plan, the analysis shall examine the existing physical condition at the time the Notice of Preparation is published." This "plan-to-ground" analysis has been clarified in many court decisions including Environmental Information and Planning Council v. County of El Dorado (1982) 131 Cal. App. 3d 350, "where two plans could not be compared to each other without showing how they would relate to the existing level of development."

The DEIR also assumes that the trend towards higher vehicle occupancy will continue through higher rates of ride-sharing and transit use, while at the same time, the Master Plan proposes to add significant parking and no transit improvements. In the absence of transit improvements, we do not believe that these higher vehicle occupancy rates will be achieved and, therefore, the project's traffic impacts will be greater than projected by the DEIR.

The current transit mode share at the airport is about 2 percent. An aggressive, but achievable goal for transit mode share would be 6-8 percent. The Airport Master Plan should adopt a mode share goal and a set of transit improvements that the Airport Authority, SANDAG, and the transit operators will work together to achieve. The Master Plan and DEIR should identify the Airport Authority's fair share in implementing these transit improvements, consistent with the airport's limitations on spending funds offsite. The transit improvements could be implemented incrementally and phased in with the construction of onsite parking.

Mitigation measures should take the form of a reasonable attempt to implement the freeway and transit improvements identified in the Regional Transportation Plan (RTP). The RTP calls for direct ramps from I-5 to Pacific Highway, exclusive bus/HOV lanes between the Old Town Transit Center and the airport, and intersection upgrades on Laurel Street at Pacific Highway and Harbor Drive. These improvements are included in the RTP because previous studies, including the 2003 Airport Transit Access Study and the Central I-5 Corridor Study, recommended them. Other potential mitigation measures are being identified by the Transit/Roadway Committee.

The airport is a major trip generator and a significant employer, and has great potential to increase its transit mode share through improvements to onsite access facilities, offsite park-and-ride facilities, and direct transit service from key regional facilities. Therefore, the Master Plan and DEIR should include a comprehensive set of mitigation measures that would include the following elements:

- On-airport access improvements to provide buses, taxis, and vanpools a special lane at the arrival and departure gates, immediately adjacent to the terminals; improved waiting facilities; Next Bus technology; and ticket vending machines.
- A Transportation Systems Management (TSM) plan to include an employee transportation coordinator, subsidized or free bus passes for employees, subsidized vanpools, improved signage to transit stations, and elimination or reduction of free or subsidized employee parking.
- Implementation of direct "Rapid Bus" transit service from the Old Town Transit Center to the airport terminals. Rapid Bus would include transit priority measures, such as transit lanes, queue jumpers, and signal priority, as well as, specialized stations and vehicles. The Airport Authority, SANDAG, and MTS should initiate an advanced planning and preliminary engineering design for this Rapid Bus route. Planning work should include a parking management plan to determine how to manage parking at the Old Town Transit Center, so as not to displace existing transit passengers and to discourage use of the transit center parking lot as an airport shuttle lot.
• A commitment to provide enhanced funding to expand and improve existing services, such as the Airport Flyer and the COASTER. The Flyer could be enhanced by implementing capital improvements, such as low-floor vehicles, off-vehicle fare payment, and Next Bus technology, as well as, operating subsidies for more frequent service.

• Capital and service improvements, including a fair share of funding for such facilities as a park-and-ride lot on the I-15 corridor, in order to tie into I-15 Bus Rapid Transit (BRT) service, which will begin operations in 2012; or provision of a direct, airport-operated service from one of the I-15 BRT stations or a separate park-and-ride lot to be owned and operated by the airport.

We recognize that your ability to provide funding for certain types of improvements may be limited by federal regulations, but we hope to work with you to identify those measures that can be funded. SANDAG understands that limitations may be placed on the use of public funds. Indeed, it is the rule rather than the exception in regional and local government that grant funds, user fees, and special purpose taxes have use restrictions. Within these rules, we are confident that there are substantial surface transportation improvements eligible for airport funding.

San Diego International Airport’s single runway, will in the coming years, reach an ultimate flight capacity. An air traffic maximum does not necessarily impose a maximum on surface trip generation, as more efficient scheduling and higher capacity airplanes may continue to increase the overall passenger volume. Thus, our concerns about regional transportation system impacts may have a much longer timeline than that of runway capacity.

Construction of on-airport parking facilities should be conditioned on the provision of transit improvements, in order to lessen the impacts of a growing airport on the regional transportation system. In light of recent cases such as City of Marina v. Board of Trustees of the California State University, 138 P.3d 692 (2006), and County of San Diego v. Grossmont-Cuyamaca Community College Dist., 141 Cal. App. 4th 86 (2006)), we believe that if the Airport Authority decides to make incremental improvements to the airport, it is obligated to make incremental improvements to transit facilities to mitigate the impacts of those improvements.

We appreciate that the Airport Authority is leading an effort to identify needed transit improvements and identify funding responsibilities. We look forward to working with you on developing these concepts and their inclusion in the Airport Master Plan and DEIR.

Thank you for considering these comments.

Sincerely,

BOB LEITER
Director of Land Use and Transportation Planning

BL/dsn

Attachment: Comments on EIR Traffic Analysis
DATE: August 31, 2006

TO: Miriam Kirshner, Senior Planner

FROM: Stephen Celniker, P.E., Senior Traffic Engineer/City Liaison

SUBJECT: COMMENTS ON AIRPORT MASTER PLAN DRAFT EIR

I reviewed Chapter 5.3 (Traffic and Circulation) and Appendix D of the San Diego International Airport Master Plan Draft Environmental Impact Report (EIR), and I have these comments:

- The underlying premise of all traffic and circulation assumptions is that the No Project Alternative would generate exactly as many air passengers and street traffic as the Proposed Project. This seems like a specious argument, considering the negative impacts to air travelers described under the No Project Alternative ("crowding would increase and queues for security screening would increase to unacceptable levels"). It is reasonable to surmise that the deteriorated level of service at the Airport from the No Project Alternative would diminish the attractiveness of air travel and result in fewer flight passengers than the other alternatives. Thus, the Proposed Alternative, which "accommodates forecast growth through 2015 and utilizes Airport property efficiently," would generate more passengers and more traffic than the No Project Alternative.

- The 2015 forecast of 59,769 daily flight passengers and 99,500 average daily trips (ADT) should be adjusted to differentiate between the No Project and the Proposed Project alternatives.

- The Airport Trip Generation methodology assumes that the "trip rate," the ADT per origin and destination (O&D) passenger calculation, will decline from 1.75 to 1.66 between 2004 and 2015. Using the 2004 trip rate applied to the 2015 volume of flight passengers, the result is an ADT of 104,595, or 5,095 more than assumed in the EIR. These vanished trips should only be assumed if the EIR includes transit improvements as mitigation.

- The document states, "Under the Land Use Plan no existing or planned transit routes would be modified. Therefore, no significant impacts would occur to transit operations, and no mitigation is required." This statement does not take into account the need to use transit as a mitigation needed for the growth in airport-generated traffic between 2004 and 2015, the assumed reduction in trip generation rate between 2004 and 2015, and the diminished level of service at several locations between 2004 and 2015.

- Level of Service (LOS) comparisons should be made between the Proposed Project alternative and the Existing condition, as well as the No Project alternative.
• The change in level of service at the signalized intersection Pacific Highway and Laurel Street from the existing LOS D to an LOS E under the 2015 Proposed Project scenario should be considered a significant impact requiring mitigation.

• The change in level of service on the street segment of Hawthorn Street (Kettner Blvd. to Interstate 5) from the existing LOS C to an LOS E under the 2015 Proposed Project scenario should be considered a significant impact requiring mitigation.

• The change in level of service on the street segment of Grape Street (Kettner Blvd. to Interstate 5) from the existing LOS C to an LOS F under the 2015 Proposed Project scenario should be considered a significant impact requiring mitigation.

• The change in level of service on the street segment of North Harbor Drive (Rental Car Rd. to Laurel St.) from the existing LOS C to an LOS F under the 2015 Proposed Project scenario should be considered a significant impact requiring mitigation.

• The Congestion Management Program is mistakenly referred to as the "Construction Management Plan."

SC/sgr

cc: Bob Leiter, Director of Land Use and Transportation Planning
Jack Boda, Director of Mobility Management and Project Implementation
William Anderson, Director of City Planning and Community Investment, City of San Diego
SPRINTER PROJECT STATUS REPORT AND SANDAG INDEPENDENT ASSESSMENT

Introduction

The North County Transit District (NCTD) SPRINTER Rail Project converts an existing 22-mile freight rail corridor into a Diesel Multiple Unit (DMU) transit system connecting Oceanside, Vista, unincorporated County areas, San Marcos, and Escondido. The SPRINTER is a TransNet-funded project to increase east-west mobility in the Highway 78 corridor. In response to requests from NCTD and the Federal Transit Administration (FTA), SANDAG staff is currently providing support and oversight services for the project and has been asked by the SANDAG Board of Directors to report on its progress monthly to the Transportation Committee.

