Board of Directors

Friday, September 14, 2012
10 a.m. to 12 noon
SANDAG Board Room
401 B Street, 7th Floor
San Diego

AGENDA HIGHLIGHTS

• TransNet SUBSTITUTION OF COMMERCIAL PAPER LINE OF CREDIT PROVIDER

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MESSAGE FROM THE CLERK

In compliance with Government Code §54952.3, the Clerk hereby announces that the compensation for legislative body members attending the following simultaneous or serial meetings is: Executive Committee (EC) $100, Board of Directors (BOD) $150, and Regional Transportation Commission (RTC) $100. Compensation rates for the EC and BOD are set pursuant to the SANDAG Bylaws and the compensation rate for the RTC is set pursuant to state law.

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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.
Welcome to SANDAG. Members of the public may speak to the Board of Directors on any item at the time the Board is considering the item. Please complete a Speaker’s Slip, which is located in the rear of the room, and then present the slip to the Clerk of the Board seated at the front table. Members of the public may address the Board on any issue under the agenda item entitled Public Comments/Communications/Member Comments. Public speakers are limited to three minutes or less per person. The Board of Directors may take action on any item appearing on the agenda.

This agenda and related staff reports can be accessed at www.sandag.org under Meetings. Public comments regarding the agenda can be forwarded to SANDAG via the e-mail comment form available on the Web site. E-mail comments should be received no later than 12 noon, two working days prior to the Board of Directors meeting. Any handouts, presentations, or other materials from the public intended for distribution at the Board of Directors meeting should be received by the Clerk of the Board no later than 12 noon, two working days prior to the meeting.

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ITEM # | RECOMMENDATION
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1. | **PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS**

Public comments under this agenda item will be limited to five public speakers. Members of the public shall have the opportunity to address the Board on any issue within the jurisdiction of SANDAG that is not on this agenda. Other public comments will be heard during the items under the heading “Reports.” Anyone desiring to speak shall reserve time by completing a “Request to Speak” form and giving it to the Clerk of the Board prior to speaking. Public speakers should notify the Clerk of the Board if they have a handout for distribution to Board members. Public speakers are limited to three minutes or less per person. Board members also may provide information and announcements under this agenda item.

**REPORTS (2)**

+2. | **TransNet SUBSTITUTION OF COMMERCIAL PAPER LINE OF CREDIT PROVIDER (André Douzdjian)**

SANDAG has an existing commercial paper program supported with a line of credit with Bank of America, N.A., which is scheduled to expire on September 27, 2012. The purpose of this report is to provide information to the Board of Directors with respect to replacing the current line of credit agreement to enter into a Direct-Pay Letter of Credit Facility with a new provider in support of the SANDAG Commercial Paper program.

3. | **CONTINUED PUBLIC COMMENTS**

If the five speaker limit for public comments was exceeded at the beginning of this agenda, other public comments will be taken at this time. Subjects of previous agenda items may not again be addressed under public comment.

4. | **UPCOMING MEETINGS**

The next Board Business meeting is scheduled for Friday, September 28, 2012, at 9 a.m.

5. | **ADJOURNMENT**

+ next to an agenda item indicates an attachment
* next to an agenda item indicates a San Diego County Regional Transportation Commission item
TransNet SUBSTITUTION OF COMMERCIAL PAPER
LINE OF CREDIT PROVIDER

Introduction

SANDAG has an existing commercial paper (CP) program that is secured by the existing sales tax revenues on a subordinate basis to SANDAG senior lien obligations. The maximum authorized amount of the CP Program is $100 million, of which $34 million is outstanding. The existing CP Program is currently supported with a Line of Credit Agreement with Bank of America, N.A., which is scheduled to expire on September 27, 2012. The purpose of this report is to provide information to the Board of Directors with respect to replacing Bank of America, N.A. as the underlying liquidity facility provider for the CP program. This does not involve any new borrowing.

Discussion

CP is a short-term security with a maximum maturity of up to 270 days. Typically, CP is remarketed to investors with periodic maturities occurring every 30 to 180 days, depending on market conditions. CP requires liquidity from a third-party bank, or liquidity provider, which basically serves as a line of credit to make funds available if the CP dealer is unable to find new buyers for the CP as it matures. Because it is a short-term security, CP only requires short-term ratings from the rating agencies.

In June 2012, Moody’s downgraded Bank of America, N.A.’s short-term credit ratings by one notch from “P-1” to “P-2.” While the downgrade did not immediately lead to a severe increase in interest rates for the SANDAG CP program, it has precluded some investors from purchasing SANDAG CP based upon the lower short-term ratings of Bank of America, N.A. A reduced investor base may eventually lead to increased rates and costs for the SANDAG CP program. Staff continually monitors current events that could potentially impact the trading performance of the SANDAG debt portfolio and as a result, began taking steps in June to replace the Bank of America, N.A. liquidity facility. SANDAG is looking to replace Bank of America, N.A. with a bank that has higher ratings to maintain the First Tier Money Market fund eligibility of SANDAG CP notes for investors.1

1 A First Tier security is defined by the Securities and Exchange Commission (SEC) Rule 2a-7 as a security that has one of the two highest short-term ratings by at least two of the rating agencies (i.e., A-1+ or A-1 by Standard & Poor’s, F-1+ or F-1 by Fitch, and P-1 by Moody’s). When Moody’s dropped Bank of America, N.A.’s short-term rating to P-2, many securities supported by Bank of America, N.A. (including SANDAG CP notes) were in jeopardy of losing their First Tier status. SEC Rule 2a-7 generally has no limit on the amount of First Tier securities that a money market fund can hold; however, it does limit the amount of Tier-2 securities that a fund can hold to 3 percent. A great deal of investor capacity is lost when the Tier-1 status is lost on a security. With limited investor capacity, typically increased rates follow.
At its July 27, 2012, meeting, the Board of Directors received an informational update on the SANDAG debt portfolio and was informed of staff’s intent to replace the Bank of America, N.A. liquidity facility. SANDAG issued a Request for Qualifications (RFQ) for Substitution of Letter of Credit Provider for the $100 million CP program on July 13, 2012. In the RFQ, SANDAG requested a Direct-Pay Letter of Credit Agreement as opposed to a Line of Credit, which is generally preferred by investors and does not increase costs for SANDAG. In addition, SANDAG is reducing the CP Program down to $75 million from $100 million based on anticipated financing needs. The reduced size will provide annual savings to SANDAG in liquidity fees.

SANDAG received a total of five proposals in response to the RFQ. The responses were evaluated with respect to pricing and terms. In addition, we reviewed the credit ratings of the banks to make sure that they were accepted by the funds and investors that typically purchase SANDAG CP, and that the CP backed by these liquidity providers trade well in the market. As a result, the evaluation committee unanimously selected Union Bank, N.A. for a term of three years at 40 basis points.

As part of entering into a new liquidity arrangement, the SANDAG financing team provided documents to both credit rating agencies, Standard & Poor’s and Moody’s, on August 22, 2012. As noted previously, the CP program only requires short-term ratings. SANDAG expects to receive the short-term ratings from both rating agencies during the week of September 10-14, 2012.