Discussion

Current Progress

All construction work required for the start of revenue service is complete. NCTD has been conducting pre-revenue operations on the project’s entire 22 miles since mid-December. Revenue service will begin when NCTD and its contract operator have had enough training and testing of the systems to ensure safety and reliability.

Revenue service may not begin prior to the California Public Utilities Commission’s (CPUC’s) approval of the SPRINTER’s System Safety Program Plan and System Security Plan on January 10. CPUC staff approval also is needed for NCTD’s safety certifications. The final certifications were delivered to the CPUC on January 7.

The remaining construction work on the contract not critical to revenue service is scheduled to be complete in April. This includes landscaping, permanent stormwater control measures, the parking lot at Nordahl Station, the eastbound platform at Escondido Avenue Station, and punch list work.

A recent storm eroded the bank of Loma Alta Creek near the Crouch Street Station. NCTD will push the tracks away from the creek and provide further protection via a sheet piling between the creek and the track bed.

Estimate at Completion

The settlement agreement with the Mainline contractor provides for payments not to exceed $12.2 million for damages the contractor incurred due to design changes. Before receiving payment, the contractor is required to submit documentation supporting any loss. NCTD has made payments totaling $4.1 million toward this part of the settlement agreement.
The contractor has not achieved any of the internal milestones agreed to in the settlement agreement signed last spring. Accordingly, no constructive acceleration payments have been made and the contractor is subject to liquidated damages. It should be noted that the contractor may receive relief from these provisions if it can show it was delayed by NCTD.

The current estimate at completion (EAC) remains at $477.6 million which includes a $7 million contingency. The EAC includes the maximum value of the settlement agreement plus the forecasted cost of each change order. The project budget set by the NCTD Board, and included in the Amended Recovery Plan for the FTA, is $484.1 million, giving NCTD an additional $6.5 million of capacity between budget and EAC. (Note, an EAC of $477.8 million was reported last month; this was based on preliminary information and was since corrected.)

The new work on the eastbound platform at Escondido Avenue is estimated to cost $200,000. The erosion control work at Crouch Street Station will cost approximately $50,000. Both these costs are included in the current EAC.

NCTD staff is focusing its construction management effort on calculating the final quantities and change order costs. They are resolving approximately $4 million of this backlog per month. As the backlog is reduced, forecast costs become final costs and the risk to budget decreases.

JACK BODA
Director of Mobility Management and Project Implementation

Key Staff Contact: Jim Linthicum, (619) 699-1970, jlin@sandag.org
From: JohnSuhr@aol.com [mailto:JohnSuhr@aol.com]
Sent: Friday, December 14, 2007 12:11 PM
To: Gallegos, Gary; Wright, Tessa; csc@sandag.org
Cc: governor@governor.ca.gov; senator.hollingsworth@sen.ca.gov;
assemblymember.anderson@assembly.ca.gov; Caltrans.Director@dot.ca.gov; opinion@uniontrib.com;
news@kpbs.org; editor@sddt.com; andrew.donohue@voiceofsandiego.org
Subject: Use roundabouts to save fuel, reduce CO2 emissions

[Ms. Wright: Please forward this to the SANDAG Board, the Transportation Committee, etc.]

The modern roundabout.

Replacing signalized X-type intersections with roundabouts will reduce trip time, congestion and fuel waste, reduce CO2 and other emissions, be much safer and reduce operating costs in the long run. See Oakland County, MI's, program Website - especially the "how to drive..." movie for full information:

http://www.nwconnector.com/default.cfm

SANDAG and Caltrans need to adopt such a conversion program immediately if they are serious about solving these problems. Signals keep at least 50% of traffic stopped; self-regulating roundabouts are obviously more efficient. The investment will pay off in the long run.

John Suhr
La Mesa
619-461-1246
Member of the Sandag Transportation Committee:

Please note these comments on agenda items 3 (do not approve) and 9 (do not recommend) as public record for the January 18 meeting.

I am a twenty year resident of the mid-city community of City Heights and transit rider. I wish to express my general concern about the lack of rider representation on transit boards and this particular Sandag committee; these agenda items contain no language stressing the desirability of expanding and improving services and stabilizing fares, but rather the opposite—providing an easy path to reducing services and raising fares; and the inequity of the exclusive distribution of STIP funds to communities north of 52. And finally, these items raise Title XX Transportation Equity Act issues which need to be addressed.

Agenda Item 3, Discussion #2 The public input process including public hearings is inherently flawed by virtue of the lack of representation of transit riders on policy making boards (MTS, NTS and Sandag Transportation Committee), and flawed in practice by conducting meetings only during the day when many transit riders are unable to leave work to attend.

Guiding Principles and Objectives #1 This section is breathtakingly...lack luster. We all know that public transit isn’t a money maker, nor should it be. But setting up principles and objectives “to allow for incremental service reductions, rather than a one time severe cut in services” is rather...pathetic. How about a few words about providing equitable, quality transit services to the transit dependent and promoting transit use to those who have a choice? That at the minimum, your goal is to sustain service, but through a combination of efficient transit operation and successful advocacy for continued public funding, to meet the growing regional need for public transit through expanded service?

GP&O #2 Fare studies too often show gross figures system wide and can be misleading regarding their specific impacts upon transit dependent riders and communities. This came up recently with the elimination of transfers. The relatively low figure of 21% usage, which was used as a justification for its elimination, was a system wide figure. The usage within transit dependent communities was significantly higher.

I do not understand how the Compass Card is an element of a new revenue sharing agreement. I **do want to know if there is a use threshold for this card which when met would permit free transit for the rest of the month.** (After I use my monthly pass for its full value, subsequent trips during the month are essentially free.) Current transit dependent riders often pay far more every month than the cost of a bus pass because many people get paid weekly and cannot afford the initial beginning of the month expenditure for a bus pass. This same situation must not happen with the Compass Card.
GP&O #6 “Transit operators will use a zero-based budget approach…” Does this mean our bus and trolley drivers won’t receive raises or stand to lose benefits? If so, I am not in agreement with a zero-based budget approach.

GP&O #7 This section begins with “Preserve current service levels as much as possible” which throws up all kinds of red flags for my transit dependent community. On the other hand, there is reference to a Coordinated Transit & Human Service Transportation Planning process. (Please notify me as to when it will get underway and who is the lead.) It is my understanding that this plan is an effort to enhance transportation options for individuals with disabilities, older adults, and individuals with limited income. How does this enhancement of options fit into that opening line?

Isn’t there funding associated with SAFETEA-LU/Coordinated Transit & Human Service Transportation Plan? Services in transit dependent communities must be enhanced—City Heights meets all of the criteria I listed in bold print above. Funds must not be used for boutique transit services for upwardly mobile individuals in the northern part of the city/county at the expense of the transit dependent mid-city communities.

Agenda Item 9 Discussion: Make reference to SAFETEA-LU revenues. These revenues are to be used to improve the quality and accessibility of services. Yet the improvement program of STIP Programmed Projects includes no allocations for communities south of 52. Once again, the transit dependent mid-city communities are not included on this project list. This raises Title XX issues of Transportation Equity.

A resounding NO on this one…

Anna Grace Daniels
4084 45th Street
San Diego, CA 92105
619-563-8090
Midcity residents pledge to pursue public transit

By Steve Schmidt
STAFF WRITER

Maria Cortez and many of her neighbors have lived through this拨 before, and they know how it usually ends — with their community feeling shortchanged.

Not this time, she vows. "We're not going to be pushed around. We're not going to give up."

In the 1980s and early '90s, Cortez and other Mid-City community activists struck deals with San Diego and state officials that cleared the way for the construction of state Route 15 through the neighborhoods of Normal Heights, Kensington and City Heights.

Under the signed agreements, officials made a string of promises critical to residents, including setting aside the freeway median for public transit.

The community pushed for — and got — an agreement calling for a turtle or bus lane along the spine of the freeway. The eight-lane roadway opened in 2000.

Today the median remains empty, leaving Cortez and others frustrated and angry at the California Department of Transportation for failing to deliver.

"Why did they promise to do it? Just to make us happy, to get us off their backs?" said Jim Barone, chairman of the Normal Heights Community Planning Group.

"We are upset that Caltrans is making major improvements farther north on the freeway, while the Mid-City area waits for its promises to be met."

The agency is spending $428 million to build additional lanes for car pools, buses and tollpaying commuters on Interstate 15 from San Diego Springs to Escondido.

The Mid-City stretch of the freeway — running from Interstate 805 to Interstate 8 — is considered a state route rather than an interstate because of the way it was funded.

Caltrans District Director Pedro Orozco-Delgado acknowledged at a recent meeting in City Heights that the agency had agreed to develop the special lanes.