**Board Member Responsibilities**

The 2012 bond documents approved by the Board of Directors were structured so that SANDAG could act quickly to minimize risks and costs to the program should events occur that warranted expediency. As such, the Executive Director was delegated the authority to take certain actions including substituting liquidity providers. However, the Board, in its role as the San Diego County Regional Transportation Commission, is asked to review the new bank agreement and disclosure document to become familiar with their contents. Attached to this report are the Draft Reimbursement Agreement for the 2012 CP program with Union Bank, N.A. (Attachment 1) and the Draft Offering Memorandum for the CP program (Attachment 2).

The Draft Offering Memorandum, which is the disclosure document, is very similar to those reviewed and approved by the Board for the 2012 bond issuance and the issuance of the CP in 2011. It has been updated with current information regarding the new Letter of Credit provider, SANDAG, and sales tax. Board members should pay particular attention to the information contained in the Offering Memorandum to ensure there are no inaccuracies concerning SANDAG. Board members also should ensure that to the best of their knowledge all of the factual statements are true and correct in all material respects and that the information in the Draft Offering Memorandum does not contain any untrue or misleading statement of a material fact or omit to state any material fact that would make the information in any of the documents regarding SANDAG misleading.

Board members will be provided information summarizing the contents of the documents during the meeting. Board members will then have the opportunity to ask questions about the documents and transaction and point out any inaccuracies or misleading information they believe may be contained in the documentation.

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2 A Direct-Pay Letter of Credit guarantees the principal and interest repayment on the CP and provides liquidity for a put or failed remarketing. A Line of Credit only provides liquidity for a failed remarketing and does not provide a principal and interest guarantee.
When carrying out their fiduciary responsibilities, public officials may rely upon employees, bond counsel, disclosure counsel, and other professionals to assure that they are in compliance with the antifraud provisions of the federal securities laws, as long as the reliance is reasonable. In order for the reliance to be considered reasonable, the public official must (1) make complete disclosure to the appropriate professional of any potentially material mistake or omission in the documents; (2) request the professional’s advice as to what disclosure is proper; (3) receive advice regarding the appropriate disclosure; and (4) rely in good faith on that advice.

SANDAG Bond Counsel (Orrick, Herrington & Sutcliffe LLP), Disclosure Counsel (Fulbright & Jaworski LLP) and Financial Advisor (Public Financial Management) will be present to give the Board information regarding proper disclosure. The Chief Deputy Executive Director (Renée Wasmund), TransNet and Legislative Affairs Program Director (Kim Kawada), Director of Finance (André Douzdjian), Chief Economist (Marney Cox), and General Counsel (John Kirk) have all reviewed the draft documents, and to the best of the staff’s knowledge, all of the factual statements are true and correct in all material respects, and the information does not contain any untrue or misleading statement of a material fact or omit to state any material fact that would make the information in those documents regarding SANDAG misleading. Additionally, SANDAG Bond Counsel (Orrick, Herrington & Sutcliffe LLP) has reviewed and provided input to the disclosure documents and has represented SANDAG in negotiating key terms and conditions in the Reimbursement Agreement. SANDAG continues to comply with all continuing disclosure requirements.

Next Steps

Following is the anticipated schedule:

- Week of September 10-12, 2012 – notification of short-term credit ratings for the CP program
- September 12, 2012 – post/distribute offering memorandum for marketing purposes
- September 19, 2012 – deliver new Line of Credit to Trustee, remarket CP under new Line of Credit, closing date

GARY L. GALLEGOS
Executive Director

Attachments: 1. Draft Reimbursement Agreement
              2. Draft Offering Memorandum

Key Staff Contacts: Andre Douzdjian, (619) 699-6931, Andre Douzdjian@sandag.org
                   Kim Kawada, (619) 699-6994, Kim Kawada@sandag.org
REIMBURSEMENT AGREEMENT

by and between

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

and

UNION BANK, N.A.

Relating to:

$75,000,000
SUBORDINATE SALES TAX REVENUE COMMERCIAL PAPER NOTES
(LIMITED TAX BONDS), SERIES B

Dated as of September 1, 2012
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**APPENDIX I** — Form of Irrevocable Transferable Direct-Pay Letter of Credit

**APPENDIX II** — Form of Notice of No Issuance

**APPENDIX III** — Form of Bank Note

**APPENDIX IV** — Form of Request For Extension
REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT, dated as of September 1, 2012 (together with any amendments or supplements hereto, this “Agreement”), is made by and between the SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION (the “Commission”) and UNION BANK, N.A., and its successors and assigns (the “Bank”).

WITNESSETH:

A. Pursuant to that certain Amended and Restated Subordinate Indenture dated as of November 1, 2005 (the “A&R Indenture”), as supplemented and amended by that certain First Supplement to the Amended and Restated Subordinate Indenture dated as of March 27, 2008 (the “First Supplement to Indenture”), and as further supplemented and amended by that certain Second Supplement to the Amended and Restated Subordinate Indenture dated as of October 1, 2010 (the “Second Supplement to Indenture” and, together with the A&R Indenture and the First Supplemental to Indenture, the “Indenture”), each between the Commission and U.S. Bank National Association, as Trustee (the “Trustee”), the Commission has authorized the issuance of its Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series B (the “Commercial Paper Notes”).

B. The Commission has requested the Bank to issue the Letter of Credit (as herein defined) for the payment by the Issuing and Paying Agent, when and as due, of the principal of and interest on the Commercial Paper Notes on their respective maturity dates. The Bank is willing to make available the Letter of Credit to the Commission, subject to the terms and conditions of this Agreement.

C. The Commercial Paper Notes, the Bank Note and all other amounts payable hereunder by the Commission to the Bank are secured as more specifically provided in Section 5.01 of the Indenture (as hereafter defined).

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement:

“A&R Indenture” has the meaning set forth in the recitals hereof.

“Advance” has the meaning set forth in Section 2.03(a)(i) hereof.

“Agreement” means this Reimbursement Agreement, as amended and supplemented pursuant to the terms hereof.
“Alternate Facility” has the meaning set forth in the Indenture.

“Amortization End Date” means, with respect to any Advance, the earliest to occur of: (i) the fifth (5th) anniversary of the date on which the related Advance was made, (ii) the date on which an Alternate Facility becomes effective in substitution of the Letter of Credit with respect to the Commercial Paper Notes, (iii) the date on which the Stated Amount is permanently reduced to zero or the Letter of Credit is otherwise terminated in accordance with its terms (other than as a result of the Letter of Credit terminating on the Letter of Credit Expiration Date), including as a result of the occurrence of an Event of Default, (iv) the end of the term of the commercial paper program in respect of the Commercial Paper Notes as determined in accordance with the Indenture and Issuing and Paying Agent Agreement, and (v) the date on which the Sales Tax expires.

“Authorized Officer” means the Commission’s executive director or chief financial officer.

“Bank” has the meaning set forth in the introductory paragraph hereof.

“Bank Agreement” means any credit agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement, direct purchase agreement, bond purchase agreement, or other agreement or instrument (or any amendment, supplement or other modification thereof) under which, directly or indirectly, any Person or Persons (each a “Provider”) undertake(s) to make or provide funds to make payment of, or to purchase or provide liquidity support or credit enhancement for bonds or notes of the Commission secured by or payable from Sales Tax Revenues or Revenues.

“Bank Note” has the meaning set forth in Section 2.03(d) hereof.

“Bank Rate” means the rate of interest per annum with respect to an Advance: (a) for any day commencing on the date such Advance is made to and including the 180th day next succeeding the date such Advance is made, equal to the Base Rate and (b) for any day commencing on the 181st day next succeeding the date such Advance is made and thereafter, equal to the sum of the Base Rate from time to time in effect plus one percent (1.00%); provided, however, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, “Bank Rate” shall mean the Default Rate; and provided further that, at no time shall the Bank Rate be less than the applicable rate of interest on any outstanding Commercial Paper Notes.

“Bank’s Counsel” has the meaning set forth in Section 4.01 hereof.

“Base Rate” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (a) the Reference Rate in effect at such time plus one percent (1.00%), (b) the Federal Funds Rate in effect at such time plus two percent (2.00%) and (c) seven percent (7.00%). Each determination of the Base Rate by the Bank shall be conclusive and binding on the Commission absent manifest error.
“Board of Equalization Agreement” means that certain Agreement for State Administration of Commission Transactions and Use Taxes dated April 1, 2008 between the Commission and the State Board of Equalization, together with that certain Letter of Instructions from the Director of Finance of the Commission to the State Board of Equalization dated March 27, 2008, as supplemented and amended from time to time in accordance with the terms hereof.

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP, or any other law firm(s) having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds and which is reasonably acceptable to the Commission.

“Bond Indenture” has the meaning set forth in the Indenture.

“Bond Indentures” means the Indenture, the Bond Indenture, any Supplemental Bond Indenture or Supplemental Indenture authorizing Debt of the Commission which is secured by Sales Tax Revenues (including Revenues).

“Bonds” has the meaning set forth in the Indenture.

“Budget” means the annual budget of the Commission, including without limitation, the capital budget of the Commission.

“Business Day” has the meaning set forth in the Indenture.

“Change of Law” means the adoption, promulgation or implementation, after the Closing Date, of, or any change, after the Closing Date, in, any law, rule, treaty, regulation, statute, policy, guideline, directive or Risk-Based Capital Guidelines, or any change, after the Closing Date, in the enforcement, interpretation, implementation or administration thereof, as the case may be, by any court, central bank or other administrative or Governmental Authority or comparable agency charged with the interpretation, promulgation or administration thereof (in each case whether or not having the force of law), or compliance by the Bank, its Parent or any Participant or Assignee with any request or directive of any such court, central bank or other administrative or Governmental Authority or comparable agency charged with the interpretation, promulgation or administration thereof (in each case whether or not having the force of law) or the occurrence of the effective date of any of the foregoing if adopted prior to the Closing Date or any change after the Closing Date in the application, interpretation, promulgation or enforcement of any of the foregoing.

“Closing Date” means the date on which the Letter of Credit is issued.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and all rules and regulations from time to time promulgated thereunder.

“Commercial Paper Notes” has the meaning set forth in the recitals hereof.

“Commission” has the meaning set forth in the introductory paragraph to this Agreement.
“Dealer” has the meaning set forth in the Indenture.

“Dealer Agreement” has the meaning set forth in the Indenture.

“Debt” of any Person means, without duplication, (i) all obligations of such Person evidenced by bonds, debentures, notes, securities or other similar instruments, (ii) all obligations of such Person for borrowed money, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) obligations of such Person as lessee under any lease of property, real or personal, that, in accordance with GAAP, would be required to be capitalized on a balance sheet of the lessee thereof, (v) obligations of such Person to reimburse or repay any bank or other Person in respect of amounts paid or advanced under a letter of credit, credit agreement, liquidity facility or other instrument, (vi) all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities or property or obligations for the deferred purchase price of property or services (other than trade accounts payable occurring in the ordinary course of business), (vii) any obligation of such Person guaranteeing or in effect guaranteeing any other Debt, whether directly or indirectly and (viii) all obligations arising under or pursuant to any Swap Contract.

“Default” means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“Default Rate” means a fluctuating interest rate per annum equal to the sum of the Base Rate from time to time in effect plus 3.00%.

“Drawing” means a draw made under and subject to the conditions set forth in the Letter of Credit.

“DTC” means The Depository Trust Company and any successor or replacement thereto as securities depository.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and all rules and regulations from time to time promulgated thereunder, or any successor statute.

“Event of Default” has the meaning set forth in Section 7.01 hereof.

“Excess Interest” has the meaning set forth in Section 2.15 hereof.

“Existing Swap Contracts” means, collectively: (i) that certain ISDA Master Agreement, dated as of November 22, 2005, between Bank of America, N.A. (“BANA”) 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 as amended and restated as of May 23, 2012 between BANA and the Commission; (ii) that certain 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 as supplemented by the confirmation relating to the partial termination of the transaction entered into on May 23, 2012 between Goldman and the Commission; (iii) that certain ISDA Master Agreement, dated as of August 23, 2011, between BANA and the Commission, entered into in accordance with the Novation Agreement, dated as of August 17, 2011 between Merrill Lynch Capital Services, Inc. ("MLCS") and BANA, with terms identical to the terms of that certain ISDA Master Agreement, dated as of November 22, 2005, between MLCS and the Commission, as supplemented by the Schedule, dated as of November 22, 2005, as modified by the terms set forth in that certain letter, dated August 17, 2011, from BANA and MLCS to the Commission, and the confirmation of a transaction entered into on November 22, 2005 between MLCS and the Commission, as amended and restated, and transferred from MLCS to BANA, as of May 23, 2012; (iv) that certain ISDA Master Agreement, dated as of March 19, 2009, between Barclays Bank PLC ("Barclays") and the Commission; (v) that certain Schedule to ISDA Master Agreement, dated as of March 19, 2009, between Barclays and the Commission; (vi) that certain ISDA Credit Support Annex to Schedule, dated as of March 19, 2009, between Barclays and the Commission; and (vii) the Confirmations, dated as of March 19, 2009, between the Commission and Barclays.

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum as determined by the Bank at which overnight Federal funds are offered to the Bank for such day by major banks in the interbank market, with any change in such rate to become effective as to the Commission on the date of any change in such rate. Each determination of the Federal Funds Rate by the Bank shall be conclusive and binding on the Commission absent manifest error, provided that if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the preceding Business Day as so published on the next succeeding Business Day.

"Fee Letter" means that certain Fee Letter dated the Closing Date, between the Commission and the Bank, as the same may be amended and supplemented from time to time.

"Final Drawing Notice" has the meaning set forth in the Letter of Credit.

"Fiscal Year" means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year.

"First Supplement to Indenture" has the meaning set forth in the recitals hereof.

"GAAP" means generally accepted accounting principles in the United States as in effect from time to time, applied by the Commission on a basis consistent with the Commission’s most recent financial statements furnished to the Bank dated as of ________, 20__.

"Governmental Authority" means any national, supranational, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasigovernmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, department, commission, bureau, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of
or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

“Indenture” means the A&R Indenture, as supplemented and amended in accordance with its terms and the terms hereof, including without limitation, as supplemented and amended by the First Supplement to Indenture and the Second Supplement to Indenture.

“Interest Payment Date” means the first Business Day of each calendar month.