But he said Caltrans now considers the idea impractical and expensive. He suggested putting
**PHASE 1A**

**Project Summary**
- Project limits: Britannia Blvd to Siempre Viva Road.
- Estimated cost to construct: $76.5 million.
- End construction: November 2010.

**Recent Activities**
- Bids opened on December 13, 2007 (almost 22% under the engineer's estimate savings of $12 million).
- Clearing and mowing contract completed.
- Extension to award contract by 2/1/08 approved.

**Risks**
- Waiting on FHWA approval of Financial Plan to award contract.

**Right of Way Acquisition/Condemnation Status (Phase 1A and Phase 1B)**
- 71 parcels required, 65 acquired, 6 lawsuits pending on remaining 6 parcels.
- Total R/W allocation: $219.6 million.
- Settlement reached with Southview (approx $6 million lower than estimated).
- Anderprises jury trial resulted in an award of $18 million above our estimate.
PHASE 1B

Project Summary
- Project limits: East of Interstate 805 to Britannia Blvd.
- Estimated cost: $104.7 million (including support and escalation).
- Project is scheduled for beginning construction in June 2009.

Funding Sources
- $75 million from the trade Corridors Improvement Fund (TCIF).
- $25 million from TransNet Funds for border projects.
- $4.7 million from SAFE TEA-LU earmark.

TCIF Activities
- Region is requesting $400 million: $75 million for State Route 905.
- SANDAG submitted application with Caltrans letter of support.

Schedule
- Bid Opening March 2009
- Begin Construction June 2009
- End Construction March 2012
What is the STIP?

• State Transportation Improvement Program
• Renewed every two years
• Current 2006 STIP ends FY 2011
• FY 2008: $222.2M programmed
• FY 2009 to 2011: $143.5M programmed
• 2008 STIP extends to FY 2013
Changes from 2006 STIP to 2008 STIP

- STIP Augmentation: $163M in new funds
- STIP PTA funds diverted
- SB 717 reduced funds to STIP
- No new STIP funds to program within FY 2013 period for San Diego region
- Increase of $7.9 million in Transportation Enhancement Funds in FY’s 2012 and 2013
- GARVEE debt service continues to 2013
2008 STIP Programming Capacity - Statewide

Amount
In Billions of Dollars

Fiscal Year

2008 2009 2010 2011 2012 2013

STIP Capacity  2006 STIP Program  New STIP Capacity

2008 STIP Prioritizing Criteria

• Complete Existing STIP Projects
• Focus on TransNet EAP
• Project Readiness
Early Action Projects

1. SR 76 - Widening
2. SR 52 - Widening and Extension
3. Mid-Coast and Super Loop Transit
4. I-15 Managed Lanes and Bus Rapid Transit (BRT)
5. I-5 North Coast Corridor – Environmental Effort and HOV Lanes
6. I-805 Corridor – Environmental Effort & BRT
7. SPRINTER - Oceanside to Escondido
8. Trolley Upgrades (Blue and Orange Lines)
9. Mid-City Rapid Bus

Existing and Proposed STIP

- 1. SR76
- 2. SR52
- 3. Mid-Coast LRT
- 4. I-15 DAR at Mira Mesa Blvd.
San Diego STIP Share Targets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>San Diego Regional</td>
<td>$0</td>
<td>$164.9M</td>
</tr>
<tr>
<td>Shares</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2008 STIP Draft Programming Recommendation

- Continue Existing Projects:
  - I-15 Direct Access Ramp at Mira Mesa Boulevard - $50M
  - Mid-Coast Trolley Extension - $28.8M
  - Planning and Program Monitoring - $3.7M
- Add New Project to STIP:
  - SR 76 Widening - (Melrose Drive to Mission Road) - $81.3M
How does proposal meet criteria?

• SR 52 Extension is fully funded and under construction
• I-15 is fully funded and significant portions are under construction
  – Keep I-15 Direct Access Ramp funded
• MidCoast is a *TransNet* project
  – Continue with Design funds

(continued)

• SR 76 is a *TransNet* project
• SR 76 is next project in terms of project readiness
• Draft Environmental Document released, anticipated approval - July 2008
• Given statewide STIP challenges, a 50-50 partnership to expand a state highway improves chances of success
2008 STIP Draft Programming Recommendations

- Transportation Enhancement (TE) Funds:
  - $7.9M in new funding
  - Program as a reserve in FY’s 2012 and 2013
  - Prioritize eligible regional projects for programming

Next Steps

- Jan 25, 2008 Board of Directors Approval
- Feb 19, 2008 STIP Submittal to CTC Deadline
- May 29, 2008 CTC adopts STIP
Transportation Committee Action

The Transportation Committee is asked to recommend that the Board of Directors approve the 2008 STIP as shown on Table 4.
San Diego Smart Parking Pilot Project Overview

January 2008

San Diego Smart Parking Pilot Project

- SANDAG, NCTD, FHWA, Caltrans, PATH, CCIT, ParkingCarma
- State and Federal Grant efforts $1.28m
- Build on Findings and Lessons Learned - Rockridge BART Station
- Deploy Smart Parking technology at COASTER stations
- Deliver real-time availability information
Key Project Objectives

- Increase parking management capabilities
- Enhance COASTER service by delivering real-time parking information
- Evaluate/measure user acceptance of pricing as a means to deliver enhanced transit services
- Explore business models

Key Project Milestones

- **Phase 1 – Early 2008:** Preliminary, Research, Data Collection, and Installation (Feasibility Phase)
- **Phase 2 – Spring 2008:** Project Launch and Initial Evaluation
- **Phase 3 – Summer 2010:** Project Evaluation/Monitoring (Summer 2010)
Today’s Action

The Transportation Committee is asked to recommend approval to Board of Directors to amend the FY 2008 Overall Work Program to add Element 6000800 for completion of the Smart Parking Pilot Project.
Overview

- Update of financial strategy for *TransNet* Program in anticipation of bond financing in Spring 2008
- Summarize Transportation Committee input (alternative scenarios)
- Program can be accomplished with some key adjustments
**Early Action Projects - 2007**

1. SR 76 - Widening
2. SR 52 - Widening and Extension
3. Mid-Coast and Super Loop Transit
4. I-15 Managed Lanes and Bus Rapid Transit (BRT)
5. I-5 North Coast Corridor – Environmental Effort and HOV Lanes
6. I-805 Corridor – Environmental Effort & BRT
7. SPRINT - Oceanside to Escondido
8. Trolley Upgrades (Blue and Orange Lines)
9. Mid-City Rapid Bus

---

**Project Cost Updates**

- SANDAG/Caltrans joint effort to update costs from 2002 to 2007 dollars
- Financial model escalates to year of expenditure
- Incorporates Recent Trends in Construction Cost Index
Transportation Committee Input

- Concern with Mid-Coast Transit Project schedule adjustment to 2020
- Information on projects at risk if additional funding not secured
- Response – have developed three alternative POF Update scenarios

Proposed Key POF Adjustments

- Revise set-aside for STIP/CMAQ/STP from 15% to 6% and add SLPP
- Potential modifications to EAP schedules
- Seek and secure approximately 5-7% more in total matching funds over the 40-year life of the program
- Alternative Scenarios require additional funding on varying schedules
Total Funds for Major Corridor/EMP = $40.8 billion
(Escalated to Year of Construction)

Original Proposal
Adjust Mid-Coast Schedule

<table>
<thead>
<tr>
<th>Corridor</th>
<th>'07</th>
<th>'08</th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
<th>'14</th>
<th>'15</th>
<th>'16</th>
<th>'17</th>
<th>'18</th>
<th>'19</th>
<th>'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>I-5 ED &amp; LOMAS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-15 ML &amp; BRT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-805 ED &amp; BRT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 52 Extension &amp; Widening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 76 Widening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-Coast Transit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPRINTER</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue/Orange Line Upgrades</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-City Rapid Bus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Abbreviations:
BRT = Bus Rapid Transit
ED = Environmental Document
LOMAS = Lomas Santa Fe Interchange
ML = Managed Lanes

Legend:
- Plan of Finance Schedule
- Board Approved Schedule (TransNet Dashboard Schedule)
### Original Proposal

**Adjust Mid-Coast Schedule Cash Balance**

- **Millions of Dollars**
  - EAP TransNet Projects
  - Non-EAP TransNet Projects
  - Additional Matching Funds Required

| Fiscal Years | '08 | '10 | '12 | '14 | '16 | '18 | '20 | '22 | '24 | '26 | '28 | '30 | '32 | '34 | '36 | '38 | '40 | '42 | '44 | '46 | '48 |
|--------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| UTC Rapid Bus (Super Loop) | | | | | | | | | | | | | | | | | | | | | |
| SR 52 Extension & Widening | | | | | | | | | | | | | | | | | | | | | |
| SR 76 Widening | | | | | | | | | | | | | | | | | | | | | |
| Mid-Coast Transit | | | | | | | | | | | | | | | | | | | | | |
| SPRINTER Blue/Orange Line Upgrades | | | | | | | | | | | | | | | | | | | | | |
| Mid-City Rapid Bus | | | | | | | | | | | | | | | | | | | | | |