“Investment Grade” means a rating of “Baa3” (or its equivalent) or better by Moody’s and “BBB-” (or its equivalent) or better by S&P.

“Issuing and Paying Agent” means U.S. Bank National Association (formerly U.S. Bank Trust National Association), as Issuing and Paying Agent under the Issuing and Paying Agent Agreement, or any successor in such capacity.

“Issuing and Paying Agent Agreement” means that certain Amended and Restated Issuing and Paying Agent Agreement dated as of November 1, 2005, as amended and supplemented to date, between the Commission and the Issuing and Paying Agent, as the same may from time to time be amended or supplemented in accordance with the terms hereof and thereof.

“Law” has the meaning set forth in the Indenture.

“Letter of Credit” means the irrevocable transferable direct-pay letter of credit issued by the Bank for the account of the Commission in favor of the Issuing and Paying Agent supporting the Commercial Paper Notes, in the form of Appendix I hereto with appropriate insertions, as from time to time amended and supplemented pursuant to its terms.

“Letter of Credit Expiration Date” means September 18, 2015, the date set forth in the Letter of Credit as the date on which the Letter of Credit is stated to expire, as the same may be extended pursuant to Section 2.12 hereof.

“Letter of Credit Fees” has the meaning set forth in the Fee Letter.

“Lien” on any asset means any mortgage, deed of trust, lien, pledge, charge, security interest, hypothecation, assignment, deposit arrangement or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or effective under applicable law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital or finance lease or other title retention agreement relating to such asset.

“Material Adverse Change” or “Material Adverse Effect” means the occurrence of any event or change which causes or results in a material and adverse change in the business, condition (financial or otherwise) or operations of the Commission or any event that causes or results in a material adverse change in or a material adverse effect on (A) the validity or enforceability of any Payment and Collateral Obligation, (B) the validity, enforceability or
perfection of the pledge of and lien on the Revenues under the Indenture or hereunder, (C) the Commission’s ability or obligation to make payments of principal or interest on any Senior Lien Debt, the Commercial Paper Notes, the Bank Note, any Drawing, any Advance or the payment of the Obligations or on the pledge of and lien on Revenues securing the payments of principal or interest on the Commercial Paper Notes or the payment of the Obligations, (D) any of the rights, security, interest or remedies available to the Bank under this Agreement or any other Related Documents or the Law or the Ordinance.

“Material Event Notice” means any material event notice disseminated, distributed or provided by the Commission in satisfaction of or as may be required pursuant to Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal requirement during any period of time the Commission is subject to any continuing disclosure undertaking or requirements relating thereto.

“Maximum CP Rate” means the lesser of (i) twelve percent (12%) per annum and (ii) the maximum non-usurious lawful rate of interest permitted by applicable law.

“Maximum Rate” means the lesser of (i) twelve percent (12%) per annum and (ii) the maximum non-usurious lawful rate of interest permitted by applicable law.

“Moody’s” means Moody’s Investors Service, Inc., and any successor rating agency.

“Notes” means the Commercial Paper Notes and the Bank Note.

“Notice of No Issuance” means the written instruction, in the form attached as Appendix II hereto, given by the Bank to the Commission and the Issuing and Paying Agent pursuant to Section 3.02 hereof or Section 7.02(b) hereof.

“Obligations” means the Reimbursement Obligations (which includes amounts owing to the Bank evidenced by the Bank Note), the Letter of Credit Fees, the obligations of the Commission to pay all fees, charges and expenses payable hereunder, under the Fee Letter and under the Bank Note, and all other payment obligations of the Commission owed to the Bank under this Agreement, the Fee Letter and the Bank Note.

“Offering Memorandum” means (i) the Offering Memorandum of the Commission with respect to the Commercial Paper Notes currently in effect and in use for marketing the Commercial Paper Notes, and (ii) each other document used by the Commission in offering the Commercial Paper Notes.

“Ordinance” has the meaning set forth in the Indenture.

“Original Stated Amount” has the meaning set forth in Section 2.01 hereof.

“Outstanding” has the meaning set forth in the Indenture.

“Participant” has the meaning set forth in Section 8.03(b) hereof.
“Parity Debt” has the meaning set forth in the Indenture.

“Payment and Collateral Obligation” means any provision of this Agreement, the Bank Note, any Advance, any Commercial Paper Note, the Indenture, the Bond Indentures, the Issuing and Paying Agent Agreement, the Law or the Ordinance relating to the Commission’s obligation to make payments of the principal or interest on the Commercial Paper Notes or the payment of the Bank Note or any Advance or the pledge of and lien on the Revenues to secure the payment of principal and interest on the Commercial Paper Notes, the Bank Note and the Advances.

“Payment Office” means Union Bank, N.A., ABA #: ___________, credit to CLAD A/C # ___________, Reference: Letter of Credit No. ___________, [Internal Reference], or such other office as the Bank may designate from time to time.

“Person” means an individual, a corporation, a partnership, an association, a limited liability company, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof or any similar entity.

“Provider” has the meaning set forth in the definition of “Bank Agreement.”

“Rating Agency” or “Rating Agencies” means, respectively, either or both of Moody’s and S&P.

“Rating Documentation” has the meaning set forth in Section 4.01(j) hereof.

“Reference Rate” means on any day, the rate of interest per annum then most recently established by the Bank as its “Reference Rate.” Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by the Bank to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and that the Bank may make various business or other loans at rates of interest having no relationship to such rate. If the Bank ceases to exist or to establish or publish a prime rate from which the Reference Rate is then determined, the applicable variable rate from which the Reference Rate is determined thereafter shall be instead the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported), and the Reference Rate shall change without notice with each change in such prime rate as of the date such change is reported.

“Reimbursement Obligations” means the obligations of the Commission to reimburse the Bank for all principal of and interest on Drawings under the Letter of Credit and to repay the Bank for all Advances, including in each instance, all interest accrued thereon.

“Related Documents” means this Agreement, the Letter of Credit, the Fee Letter, the Bank Note, the Commercial Paper Notes, the Indenture, the Board of Equalization Agreement, the Issuing and Paying Agent Agreement and the Dealer Agreement, and all amendments and supplements thereof in accordance with the respective terms thereof and the terms hereof.
“Reportable Event Notice” means any listed or reportable event notice disseminated, distributed or provided by the Commission in satisfaction of or as may be required pursuant to Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal requirement during any period of time the Commission is subject to any continuing disclosure undertaking or requirements relating thereto.

“Revenues” has the meaning set forth in the Indenture.

“Revenues Secured Debt” means any Debt (including Bank Agreements, obligations under Swap Contracts including any swap termination payment or contingent obligation under a Swap Contract), secured by a charge, lien or encumbrance on the Revenues or Sales Tax Revenues with a lien on, pledge of, security interest in or priority of payment from Pledged Amounts that is senior to, or on a parity with, the Commercial Paper Notes, the Bank Note, the Drawings or the Advances, including, without limitation, Senior Lien Debt and the Reimbursement Obligations.

“Risk-Based Capital Guidelines” means (i) the risk-based capital guidelines in effect in the United States on the Closing Date, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations adopted prior to the Closing Date.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and any successor rating agency.

“Sales Tax” means the sales and use tax imposed on retail transactions in the County of San Diego pursuant to the Law the collection of which constitutes Sales Tax Revenues.