### Alternative 1 POF Update Scenario

**Hold All EAP Schedules**

- Corridor:
  - I-5 ED & LOMAS
  - I-15 ML & BRT
  - I-305 ED & BRT
  - SR 52 Extension & Widening
  - SR 76 Widening
  - Mid-Coast Transit
  - SPRINTER
  - Blue/Orange Line Upgrades
  - Mid-City Rapid Bus

**Abbreviations**
- BRT = Bus Rapid Transit
- ED = Environmental Document
- LOMAS = Lomas Santa Fe Interchange
- ML = Managed Lanes
Plan of Finance Update

Alternative 2 POF Update Scenario
Hold Mid-Coast Schedule End Balance

- EAP TransNet Projects
- Non-EAP TransNet Projects

Fiscal Years

- $6,000
- $4,000
- $2,000
- $0
- $-2,000
- $-4,000
- $-6,000

Alternative 3 POF Update Scenario
Shared EAP Schedule Adjustments

Corridor

I-5 ED & LOMAS
I-15 ML & BRT
I-805 ED & BRT
SR 52 Extension & Widening
SR 76 Widening
Mid-Coast Transit
SPRINTER
Blue/Orange Line Upgrades
Mid-City Rapid Bus

Under Construction
Plan of Finance Schedule
Board Approved Schedule (TransNet Dashboard Schedule)

Abbreviations
BRT = Bus Rapid Transit
ED = Environmental Document
LOMAS = Lomas Santa Fe Interchange
ML = Managed Lane

SANDAG
Alternative 3 POF Update Scenario
Shared EAP Schedule Adjustments Cash Balance

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>EAP Completion</th>
<th>Negative Cash Flow</th>
<th>Additional Revenues</th>
<th>Present Value of Additional Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012-2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016-2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020-2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024-2026</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2028-2030</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2032-2034</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2036-2038</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2040-2042</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2044-2046</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2048</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Alternative POF Update Scenarios

<table>
<thead>
<tr>
<th>Scenario</th>
<th>EAP Completion (Year)</th>
<th>Negative Cash Flow (Year)</th>
<th>Additional Revenues (Escalated $)</th>
<th>Present Value of Additional Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original – Adjust Mid-Coast</td>
<td>2020</td>
<td>2042</td>
<td>$2.3 billion</td>
<td>$725 million</td>
</tr>
<tr>
<td>Alt 1 – Hold All EAP</td>
<td>2014</td>
<td>2026</td>
<td>$2.8 billion</td>
<td>$1.2 billion</td>
</tr>
<tr>
<td>Alt 2 – Hold Mid-Coast</td>
<td>2020</td>
<td>2042</td>
<td>$2.2 billion</td>
<td>$700 million</td>
</tr>
<tr>
<td>Alt 3 – Shared EAP Schedule Adjustments</td>
<td>2018</td>
<td>2037</td>
<td>$2.1 billion</td>
<td>$722 million</td>
</tr>
</tbody>
</table>

Note: The ITOC unanimously recommended approval of Alt 1 – Hold All EAP Schedules at their January 9, 2008 meeting.
Non-EAP Projects

- I-5 North Coaster/BRT Improvements
- I-5 South (Highway: I-805 to I-8)
- I-5 Mid-Coast (Highway: I-8 to I-805)
- SR 78 HOV Lanes I-5 to I-15
- SR 56 Widening I-5 to I-15
- SR 67 Widening Lakeside to Ramona
- SR 54/SR 125 Interchange
- SR 94/SR 125 HOV Lanes
- I-8 2nd Street to Los Coches

Making it Work

- All key assumptions to be closely monitored
- Project Office to continue cost/schedule management
- Continue to manage the program to take advantage of opportunities
Proposed Next Steps

- **Board of Directors (Jan 2008)** – Present draft bond documents and request approval of POF
- **ITOC/Transportation Committee (Feb 2008)** – Final review of bond documents and recommend approval to Board of Directors
- **Board of Directors (Feb 2008)** – Request final review and approval of bond documents

Transportation Committee Recommendation

- **Recommend Approval** of a **TransNet** Plan of Finance Update Scenario to the Board of Directors
- **Revise** set-aside of STIP, CMAQ, STP, and SLPP funds from 15% to 6%
**Initial Financing Strategy**

- Expanded Commercial Paper program from $135 million to $335 million
- Entered into forward starting interest rate swap agreements
- Achieved synthetic fixed cost of funds below 4%
Preliminary Bonding Plan

- $300 million of Variable Rate Demand Bonds (VRDBs)
- $300 million of Auction Rate Securities (ARS)
**Current Strategy**

- Achieve AA underlying ratings
- Solicit credit facility for VRDBs; consider converting entire transaction to VRDBs
- Reduce existing commercial paper program from $335 million to $100 million
- Request insurance proposals to measure cost effectiveness of issuing ARS

**Draft Bond Documents**

- Board Resolution
- Bond Indenture
- First Supplemental Bond Indenture
- Official Statement
- Bond Purchase Agreement
- Remarketing Agreement
- Broker-Dealer Agreement
- Auction Agreement
- Continuing Disclosure Agreement
Eligibility Criteria

• Project is in the adopted Regional Transportation Plan
• Project has the minimum non-federal match (20% local/state)
• Requested federal funds can be obligated during FY 2009
**Evaluation Criteria**

- Project under construction and requires additional funding
- Project is ready to advertise
- Project is environmentally cleared
- Project improves the security and safety in the region
- Project protects the region’s investment in infrastructure, including rolling stock

**Evaluation Criteria**

- Project will achieve environmental justice objectives
- Project fulfills a mitigation measure required by a previously approved federal environmental document
New Projects

- Bear Valley Parkway
- Harbor Drive Pedestrian Bridge
- La Jolla Village Drive/ I-805 Interchange
- Nordahl Road
- North Broadway Basin
- Plaza Boulevard Widening
- SR 163/ Clairemont Mesa Boulevard
- West Vista Way

Regional Projects

- Worked with Caltrans, MTS, and NCTD
- Consistent with TransNet Early Action Program
Recommendation

The Transportation Committee is asked to recommend that the SANDAG Board of Directors approve the list of proposed project funding requests for the FY 2009 federal transportation appropriations cycle.

Questions?
Fiscal Year 2009
Federal Appropriations
Proposals

Transportation Committee Meeting
January 18, 2008
December 12, 2007

Gary L. Gallegos  
Executive Director, SANDAG  
401 B Street, Suite 800  
San Diego, CA 92101-4231

RE: Request that SANDAG and the Transportation Committee partner with the City of Coronado in adding an additional item for the next ISTEA reauthorization

Dear Mr. Gallegos:

Naval Air Station North Island is the largest combined military airport and aircraft carrier berthing facility on the West Coast. The home porting of the USS Nimitz, USS Ronald Reagan and the arrival of the USS Carl Vinson in the winter of 2010 at North Island will continue to grow our regional economy and enlarge this region’s role as a major player in our national security.

Coronado is a small town that hosts two large Navy bases and the growth of military assets at NASNI and NAB is a considerable economic benefit to the region. However, the growth in those assets frequently does not address the associated infrastructure needs which should occur with these improvements. The City of Coronado and the Navy’s ongoing partnership continue to identify future transportation and national security needs and the pending arrival of the USS Carl Vinson will add pressure to find a regional solution to the traffic congestion on State Route 75/282, a National Defense Strategic Highway Connector.

The City of Coronado requests that SANDAG and the Transportation Committee partner with us in encouraging the federal government to add a new specific classification or category at the federal level, which will include mitigation to offset funds for communities impacted by the repositioning of military assets. There should be a methodology created which provides funding for these types of decisions and assists communities address the infrastructure impacts.

Sincerely,

Mark J. Ochenduszko  
City Manager

cc: Phil Monroe, Councilmember  
Jim Benson, Assistant City Manager
New Freedom Program Evaluation Criteria

Background

• A second round of New Freedom grant awards planned for March
• Transportation Committee asked staff to review the Evaluation Criteria in advance of this Competitive Process
Proposed New Freedom Criteria

- Staff proposes separating Needs/Goals and Objectives into different categories and increasing their point values.
- Implementation Plan and Sustainability will have reduced point value.
- Total available points is unchanged.