“Sales Tax Revenues” has the meaning set forth in the Indenture.

“Second Supplement to Indenture” has the meaning set forth in the recitals hereof.

“Senior Lien Debt” has the meaning set forth in the Indenture.

“Special Default” means a Default described in Section 7.01(e)(ii) or Section 7.01(h)(v) hereof.

“State” means the State of California.

“Stated Amount” means, as of any date, the maximum amount which by the terms of the Letter of Credit is available to be drawn under the Letter of Credit as of such date.

“Subordinate Sales Tax Revenue Fund” has the meaning set forth in the Indenture.

“Supplemental Bond Indenture” has the meaning set forth in the Indenture.
“Supplemental Indenture” has the meaning set forth in the Indenture.

“Support Agreement Fund” has the meaning set forth in the Indenture.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Tax-Exempt Commercial Paper Notes” means Commercial Paper Notes for which an opinion of Bond Counsel relating to the exclusion of the interest thereof from gross income for purposes of federal income taxation has been delivered.

“Term Out Commencement Date” means, with respect to each Advance, the one hundred eightieth (180th) day immediately succeeding the date the related Advance was made.

“Termination Date” has the meaning set forth in the Letter of Credit.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any capitalized terms used herein which are not specifically defined herein shall have the same meanings herein as in the Indenture or the Issuing and Paying Agent Agreement, as applicable. All references in this Agreement to times of day shall be references to New York City time unless otherwise expressly provided herein. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

ARTICLE II

LETTER OF CREDIT

Section 2.01. Issuance of Letter of Credit. Upon the terms, subject to the conditions and relying upon the representations and warranties set forth in this Agreement or incorporated herein by reference, the Bank agrees to issue the Letter of Credit (substantially in the form of Appendix I hereto). The Letter of Credit shall be in the original stated amount of $81,750,000.
(calculated as the sum of the maximum principal amount of the Commercial Paper Notes supported by the Letter of Credit (i.e., $75,000,000) plus interest thereon at a maximum rate of twelve percent (12%) per annum for a period of two hundred seventy (270) days calculated on the basis of a year of 360 days) (the “Original Stated Amount”).

Section 2.02. Letter of Credit Drawings. The Issuing and Paying Agent is authorized to make Drawings under the Letter of Credit in accordance with its terms. The Commission hereby directs the Bank to make payments under the Letter of Credit in the manner therein provided. The Commission hereby irrevocably approves reductions and reinstatements of the Stated Amount with respect to the Letter of Credit as provided in the Letter of Credit.

Section 2.03. Reimbursement of Drawings Under the Letter of Credit; Mandatory Prepayment; Interest. (a)(i) Each Drawing made under the Letter of Credit shall constitute an advance ("Advance") to the Commission at the time of payment by the Bank of such Drawing under the Letter of Credit.

(ii) The Commission promises to pay to the Bank the interest portion of each Advance on the date of the related Drawing under the Letter of Credit.

(iii) The Commission promises to pay or cause to be paid to the Bank the principal portion of each Advance on the earliest to occur of (A) the date on which an Alternate Facility becomes effective in substitution of the Letter of Credit with respect to the Commercial Paper Notes, (B) the date on which the Stated Amount is permanently reduced to zero or the Letter of Credit is otherwise terminated in accordance with its terms (other than as a result of the Letter of Credit terminating on the Letter of Credit Expiration Date), including as a result of the occurrence of an Event of Default, (C) the end of the term of the commercial paper program in respect of the Commercial Paper Notes as determined in accordance with the Indenture, the Issuing and Paying Agent Agreement or the Ordinance or any ordinance or resolution of the Commission, (D) the date on which the Sales Tax expires and (E) subject to the provisions of Section 4.02 hereof, the related Term Out Commencement Date; provided that in the event the conditions precedent set forth in Section 4.02 hereof are satisfied on the Term Out Commencement Date, the principal portion of the related Advance shall be payable as set forth in Section 2.03(v) hereof.

(iv) Subject to Section 2.10 hereof, the Commission also promises to pay to the Bank interest on the unpaid principal amount of each Advance from the date such Advance is made until it is paid in full as provided herein, at a rate per annum equal to the Bank Rate from time to time in effect, and such interest shall be payable monthly in arrears on the first Business Day of each calendar month for the immediately preceding calendar month (commencing on the first Interest Payment Date to occur after the making of the related Advance), and on the date that the final principal or interest portion of such Advance is payable as herein provided.

(v) Unless otherwise paid in full on one of the dates provided above or prepaid pursuant to Section 2.03(b) and (c) hereof, if all of the conditions precedent set forth in Section 4.02 hereof are satisfied on the Term Out Commencement Date, the principal portion of each Advance shall be payable by the Commission in equal semi-annual installments ("Semi-Annual
"Principal Payments") commencing on the first Business Day of the sixth calendar month immediately succeeding the date such Advance is made, and on the first Business Day of each sixth calendar month thereafter, with the final installment in an amount equal to the entire then outstanding principal amount of such Advance due and payable on the Amortization End Date (the period commencing on the date such installment is initially payable and ending on the Amortization End Date is referred to as the "Amortization Period"). Each Semi-Annual Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Semi-Annual Principal Payments over the applicable Amortization Period.

(b) Any Advance may be prepaid in whole or in part on the day such Advance is made. Any Advance may be prepaid in whole or in part without premium or penalty on any other Business Day upon one Business Day’s prior written notice to the Bank.

(c) Upon the Bank’s receipt of any payment or prepayment of any Advance, the amount of such Advance shall be reduced by the amount of such payment or prepayment, with the Bank crediting any such prepayment, first to the payment of any outstanding interest accrued on the related Advance, and second to the payment of the principal of such Advance. Any such payment or prepayment to be applied to principal of Advances hereunder shall be applied to the prepayment of related Advances in chronological order of their issuance hereunder, and within each Advance in inverse order of the principal installments payable thereon. Following the occurrence of an Event of Default, any payments received by the Bank hereunder shall be applied by the Bank to the payment of the Obligations in such order as the Bank shall in its sole discretion determine.

(d) All Reimbursement Obligations shall be made against and evidenced by the Commission’s promissory note payable to the order of the Bank in the principal amount of the Original Stated Amount, such note to be executed by the Commission and delivered by the Commission to the Bank on the Closing Date in the form of Appendix III attached hereto with appropriate insertions (the "Bank Note"). All Reimbursement Obligations due and owing to the Bank and all payments and prepayments on the account of the principal of and interest on each Reimbursement Obligation by or on behalf of the Commission shall be recorded by the Bank on its books and records, which books and records shall, absent manifest error, be conclusive as to amounts due and owing by the Commission hereunder, under the Fee Letter and under the Bank Note. The Bank may, but shall not be required to, complete the schedule attached to the Bank Note to reflect the making and status of unreimbursed Drawings and outstanding Advances due and owing hereunder and thereunder; provided that the failure to make or any error in making any such endorsement on such schedule shall not limit, extinguish or in any way modify the obligation of the Commission to repay unreimbursed Drawings, outstanding Advances or Reimbursement Obligations. The Commission shall pay principal and interest on the Bank Note on the dates and at the rates provided for in Sections 2.03 and 2.04 hereof.