New Freedom Process March 2008

- New step to be added to ensure that all applications are fully responsive with an opportunity for applicants to correct errors or omissions.
- Evaluation committee to be named after submissions are received to avoid conflicts of interest.
Future Competitive Processes

• The rules require funding priorities to be established for JARC/NF in the Coordinated Plan now being prepared
• Revised evaluation criteria for JARC & NF will be prepared for FY 2009 Competitive Process that reflect funding priorities of new Coordinated Plan

Next Steps

• Transportation Committee asked to approve revised criteria today for March Competitive Process
• Notice of funds availability on Jan 21
• Closing date would be March 14
• Target for TC approval April 18
New Freedom Program Evaluation Criteria

Transportation Committee
January 18, 2008
18 January 2008

Greetings Chairman Madaffer and the SanDag Transportation Committee,

To encourage equal participation from small non-profit organizations such as Accessible San Diego, I suggest the following items for discussion and improvements regarding the New Freedom Grant Process:

- B- Eligible Use of Program Funds- Programs in operation prior to August 2005 are not eligible unless they are being expanded or enhanced, (Please assure programs expanded or enhanced wording is included)
- D- Cost Sharing/Match Requirements- Non-Department of Transportation federal funds and private funds can be used as match. Matching share requirements are flexible to encourage coordination.. (I did not read anywhere that matching funds were to be new money)

The source document is the Grant Application Procedures- Sections B, and D and also Excerpts from Federal Guidelines on Project Eligibility.
Grant Application Procedures

This NF program application is for funds to be used within the urbanized portion of San Diego County. Grant applications for the rural areas must be obtained from Caltrans. There are no eligible small urban areas within San Diego County.

The initial project application consists of the program-specific requirements detailed in this package of forms and instructions. After a project application has been selected, the applicant will be required to ensure that they will meet all Federal requirements, including Certifications and Assurances required by the Federal Transit Administration’s (FTA) Urbanized Area Formula Grant Program (Section 5307 program under Title 1, United States Code). Applicants are strongly encouraged to review these Certifications and Assurances. A sample SANDAG contract that successful applicant will be required to sign incorporating the Federal requirements and the federal requirements themselves may be viewed at:

www.sandag.org/NewFreedomapplication

A. Eligible Applicants

This NF competition is a formula grant program for urbanized areas in San Diego County. Please review the map on the page 6 to ensure that your project is within the urbanized portion of the County. Applicants may include:

- Local government agencies
- Tribal governments
- Social services agencies
- Private and public transportation operators
- Non-profit organizations

B. Eligible Use of Program Funds

NF program funds are intended to fund innovative and flexible programs that support the transportation needs of individuals with disabilities. Therefore, it is expected that NF funds be directed to meet these needs by funding new programs or services. Programs in operation prior to August 2005 are not eligible unless they are being expanded or enhanced.

C. Eligible Projects

NF funds may be used for planning, capital, or operating costs of services and facilities that improve mobility for persons with disabilities, but not limited to persons who are ADA-certified. Eligible projects includes promoting the use of transit vouchers, promoting the use of employer-provided transit, mobility management, supporting volunteer driver and aide programs, fixed route transit, and capital projects such as purchasing vehicles and supporting accessible taxis, rider-sharing, and vanpooling programs. Mobility management activities are defined as short-range planning and management activities and projects for improving coordination among public transportation and other transportation services providers. Mobility management activities are considered to be a capital grant when calculating the match requirement. Additional information on NF can be found at www.sandag.org/NewFreedomapplication and also on the federal web site at:

D. Cost-Sharing/Match Requirement

Funds can be used to support up to 80 percent (80/20 match) of capital projects and not more than 50 percent (50/50 match) of projects for operating assistance. Fare revenue generated on the service to be supported may not be used as matching funds for operating grants. Grant money may NOT be used to pay for transit fares including monthly passes or multi-trip tickets. Non-Department of Transportation federal funds and local and private funds can be used as a match. Matching share requirements are flexible to encourage coordination with other federal programs that may provide transportation, such as Health and Human Services or Medicaid.

E. Project Selection

Projects will be awarded through a competitive selection process. A first-level review committee comprised of staff from SANDAG and non-applicant agencies, such as state agencies, municipalities and social services agencies will review, score, and rank the project applications. The list of selected projects will be submitted to the SANDAG Transportation Committee in November 2007 and to the SANDAG Board of Directors for final approval in December 2007. This approved list of projects will be published and submitted to the FTA for funding. The selected recipients should not anticipate receiving the funds for up to 12 months.

F. Project Eligibility

SAFETEA-LU requires that ALL NF projects selected for funding must be derived from a locally developed Coordinated Public Transit-Human Services Transportation Plan. This plan is available at:

www.sandag.org/CoordinatedPlan

Grants may be requested for one, two, or three years. Funding commitments in the second and third year are not guaranteed and will depend on the level of federal appropriations.

G. Pre-Application Meetings

SANDAG will host public pre-application meetings to review this package and answer questions. Meetings will be held in San Diego, Chula Vista, El Cajon and Oceanside. The times, dates and locations are provided on the following page.
Excerpts from Federal Guidance on Project Eligibility

Note: All projects for which funding is being sought must be derived from Coordinated Plan

1. **ELIGIBLE ACTIVITIES.** New Freedom Program funds are available for capital and operating expenses that support new public transportation services beyond those required by the Americans with Disabilities Act of 1990 (ADA) and new public transportation alternatives beyond those required by the ADA designed to assist individuals with disabilities with accessing transportation services, including transportation to and from jobs and employment support services. For the purpose of the New Freedom Program, “new” service is any service or activity that was not operational on August 10, 2005, and did not have an identified funding source as of August 10, 2005, as evidenced by inclusion in the Transportation Improvement Plan (TIP) or the STIP. In other words, if not for the New Freedom Program, these projects would not have consideration for funding and proposed service enhancements would not be available for individuals with disabilities.

   Maintenance of Effort: Recipients or subrecipients may not terminate ADA paratransit enhancements or other services funded as of August 10, 2005, in an effort to reintroduce the services as “new” and then receive New Freedom funds for those services.

   Eligible projects funded with New Freedom funds may continue to be eligible for New Freedom funding indefinitely as long as the project(s) continue to be part of the coordinated plan.

   Both new public transportation services and new public transportation alternatives are required to go beyond the requirements of the ADA and must (1) be targeted toward individuals with disabilities; and (2) meet the intent of the program by removing barriers to transportation and assisting persons with disabilities with transportation, including transportation to and from jobs and employment services.

   The list of eligible activities is intended to be illustrative, not exhaustive. Recipients are encouraged to develop innovative solutions to meet the needs of individuals with disabilities in their communities.

   a. **New Public Transportation Services Beyond the ADA.** The following activities are examples of eligible projects meeting the definition of new public transportation.

      (1) **Enhancing paratransit beyond minimum requirements of the ADA.** ADA complementary paratransit services can be eligible under New Freedom in several ways as long as the services provided meet the definition of “new:”

         (a) Expansion of paratransit service parameters beyond the three-fourths mile required by the ADA;
Streets and Highways Code Section 149.1

149.1. (a) Notwithstanding Sections 149 and 30800 of this code, and Section 21655.5 of the Vehicle Code, the San Diego Association of Governments (SANDAG) may conduct, administer, and operate a value pricing and transit development program on the Interstate Highway Route I-15 (I-15) high-occupancy vehicle expressway. The program, under the circumstances described in subdivision (b), may direct and authorize the entry and use of the I-15 high-occupancy vehicle lanes by single-occupant vehicles during peak periods, as defined by SANDAG, for a fee. The amount of the fee shall be established from time to time by SANDAG, and collected in a manner determined by SANDAG.

(b) Implementation of the program shall ensure that Level of Service C, as measured by the most recent issue of the Highway Capacity Manual, as adopted by the Transportation Research Board, is maintained at all times in the high-occupancy vehicle lanes, except that subject to a written agreement between the department and SANDAG that is based on operating conditions of the high-occupancy vehicle lanes, Level of Service D shall be permitted on the high-occupancy vehicle lanes. If Level of Service D is permitted, the department and SANDAG shall evaluate the impacts of these levels of service of the high-occupancy vehicle lanes, and indicate any effects on the mixed-flow lanes. Continuance of Level of Service D operating conditions shall be subject to the written agreement between the department and SANDAG. Unlimited access to the lanes by high-occupancy vehicles shall be available at all times. At least annually, the department shall audit the level of service during peak traffic hours and report the results of that audit at meetings of the program management team.

(c) Single-occupant vehicles that are certified or authorized by SANDAG for entry into, and use of, the I-15 high-occupancy vehicle lanes are exempt from Section 21655.5 of the Vehicle Code, and the driver shall not be in violation of the Vehicle Code because of that entry and use.

(d) SANDAG shall carry out the program in cooperation with the department, and shall consult the department in the operation of the project and on matters related to highway design and construction. With the assistance of the department, SANDAG shall establish appropriate traffic flow guidelines for the purpose of ensuring optimal use of the express lanes by high-occupancy vehicles.

(e) (1) Agreements between SANDAG, the department, and the Department of the California Highway Patrol shall identify the respective obligations and liabilities of those entities and assign them responsibilities relating to the program. The agreements entered into pursuant to this section shall be consistent with agreements between the department and the United States Department of Transportation relating to this program and shall include clear and concise procedures for enforcement by the Department of the California Highway Patrol of laws prohibiting the unauthorized use of the high-occupancy vehicle lanes. The agreements shall provide for reimbursement of state agencies, from revenues generated by the program, federal funds specifically allocated to SANDAG for the program by the federal government, or other funding sources that are not otherwise available to state agencies for transportation-related projects, for costs incurred in connection with the implementation or operation of the program. Reimbursement for SANDAG's program-related planning and administrative costs in the operation of the program shall not exceed 3 percent of the revenues.

(2) All remaining revenue shall be used in the I-15 corridor exclusively for (A) the improvement of transit service, including, but not limited to, support for transit operations, and (B) high-occupancy vehicle facilities and shall not be used for any other purpose.
I-15 FasTrak®
Status Update &
Revenue Contribution

Transportation Committee
January 18, 2008

Adopted I-15 FasTrak Pricing Policy

Plan Features:
• Covers fixed contractor and total program costs
• Provides incentive to motivate use
• Requires all accounts to support program
• Achieves parity with peer toll operators
Adopted I-15 FasTrak Pricing Policy

I-15 FasTrak Pricing Policy changes:

• Account Maintenance Fee – $3.50 per month
• Transponder Lease Fee – $1.00 per month per transponder
• Both fees offset by usage of the I-15 facility

Effect On Accounts

<table>
<thead>
<tr>
<th>Number of Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,000</td>
</tr>
<tr>
<td>11,104</td>
</tr>
<tr>
<td>10,000</td>
</tr>
<tr>
<td>9,000</td>
</tr>
<tr>
<td>8,000</td>
</tr>
<tr>
<td>7,000</td>
</tr>
<tr>
<td>6,000</td>
</tr>
<tr>
<td>5,000</td>
</tr>
<tr>
<td>4,000</td>
</tr>
<tr>
<td>3,000</td>
</tr>
<tr>
<td>2,000</td>
</tr>
<tr>
<td>1,000</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Before Fees (April 2007)</th>
<th>After Fees (October 2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,945</td>
<td>7,313</td>
</tr>
<tr>
<td>4,000</td>
<td>8,088</td>
</tr>
</tbody>
</table>

Active Accounts | Inactive Accounts
Looking Forward

- Continue to maintain current 8 mile facility
- System expanding to 16 miles in 2008
- Higher cost of operating program (40+ tolling locations)
- Need to execute agreements with Caltrans and MTS

Legislative Mandate (S&H §149.1e)
Revenue Use Priorities

- Priority 1:
  - Value Pricing Program Delivery & Management Costs
  - FasTrak Facility Enforcement, Operations & Maintenance
- Priority 2:
  - Improved Transit Services & HOV Facilities
**CALTRANS Cooperative Agreement**

- Provides for annual contribution from net revenue
- Share based upon percentage of FasTrak customer use (currently 25%)
- Requires approval of annual budget
- Contribution based on actual expenses

**Proposed Corridor Improvements**

- **1.** I-15 Middle Segment  
  Summer 2008
- **2.** I-15 North Segment  
  Fall 2011
- **3.** I-15 South Segment *  
  Fall 2012

* Existing segment currently operates as reversible 2 lane facility
“Temporary Traffic Control System”

- Middle segment open to traffic Summer 2008
- Required for safe operation of combined system
- South Segment under construction 2008 to 2012
- January 2013 “Temporary Traffic Control System” removed

Interstate 15 Temporary Transition from Existing 2-Lane HOV to 4-Lane Managed Lane Facility

- 2N + 2S (AM)
  - HOV Lanes
  - Managed Lanes
- 2N + 2S (PM)
  - HOV Lanes
  - Managed Lanes
## Temporary Traffic Control System
### Estimated Annual Budget
*(FY2009 – FY2013)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Cost</strong></td>
<td>$2,800,000</td>
</tr>
<tr>
<td>(Labor, Equipment, Materials)</td>
<td></td>
</tr>
<tr>
<td><strong>State share (75%)</strong></td>
<td>$2,100,000</td>
</tr>
<tr>
<td><strong>SANDAG’s share (25%)</strong></td>
<td>$ 700,000</td>
</tr>
</tbody>
</table>

### MTS Memorandum of Understanding
- Provides up to $500k per year unless amended
- Amount determined by prior year ending balance
Projected Contributions

- Forecasts based on estimated revenues and costs
- Interim period costs exceed revenues
- Flexible agreements with Caltrans and MTS
- Outlook for FY2013 and beyond

Summary

- Program costs are increasing with system expansion
- Agreements with Caltrans and MTS in accordance with legislation
- Projected revenue and cost estimates
- Status updates
Recommendation

The Transportation Committee is asked to recommend approval to the SANDAG Board of Directors for:

1) The Cooperative Agreement with Caltrans for Moveable Barrier Operations
2) The Memorandum of Understanding with MTS for I-15 transit services

I-15 FasTrak® Status Update & Revenue Contribution

Transportation Committee
January 18, 2008
San Diego International Airport Draft EIR and Transit Planning

SANDAG Transportation Committee
January 18, 2008

Previous Committee Direction

- Undertake comprehensive air-rail network study
- Develop long-term Airport Master Plan (AMP) for SDIA
- Ensure short-term SDIA improvements are consistent with long-term planning
Short-Term Airport Master Plan DEIR

- Ten-gate expansion of Terminal 2
- New 2–4,000 space parking structure near Terminal 2
- Internal circulation improvements
- Site for intermodal center and consolidated rental car facility on north side

Revised Short-Term Airport Master Plan DEIR

Comments Addressed

- Traffic impacts projected to 2030
- Alternative w/o parking structure included
- Transit mode share goal included
- Intermodal center and potential transit improvements referenced
Short-Term Airport Master Plan DEIR

Areas of Further Discussion

• Alternative w/o parking structure does not evaluate parking management & transit mitigations to offset parking loss
• DEIR lacks “plan-to-ground” analysis
• Does not include freeway and transit improvements as mitigation

Short-Term Airport Master Plan DEIR

• On-going discussions with AA staff regarding potential transit projects and FAA funding restrictions
Airport Access:
Airport Transit Committee

- SD Regional Airport Authority
- FAA
- SANDAG
- Metropolitan Transit System
- North County Transit District
- Caltrans
- City of San Diego / Centre City Development Corporation
- Port of San Diego

Airport Transit Plan

**Purpose**
Improve public transit access to SD International Airport

**Proposed Goal**
Increase transit ridership from 1.2% to 4-6% of airport passengers over next 3 - 5 years

**Work Effort**
- Evaluating range of local and regional service options; will prioritize into short, mid, and long range solutions
- Draft transit plan & cost estimates being reviewed
- Will report back on plan details at future TC meeting
1. Airport Master Plan
   - Implementation Plan
   - Land Use Plan
2. Environmental Review Process
3. Key Dates
4. Airport Transit Plan
5. Airport Vision Plan
6. Comments and Questions
1. Airport Master Plan

The Airport Master Plan contains two elements:

1. IMPLEMENTATION PLAN
   • Includes the immediate projects to be designed and constructed
   • Urgently needed improvements to serve the traveling public

2. LAND USE PLAN
   • Designates the future land uses within the airport boundaries
   • Additional environmental analysis will be required for specific projects

Based upon transportation agency comments and direction from the Board in May 2007, analyses of the following alternatives was added to the Draft EIR:

IMPLEMENTATION PLAN
   • Alternative that *does not* include a new parking structure
   • Alternative that *does* include a new parking structure

LAND USE PLAN
   • Alternative that adds an Intermodal Transit Center to the Ground Transportation uses in the North Area
Implementation Plan

PROJECT ELEMENTS – PHASE 1

- Expand existing Terminal 2 West with 10 new jet gates.
- Construct new airport/parking and replacement facilities (ROP) security/parking area.
- Construct new apron and road/traffic areas.
- Construct new conditioned road/traffic and vehicle circulation areas serving Terminal 2.

More Room for Aircraft

Simulation of proposed new gates and other airfield improvements at Terminal 2 West.
Easier Parking, Drop-Off & Check-In
Simulation of proposed parking structure, dual-level roadway & smart curb at Terminal 2 West

Land Use Plan

- Ground Transportation: 30 Acres in North Area
- Transit Corridor
Land Use Plan
- Ground Transportation Uses

Ground Transportation Uses
- Rental Cars
- Transit Center
- Parking

Land Use Plan
- Intermodal Transit Center

Intermodal Transit Center Assumptions
- Single Bus System to Terminals
- Dedicated Transit Corridor
- MTS Buses / Passenger Drop Plaza
- Connection to Trolley Station
- Ticket Kiosks / Luggage Check-In
2. Environmental Review Process

- Detailed, accurate analysis
- Comments received from SANDAG, Caltrans, and MTS requested that the environmental analysis be extended to 2030, to coincide with regional planning in the areas of:
  - Traffic/Circulation
  - Air Quality
  - Noise

### Passenger Growth Volumes With and Without Project

Between 2020 and 2025 without the project, terminal constraints will slow the passenger growth rate. With the project, higher passenger volumes can be utilized through the terminals.