Section 2.04. Reimbursement of Certain Advances on Term Out Commencement Date. Unless the conditions precedent contained in Section 4.02 hereof are satisfied on the Term Out Commencement Date, the Commission agrees to reimburse the Bank for the full amount of such Advance on the Term Out Commencement Date. If the Commission does not make such
reimbursement to the Bank with respect to such Advance on such date, such Reimbursement Obligation shall bear interest at the Default Rate and be payable upon demand.

Section 2.05. Fees. The Commission hereby agrees to perform the obligations provided for in the Fee Letter, including, without limitation, the payment of any and all fees, expenses and other amounts provided for therein, at the times and in the amounts set forth in the Fee Letter. Without limiting the generality of the foregoing, in the event that the Letter of Credit is terminated or the Stated Amount is reduced and is not subject to reinstatement, the Commission shall pay to the Bank the fees and expenses, if any, at the times and in the amounts set forth in and as required by the Fee Letter. The terms and provisions of the Fee Letter are hereby incorporated herein by reference as if fully set forth herein. All references to amounts or obligations due hereunder or in this Agreement shall be deemed to include all amounts and obligations (including without limitation all fees and expenses) under the Fee Letter. All fees paid under this Agreement and the Fee Letter shall be fully earned when due and nonrefundable when paid.

Section 2.06. Method of Payment; Etc. All payments to be made by the Commission under this Agreement and the Fee Letter shall be made at the Payment Office of the Bank, not later than 4:00 p.m., New York City time, on the date when due and shall be made by wire transfer in lawful money of the United States of America in freely transferable and immediately available funds. Any payment received by the Bank after 4:00 p.m., New York City time, shall be deemed to have been received by the Bank on the next Business Day.

Section 2.07. Termination of Letter of Credit by the Commission. Notwithstanding any provisions of this Agreement, the Letter of Credit or any Related Document to the contrary, the Commission agrees not to terminate the Letter of Credit except upon (i) the payment by the Commission to the Bank of the fees and expenses, if any, in the amount set forth in the Fee Letter, (ii) the payment to the Bank of all fees, expenses and other Obligations payable hereunder and under the Fee Letter, including, without limitation, all principal and accrued interest due and owing on any Drawing or Advance or any amount due under the Bank Note and (iii) the Commission providing the Bank with fifteen (15) days prior written notice of its intent to terminate or reduce the Letter of Credit. All payments from the Commission to the Bank referred to in this Section 2.07 shall be made with immediately available funds on or before the date of termination.

Section 2.08. Computation of Interest and Fees. Fees payable hereunder and under the Fee Letter shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. All computations of interest payable by the Commission under this Agreement shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual number of days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof.

Section 2.09. Payment Due on Non-Business Day To Be Made on Next Business Day. If any sum becomes payable pursuant to this Agreement or the Fee Letter on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next
succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.10. Late Payments. If the principal amount of any Obligation is not paid when due, such Obligation shall bear interest until paid in full at a rate per annum equal to the Default Rate, payable upon demand.

Section 2.11. Source of Funds. All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank, and not from the funds of any other Person.

Section 2.12. Extension of Letter of Credit Expiration Date. If the Commission on any date not later than ninety (90) days prior to the then current Letter of Credit Expiration Date, submits to the Bank a written request for an extension of the Letter of Credit Expiration Date in the form of Appendix IV hereto for a period as specified in such written request, the Bank will make reasonable efforts to respond to such request within thirty (30) days after receipt of all information necessary, in the Bank’s reasonable judgment, to permit the Bank to make an informed credit decision. In the event the Bank fails to definitively respond to such request within such thirty (30) day period, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Bank shall have consented thereto in writing. The consent of the Bank, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance reasonably satisfactory to the Bank (including, without limitation, Letter of Credit Fees and drawn interest rates) and consistent with this Agreement and the Letter of Credit. If such an extension request is accepted by the Bank in its sole and absolute discretion, the then current Letter of Credit Expiration Date shall be extended to the date agreed to by the Commission and the Bank.

Section 2.13. Net of Taxes, Etc.

(a) Taxes. Any and all payments to the Bank by the Commission hereunder and under the Fee Letter shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as “Taxes”). If the Commission shall be required by law to withhold or deduct any Taxes imposed by the United States of America or any political subdivision thereof from or in respect of any sum payable hereunder or under the Fee Letter to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13), the Bank receives an amount equal to the sum it would have received had no such deductions been made; (ii) the Commission shall make such deductions; and (iii) the Commission shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Commission shall make any payment under this Section 2.13 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against
any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the Commission an amount equal to the amount by which such other taxes are actually reduced; provided that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Commission to the Bank with respect to such Taxes. In addition, the Commission agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States, the State of New York, the State of California or any other taxing jurisdiction from any payment made hereunder or under the Fee Letter or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as “Other Taxes”). The Bank shall provide to the Commission within a reasonable time a copy of any written notification it receives with respect to Taxes or Other Taxes owing by the Commission to the Bank hereunder; provided that the Bank’s failure to send such notice shall not relieve the Commission of its obligation to pay such amounts hereunder. The Commission may conduct a reasonable contest of any such Taxes with the prior written consent of the Bank which consent shall not be unreasonably withheld or delayed.

(b) Indemnity. The Commission shall, to the fullest extent permitted by law and subject to the provisions hereof, indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.13 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; provided that the Commission shall not be obligated to indemnify the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Bank’s gross negligence or willful misconduct. The Bank agrees to give notice to the Commission of the assertion of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; provided that the Bank’s failure to notify the Commission promptly of such assertion shall not relieve the Commission of its obligation under this Section 2.13. Payments by the Commission pursuant to this indemnification shall be made within sixty (60) days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank agrees to repay to the Commission any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the Commission pursuant to this Section 2.13 received by the Bank for Taxes or Other Taxes that were paid by the Commission pursuant to this Section 2.13 and to contest, with the cooperation and at the expense of the Commission, any such Taxes or Other Taxes which the Bank or the Commission reasonably believes not to have been properly assessed.

(c) Notice. Within thirty (30) days after the date of any payment of Taxes or Other Taxes by the Commission, the Commission shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof.

(d) Survival of Obligations. The obligations of the Commission under this Section 2.13 shall survive the termination of this Agreement.

Section 2.14. Increased Costs. (a) If the Bank shall have determined in good faith that a Change of Law shall (1) subject the Bank to any Taxes or change the basis of taxation of
payments to the Bank of any amounts payable hereunder or under the Fee Letter (except for
taxes on the overall net income of the Bank), (2) impose, modify or deem applicable any reserve,
liquidity, special deposit, insurance premium, fee, financial charge, monetary burden or similar
requirement against making or maintaining its obligations under this Agreement, the Fee Letter
or the Letter of Credit or assets held by, or deposits with or for the account of, the Bank or (3)
 impose on the Bank any other condition regarding this Agreement, the Fee Letter or the Letter of
Credit, and the result of any event referred to in clause (1), (2) or (3) above shall be to increase
the cost to the Bank of making or maintaining its obligations hereunder or under the Letter of
Credit or the Fee Letter, or to reduce the amount of any sum received or receivable by the Bank
hereunder or under the Fee Letter, then the Commission shall pay to the Bank, at such time as is
set forth in Section 2.14(d) hereof, such additional amount or amounts as will compensate the
Bank for such increased costs or reduction in amount received or receivable as relates to the
Letter of Credit, this Agreement and the Fee Letter.

(b) If the Bank shall have determined in good faith that a Change of Law either (1)
affects or would affect the amount of capital or liquidity required or expected to be maintained
by the Bank or (2) reduces or would reduce the rate of return on the Bank’s capital or reserves to
a level below that which the Bank could have achieved but for such circumstances (taking into
consideration the Bank’s policies with respect to capital adequacy and liquidity or the
maintenance of reserves, as applicable), then the Commission shall pay to the Bank at such time as is
set forth in Section 2.14(d) hereof, such additional amount or amounts as will compensate the
Bank for such cost of maintaining such increased capital or liquidity or such reduction in the
rate of return on the Bank’s capital as reasonably relates to the Letter of Credit, this Agreement
and the Fee Letter.

(c) Notwithstanding anything in the foregoing to the contrary, for purposes of this
Section 2.14, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all
requests, rules, guidelines, directives or promulgations thereunder or issued in connection
therewith that become effective after the Closing Date shall be deemed to be a Change of Law,
regardless of the date enacted, adopted or issued, and (ii) all requests, rules, guidelines, directives
or promulgations by the Bank for International Settlements, the Basel Committee on Banking
Regulations and Supervisory Practices (or any successor or similar authority) or the United
States financial regulatory authorities or any other Governmental Authority that become
effective after the Closing Date shall be deemed a Change of Law regardless of the date enacted,
adopted, promulgated, implemented or issued.

(d) All payments of amounts referred to in Sections 2.14(a) and (b) hereof shall be due
and payable within thirty (30) days of demand by the Bank (or such entity controlling the Bank)
or such Participant, as applicable. Interest on the sums due as described in Sections 2.14(a) and
(b) hereof and in the preceding sentence shall begin to accrue from the date when the payments
were first due at a rate per annum equal to the Default Rate until such delinquent payments have
been paid in full. A certificate as to such increased cost, increased capital or liquidity or
reduction in return incurred by the Bank as a result of any event mentioned in Section 2.14(a) or
(b) hereof setting forth, in reasonable detail, the basis for calculation and the amount of
compensation due to the Bank shall be submitted by the Bank to the Commission and shall be
conclusive (absent manifest error) as to the amount thereof. In making the determinations
contemplated by such certificate, the Bank may make such reasonable estimates, assumptions, allocations and the like as the Bank in good faith determines to be appropriate. Any such increased costs shall be reduced or eliminated if the event causing such increase is modified or ceases to exist. All references to the Bank in this Section 2.14 shall be deemed to also refer to any Person controlling the Bank and any Participant.

Section 2.15. Maximum Rate; Payment of Fee. To the fullest extent permitted by law, if the rate of interest payable hereunder or under the Fee Letter shall exceed the Maximum Rate for any period for which interest is payable, then (a) interest at the Maximum Rate shall be due and payable with respect to such interest period; and (b) interest at the rate equal to the difference between (i) the rate of interest calculated in accordance with the terms hereof without regard to the Maximum Rate and (ii) the Maximum Rate (the “Excess Interest”), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof or the Fee Letter, if applicable, ceases to exceed the Maximum Rate, at which time the Commission shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder or under the Fee Letter, as applicable, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder and under the Fee Letter, as applicable, until all deferred Excess Interest is fully paid to the Bank. Upon the repayment in full of any Obligation bearing Excess Interest, in consideration for the limitation of the rate of interest otherwise payable hereunder and under the Fee Letter, the Commission shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest on such Obligation.

ARTICLE III

COMMERCIAL PAPER NOTES OPERATIONS

Section 3.01. Issuance Generally. The Commission may issue Commercial Paper Notes only in accordance with the terms of and subject to the conditions set forth in the Indenture, the Issuing and Paying Agent Agreement, the Ordinance and this Agreement.

Section 3.02. Notice of No Issuances; Final Drawing Notice. (a) Commercial Paper Notes may be issued from time to time prior to the Letter of Credit Expiration Date in accordance herewith and with the terms of and subject to the conditions set forth in the Indenture and the Issuing and Paying Agent Agreement so long as the Issuing and Paying Agent is not in receipt of a Notice of No Issuance then in effect given by the Bank pursuant to this Section 3.02 or Section 7.02(b) hereof and not rescinded.

(b) The Bank may deliver a Notice of No Issuance in the form of Appendix II attached hereto at any time when: (i) an Event of Default shall have occurred and be continuing; or (ii) the representations and warranties of the Commission set forth in 5.02, 5.03, 5.05(c), 5.08, 5.09, 5.11, 5.12, 5.13, 5.15 and 5.16 of this Agreement (or incorporated therein by reference) shall, in the reasonable opinion of the Bank, no longer be true and correct in any material respect. The Bank may deliver the Final Drawing Notice at any time when an Event of Default shall have
occurred and be continuing. A Notice of No Issuance or the Final Drawing Notice shall be effective when received by the Issuing and Paying Agent; provided, however, that a Notice of No Issuance or the Final Drawing Notice received by the Issuing and Paying Agent after [12:00 noon] New York City time, on any day on which Commercial Paper Notes are being issued shall be effective on the next succeeding day. A Notice of No Issuance or the Final Drawing Notice may be given by facsimile or electronic mail transmission, confirmed in writing within twenty-four (24) hours, but the failure to so confirm such Notice of No Issuance or the Final Drawing Notice in writing shall not render such Notice of No Issuance or the Final Drawing Notice ineffective. The Bank will furnish a copy of any Notice of No Issuance or the Final Drawing Notice to the Commission and each Dealer promptly following delivery thereof to the Issuing and Paying Agent, but the failure to furnish any such copy shall not render ineffective such Notice of No Issuance or the Final Drawing Notice.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.01. Conditions Precedent to Issuance of the Letter of Credit. As conditions precedent to the obligation of the Bank to issue the Letter of Credit, the Commission shall provide to the Bank, and the Bank shall have received, on the Closing Date, each in form and substance satisfactory to the Bank and the Bank’s counsel, Chapman and Cutler LLP (hereinafter, “Bank’s Counsel”):

(a) Approvals. (1) Executed originals of this Agreement and the Fee Letter duly executed by the Commission and copies of all action taken by the Commission (including, without limitation, the Ordinance) approving the execution and delivery by the Commission of this Agreement, the Fee Letter and the Bank Note, in each case, certified by an authorized official of the Commission as complete and correct as of the Closing Date and (2) executed or certified copies, as applicable, of each of the other Related Documents (except the Commercial Paper Notes) to which the Commission is a party and the Bond Indentures, the Law and the Ordinance, together with a certificate of an Authorized Officer of the Commission, dated the Closing Date, stating that such Related Documents, the Bond Indentures, the Law and the Ordinance and approvals are in full force and effect on the Closing Date and have not been amended, repealed, rescinded, or supplemented in any manner, except for such amendments made in accordance with the express terms of such Related Documents, the Bond Indentures, the Law and the Ordinance for which the Commission has provided notice to the Bank prior to the Closing Date.