![Graph showing passenger growth volumes with and without project](image)

Source:
3. Key Dates

• 120-Day Agency / Public Review of Draft EIR

• February 4, 2008
  ▪ Comments on Draft EIR due

• March / April 2008
  ▪ Final EIR, incorporating responses to comments

4. Airport Transit Plan

Purpose
Improve public transit access to San Diego International Airport

Proposed Goal
Increase transit ridership from 1.2% to 4-6% of airport passengers over the next 3 to 5 years
Airport Transit Committee

- Airport Authority
- FAA
- SANDAG
- Metropolitan Transit System
- North County Transit District
- Caltrans
- City of San Diego / Centre City Development Corporation
- Port of San Diego

Some Potential Transit Projects

- TRANSIT SERVICE IMPROVEMENTS to Flyer (Route 992) including frequency, driver training and improvements to vehicles and stations.

- MARKETING AND ENHANCED Branding of airport transit options

- NEW TRANSIT SERVICES including:
  - Bus Rapid Transit from Old Town Transit Center
  - “Flyaway” park and ride facilities along I-15 and I-805 corridors with coach bus service to SDIA and remote bag check-in
5. Airport Vision Plan

Purpose
Develop a long-term vision for SDIA that includes airport and ground access improvements to be included in regional transportation plans

Elements
• Ultimate airfield/terminal plans
• Comprehensive road, freeway and transit access improvements

Comments and Questions
Airport Vision Plan

- Airport Authority
- FAA
- SANDAG
- Metropolitan Transit System
- North County Transit District
- Caltrans
- City of San Diego / Centre City Development Corporation
- Port of San Diego
Steps Required Prior to Revenue Service

- All major work complete
- Pre-revenue ops since mid-Dec ‘07
- CPUC approval of platform gangways
- CPUC approval of Safety Certs
- Revenue service to be determined
Work After Revenue Service

- Nordahl Station parking lot complete late January 2008
- Escondido Ave Station EB platform
- Permanent storm water control measures
- Landscaping
- Erosion control work @ Crouch Street Station

Estimate at Completion (EAC)

Settlement Agreement

- Addresses contractor’s “impact damages” from design changes
- Reimbursement for actual damages not to exceed $12.2M with proper documentation
- $4.1M paid to date
Estimate at Completion (EAC)

- EAC remains $477.6M
  - Includes full $15.5M maximum value of settlement agreement
  - Includes $470.6M base cost and $7M contingency
- Project budget: $484.1M
- Total funds available: $484.1M - $470.6M = $13.5M

Summary

Schedule

- CPUC approvals pending
- Operator training staff over the entire line
- Full revenue service pending
Summary

Estimate at Completion

- Continues to be $477.6M
- Largest risk to budget is construction quantities & change order backlog
- NCTD resolving backlog, therefore budget risk decreasing

Status Report

January 18, 2008
** Action Requested: RECOMMEND **

** FY 2009 FEDERAL TRANSPORTATION APPROPRIATIONS PROPOSALS  
File Number 7000900 **

### Introduction

Each year, SANDAG approves a list of transportation projects for funding consideration during the annual federal appropriations process. It is anticipated that the FY 2009 transportation appropriations process will begin early February 2008. In order to provide Members of Congress with SANDAG proposals for this next cycle of funding, the Transportation Committee and the Board of Directors should approve a list of projects in January 2008.

In October 2007, the Transportation Committee approved a set of criteria for any new local project to be included in the SANDAG submittal of federal funding requests to the Congressional delegation, listing proposed project funding requests, which includes prior year submittals, new transit requests, and local projects meeting the approved criteria.

### Discussion

At its October 5, 2007, meeting, the Transportation Committee approved criteria for selecting local transportation projects for consideration in the FY 2009 federal transportation appropriations cycle. A local project must meet all of the three following eligibility criteria before it will be considered for the funding cycle. The intent of the eligibility criteria is to ensure that a proposed project is included in our adopted Regional Transportation Plan (RTP), has at least a minimum commitment of local funding, and can use the requested funding in a timely manner.

#### Eligibility Criteria

1. Project is in the adopted RTP
2. Project has the minimum non-federal match (e.g., 20 percent local/state match)
3. Requested federal funds can be obligated in FY 2009

Based on information submitted to SANDAG using the SANDAG FY 2009 Appropriations form, staff reviewed the projects using the evaluation criteria below. Projects that meet the greater number of the criteria are recommended for inclusion in the comprehensive list of transportation projects for the FY 2009 federal process.
During discussion at the October 5, 2007, meeting, the Transportation Committee approved the addition of two new evaluation criteria proposed by the City Heights Community Development Corporation. The first five listed evaluation criteria are the same as were used in the FY 2008 federal funding process and criteria numbers six and seven are the recently added criteria.

Evaluation Criteria

1. Project is in construction and requires additional funding
2. Project is ready to advertise
3. Project is environmentally cleared
4. Project improves the security and safety in the region
5. Project protects the region's investment in infrastructure, including rolling stock
6. Project will achieve environmental justice objectives
7. Project fulfills a mitigation measure required by a previously approved federal environmental document

For criteria numbers one and two, the federal FY 2009 timeframe (October 1, 2008, to September 30, 2009) was used to determine whether a project was in construction or ready to advertise. A project met criterion number three, if it demonstrated that it had its National Environmental Policy Act (NEPA) environmental clearance at time of submission.

A project was considered to meet criterion number four, if it demonstrated that it improved traffic, bicycling, or pedestrian safety and security. A project met criterion number five if it helped protect the region's investment in infrastructure, including rolling stock. All of the projects met criteria numbers four and five.

For criterion number six, environmental justice objectives were measured by taking a half-mile radius around each project and comparing income and race of each project area to the rest of the region. Areas that provided increased accessibility to minorities and to persons with income below the region's median income were given half a point for each, respectively. A project met criterion number seven if it demonstrated that it fulfilled a mitigation measure from a previous improvement project; no projects met this criterion.

New Project Proposals

Eighteen project proposals were received from the Centre City Development Corporation (CCDC), the Cities of Chula Vista, Coronado, Escondido, Lemon Grove, National City, San Diego, Santee, Vista, and the County of San Diego. Attachment 2 lists the local project proposals that were submitted and their evaluation against the approved criteria.

Staff recommends selecting projects that meet four or more of the evaluation criteria for inclusion in the FY 2009 federal transportation appropriations process. The eight projects meeting all of the eligibility criteria and four or more of the evaluation criteria are shown below:
<table>
<thead>
<tr>
<th>Project</th>
<th>Amount Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harbor Drive Pedestrian Bridge (CCDC)</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>North Broadway Basin (Chula Vista)</td>
<td>$2.2 million</td>
</tr>
<tr>
<td>Bear Valley Parkway (Escondido)</td>
<td>$3.8 million</td>
</tr>
<tr>
<td>Nordahl Road (Escondido)</td>
<td>$2.5 million</td>
</tr>
<tr>
<td>Plaza Boulevard Widening (National City)</td>
<td>$20.0 million</td>
</tr>
<tr>
<td>La Jolla Village Drive/ Interstate 805 (City of San Diego)</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>State Route 163/Clairemont Mesa Boulevard (City of San Diego)</td>
<td>$8.0 million</td>
</tr>
<tr>
<td>West Vista Way (Vista)</td>
<td>$2.0 million</td>
</tr>
</tbody>
</table>

With the addition of these new projects, the proposed list of FY 2009 federal funding requests for the San Diego region totals $172 million.

In light of the many competing needs that Congress is currently facing, it is likely that the funding levels for discretionary projects will be limited. In FY 2008, the region’s list of federal funding requests totaled $186 million, and the region received $3.9 million as part of the FY 2008 federal omnibus legislation. All FY 2009 federal appropriations requests also will be subject to the new disclosure rules as set forth by the 110th Congress.

**Next Steps**

Following Board approval of project proposals, staff will initiate the necessary steps to participate in the federal appropriations process, including scheduling SANDAG and transit agency staff meetings in February and March with members of the Congressional delegation, and submittal of the appropriation request forms.

For next year’s process, staff recommends that the Transportation Committee consider making one of the evaluation criteria, federal environmental clearance, as an eligibility criterion. This is because all federally funded projects must have NEPA clearance; and this environmental clearance is a key factor in the ability of a project to be able to obligate the federal funding in a timely manner.

KIM KAWADA
Policy and Legislative Affairs Program Manager

Attachments: 1. Proposed FY 2009 Federal Transportation Appropriations
2. Matrix Ranking New Projects Proposed for FY 2009 Funding

Key Staff Contact: Victoria Stackwick, (619) 699-6926, vst@sandag.org
## Proposed Project Funding Requests
### For FY 2009 Federal Transportation Appropriations

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Project Name</th>
<th>Existing or New Request</th>
<th>Prior Federal Discretionary Funds</th>
<th>Funding Request ($millions)</th>
<th>Federal Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>State Route (SR) 76-Melrose Drive to Interstate 15 (I-15)</td>
<td>Existing</td>
<td>Yes</td>
<td>$9.0</td>
<td>Highway</td>
</tr>
<tr>
<td>B</td>
<td>San Luis Rey Transit Center</td>
<td>Existing</td>
<td>Yes</td>
<td>$3.1</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>C</td>
<td>Transit First Priority Measures</td>
<td>Existing</td>
<td>Yes</td>
<td>$3.0</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>D</td>
<td>I-5/SR 78 Interchange Improvements</td>
<td>Existing</td>
<td>Yes</td>
<td>$0.5</td>
<td>Highway</td>
</tr>
<tr>
<td>E</td>
<td>LOSSAN Rail/Intermodal Improvements</td>
<td>Existing</td>
<td>Yes</td>
<td>$3.0</td>
<td>Transit-New Starts</td>
</tr>
<tr>
<td>F</td>
<td>North Coast I-5</td>
<td>Existing</td>
<td>Yes</td>
<td>$10.0</td>
<td>Highway</td>
</tr>
<tr>
<td>G</td>
<td>I-15 Managed Lanes</td>
<td>Existing</td>
<td>Yes</td>
<td>$10.0</td>
<td>Highway and Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>H</td>
<td>I-805 Managed Lanes</td>
<td>Existing</td>
<td>No</td>
<td>$10.0</td>
<td>Highway</td>
</tr>
<tr>
<td>I</td>
<td>SR 52 East/West Improvements</td>
<td>Existing</td>
<td>Yes</td>
<td>$5.0</td>
<td>Highway</td>
</tr>
<tr>
<td>J</td>
<td>Mid-Coast Light Rail Trolley Extension</td>
<td>Existing</td>
<td>Yes</td>
<td>$4.0</td>
<td>Transit-New Starts</td>
</tr>
<tr>
<td>K</td>
<td>I-5/I-8 Connector</td>
<td>Existing</td>
<td>Yes</td>
<td>$2.0</td>
<td>Highway</td>
</tr>
<tr>
<td>L</td>
<td>East County Bus Maintenance Facility</td>
<td>Existing</td>
<td>Yes</td>
<td>$10.0</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>M</td>
<td>San Diego Joint Transportation Operations Center</td>
<td>Existing</td>
<td>Yes</td>
<td>$1.0</td>
<td>Intelligent Transportation Systems</td>
</tr>
<tr>
<td>N</td>
<td>SR 905</td>
<td>Existing</td>
<td>Yes</td>
<td>$10.0</td>
<td>Highway</td>
</tr>
<tr>
<td>O</td>
<td>SR 11 and East Otay Mesa Port of Entry (POE)</td>
<td>Existing</td>
<td>Yes</td>
<td>$10.0</td>
<td>Highway</td>
</tr>
<tr>
<td>P</td>
<td>Otay Mesa POE Truck Lane Improvements</td>
<td>Existing</td>
<td>Yes</td>
<td>$9.0</td>
<td>Highway</td>
</tr>
<tr>
<td>Q</td>
<td>Regional Bus Replacement Vehicles</td>
<td>Existing</td>
<td>Yes</td>
<td>$18.0</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>R</td>
<td>Regional Grade Separation Program</td>
<td>Existing</td>
<td>Yes</td>
<td>$3.0</td>
<td>Highway</td>
</tr>
<tr>
<td>S</td>
<td>Blue Line Station Shelter Improvements</td>
<td>Existing</td>
<td>No</td>
<td>$2.25</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>T</td>
<td>Command and Control Infrastructure</td>
<td>Existing</td>
<td>No</td>
<td>$5.0</td>
<td>Transit-Bus and Bus Related; Homeland Security</td>
</tr>
<tr>
<td>U</td>
<td>Solana Beach Transit Center</td>
<td>Existing</td>
<td>Yes</td>
<td>$2.0</td>
<td>Transit-Bus and Bus Related</td>
</tr>
<tr>
<td>V</td>
<td>Harbor Drive Pedestrian Bridge</td>
<td>Existing</td>
<td>Yes</td>
<td>$2.0</td>
<td>Transportation and Community System Preservation</td>
</tr>
<tr>
<td>W</td>
<td>North Broadway Basin</td>
<td>New</td>
<td>No</td>
<td>$2.2</td>
<td>Highway</td>
</tr>
<tr>
<td>X</td>
<td>Bear Valley Parkway</td>
<td>New</td>
<td>Yes</td>
<td>$3.8</td>
<td>Highway</td>
</tr>
<tr>
<td>Y</td>
<td>Nordahl Road</td>
<td>New</td>
<td>Yes</td>
<td>$2.5</td>
<td>Highway</td>
</tr>
<tr>
<td>Z</td>
<td>Plaza Boulevard Widening</td>
<td>Existing</td>
<td>No</td>
<td>$20.0</td>
<td>Highway</td>
</tr>
<tr>
<td>AA</td>
<td>La Jolla Village Drive/I-805 Interchange</td>
<td>Existing</td>
<td>No</td>
<td>$2.0</td>
<td>Highway</td>
</tr>
<tr>
<td>BB</td>
<td>SR 163/Clairemont Mesa Boulevard Interchange Phase II</td>
<td>Existing</td>
<td>No</td>
<td>$8.0</td>
<td>Highway</td>
</tr>
<tr>
<td>CC</td>
<td>West Vista Way</td>
<td>Existing</td>
<td>Yes</td>
<td>$2.0</td>
<td>Highway</td>
</tr>
</tbody>
</table>

**Total FY 2009 Requests** $172.35
<table>
<thead>
<tr>
<th>Project Description</th>
<th>Agency Submitted</th>
<th>Request</th>
<th>In RTP</th>
<th>Project has minimum non-federal match</th>
<th>Funds can be obligated in FY 09</th>
<th>Projects in construction and require additional funding</th>
<th>Project is ready to advertise</th>
<th>Projects that are environmentally cleared</th>
<th>Project improves security and safety</th>
<th>Projects that protect the region’s investment in infrastructure, including rolling stock</th>
<th>Project Achieves Environmental Justice</th>
<th>Minority Status</th>
<th>Income</th>
<th>Includes mitigation measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Harbor Island Pedestrian Bridge</td>
<td>CCDC ¹</td>
<td>$2.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>2 West Vista Way</td>
<td>Vista</td>
<td>$2.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>3 Bear Valley Parkway</td>
<td>Escondido</td>
<td>$3.8</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>4 La Jolla Village/ Interstate 805</td>
<td>City of San Diego</td>
<td>$2.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>5 Nordahl Road</td>
<td>Escondido</td>
<td>$2.5</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>6 North Broadway Basin</td>
<td>Chula Vista</td>
<td>$2.2</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>7 Plaza Boulevard/ I-805</td>
<td>National City</td>
<td>$20.0</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>8 State Route (SR) 163/ Clairemont Mesa Boulevard</td>
<td>City of San Diego</td>
<td>$8.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>9 I-5/SR 56</td>
<td>City of San Diego</td>
<td>$5.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>10 Rancho Santa Fe Roundabouts</td>
<td>County of San Diego</td>
<td>$4.8</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>11 East Vista Way</td>
<td>Vista</td>
<td>$1.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>12 Realignment Project</td>
<td>Lemon Grove</td>
<td>$6.8</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No (CEQA only)²</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

¹ Centre City Development Corporation
² California Environmental Quality Act
<table>
<thead>
<tr>
<th>Project Description</th>
<th>Agency Submitted</th>
<th>Request</th>
<th>In RTP</th>
<th>Project has minimum non-federal match</th>
<th>Funds can be obligated in FY 09</th>
<th>Projects in construction and require additional funding</th>
<th>Project is ready to advertise</th>
<th>Projects that are environmentally cleared</th>
<th>Project improves security and safety</th>
<th>Projects that protect the region’s investment in infrastructure, including rolling stock</th>
<th>Project Achieves Environmental Justice</th>
<th>Minority Status</th>
<th>Income</th>
<th>Includes mitigation measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 South Santa Fe Avenue</td>
<td>County of San Diego</td>
<td>$54.4</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>14 Bradley Avenue/SR 67</td>
<td>County of San Diego</td>
<td>$25.8</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>15 Citracado Parkway</td>
<td>Escondido</td>
<td>$1.5</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>16 Genesee Avenue/I-5</td>
<td>City of San Diego</td>
<td>$3.0</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>N/A*</td>
<td>N/A*</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>17 SR 75/SR 282</td>
<td>Coronado</td>
<td>$1.5</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>18 Forester Creek</td>
<td>Santee</td>
<td>$4.5</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

* Figures not available, as all population in project area is located within group quarters (dormitories).