(b) Certificate and Incumbency of Commission Officials. (1) An incumbency and specimen signature certificate in respect of the incumbency and signature identification of each of the officials of the Commission who is authorized to (i) sign this Agreement, the Fee Letter and the Bank Note on behalf of the Commission and (ii) take actions for the Commission under this Agreement, the Fee Letter, the Bank Note and the other Related Documents (to which the Commission is a party), the Law and the
Ordinance with respect to the Commercial Paper Notes and (2) a certificate of an Authorized Officer of the Commission, dated the Closing Date, certifying that (A) each of the Commission’s representations and warranties contained herein and the other Related Documents to which the Commission is a party is true and correct on and as of the Closing Date as though made on and as of such date, (B) no Default or Event of Default has occurred and is continuing or will result from the execution and delivery by the Commission of this Agreement, the Fee Letter or the issuance of the Letter of Credit, (C) since June 30, 2011, except as disclosed to the Bank in writing, there has been no material adverse change in the laws, rules or regulations (or their interpretation or administration) and no material litigation is ongoing with respect to the Commission, in any case, that may adversely affect the consummation of the transactions contemplated hereby or by any Related Document, the Bond Indentures, the Law or the Ordinance, (D) all conditions precedent set forth in the Indenture, the Issuing and Paying Agent Agreement and the Ordinance with respect to issuance of the Commercial Paper Notes shall have been satisfied, (E) all conditions precedent set forth in Section 4.01 of this Agreement have been satisfied, and (F) the Commission has not received notice from the Rating Agencies that the long-term unenhanced ratings of the Senior Lien Debt have been withdrawn, reduced or suspended since the dated date of the Rating Documentation.

(c) **Opinion of Bond Counsel.** A reliance letter from Bond Counsel as to the final approving opinion of Bond Counsel delivered to the Commission in respect of the Commercial Paper Notes.

(d) **Opinion of Counsel to the Commission.** A written opinion of Counsel to the Commission, addressed to the Bank, dated the Closing Date in the form and substance agreed to by the Counsel to the Commission and the Bank, including, without limitation, language to the effect that: (i) the Commission has taken all actions, and has obtained any approvals, necessary to the authorization, execution, delivery and performance by the Commission of this Agreement, the Fee Letter and the Bank Note and (ii) this Agreement, the Fee Letter and the Bank Note have been duly authorized, executed and delivered by the Commission and are the valid and binding obligations of the Commission enforceable in accordance with their respective terms, except as may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization or moratorium or other similar laws applicable to the Commission and equitable principles relating to or affecting creditors’ rights generally from time to time.

(e) **Bank Note.** An executed Bank Note payable to the Bank.

(f) **Financial Information.** A copy of the Commission’s audited financial statements relating to the Commission for the Fiscal Year ended June 30, 2011.

(g) **Legality; Material Adverse Change; No Default, Etc.** (i) No material adverse change in the financial condition, operations or prospects of the Commission or laws, rules or regulations (or their interpretation or administration) shall have occurred since June 30, 2011, that, in any such case, could reasonably be determined to result in a
Material Adverse Change or a diminution in Sale Tax Revenues (since the date of the audited financial statements described in paragraph (f) above) or adversely affect the consummation of the transactions contemplated hereby or in any other Related Document (each as determined in the reasonable discretion of the Bank), (ii) no Default or Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution and delivery by the Commission of this Agreement, the Fee Letter and the Bank Note or the issuance of the Letter of Credit and (iii) the representations and warranties and covenants made by the Commission in Article V hereof shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date.

(h) **Litigation.** Prior to the Closing Date, the Bank shall have received a written description of all actions, suits or proceedings pending or, to the Commission’s knowledge, threatened in writing against the Commission that are payable from Revenues in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body which could reasonably be expected to result in a Material Adverse Effect, if any, and such other statements, certificates, agreements, documents and information with respect thereto as the Bank may reasonably request, and all such matters shall be acceptable to the Bank in its sole discretion.

(i) **Fees, Etc.** Payment of the fees, costs and expenses to be paid on or prior the Closing Date referred to in Section 8.06 hereof and pursuant to the Fee Letter.

(j) **Ratings.** Written confirmation that (i) the Commercial Paper Notes have been rated at least “P-1” (or its equivalent) by Moody’s and “A-1” (or its equivalent) by S&P and (ii) the unenhanced Senior Lien Debt is rated “___” (or its equivalent) by Moody’s, “___” (or its equivalent) by S&P (referred to herein as the “Rating Documentation”).

(k) **Bank Note CUSIP and Rating.** Written confirmation that (i) a CUSIP number (No. __________) has been obtained from Standard and Poor’s CUSIP Services for the Bank Note and (ii) a long term rating of at least Investment Grade has been obtained for the Bank Note (and its related CUSIP number) from any Rating Agency.

(l) **Other Documents.** Such other documents, certificates and opinions as the Bank’s Counsel shall have reasonably requested.

**Section 4.02. Conditions Precedent to Term Out.** On each related Term Out Commencement Date, all Advances shall be due and payable unless the following conditions precedent to term out are satisfied on such Term Out Commencement Date: (a) the representations and warranties contained in Sections 5.02, 5.03, 5.05(c), 5.08, 5.09, 5.11, 5.12, 5.13, 5.15 and 5.16 of this Agreement (or incorporated therein by reference) are true and correct in all material respects as of such date; and (b) no event has occurred and is continuing which constitutes a Special Default or an Event of Default.
Unless the Commission shall have previously advised the Bank in writing that (i) any or all of the representations and warranties contained in Sections 5.02, 5.03, 5.05(c), 5.08, 5.09, 5.11, 5.12, 5.13, 5.15 and 5.16 of this Agreement (or any or all such representations or warranties incorporated therein by reference) are not true and correct in any material respects as of the related Term Out Commencement Date or (ii) any event has occurred and is continuing which constitutes a Special Default or Event of Default, then the Commission shall be deemed to have represented and warranted on the date the related Term Out Commencement Date that (x) all representations and warranties contained in Sections 5.02, 5.03, 5.05(c), 5.08, 5.09, 5.11, 5.12, 5.13, 5.15 and 5.16 of this Agreement (including those incorporated therein by reference) are true and correct in all material respects as of such Term Out Commencement Date and (y) no event has occurred and is continuing which constitutes a Special Default or Event of Default.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement and the Fee Letter and to issue the Letter of Credit, the Commission represents and warrants to the Bank as follows:

Section 5.01. Organization, Powers, Etc. The Commission (i) is a public entity established pursuant to the laws of the State of California validly organized and existing under and by virtue of the laws of the State of California, (ii) has full power and authority to own its properties and carry on its business as now conducted, (iii) has full power and authority to execute (or adopt, if applicable), deliver and perform its obligations under this Agreement, the Fee Letter, the Bank Note, the Commercial Paper Notes and other the Related Documents, the Law and the Ordinance, to borrow hereunder and to execute, deliver and perform its obligations under the Commercial Paper Notes and (iv) may only contest the validity or enforceability of any provision of, or deny that the Commission has any liability or obligation under, the Law, the Indenture, the Issuing and Paying Agent Agreement, the Ordinance, this Agreement, the Fee Letter, the Bank Note, any Commercial Paper Note or any other Related Document by an act of its governing body.

Section 5.02. Authorization, Absence of Conflicts, Etc. The execution (or adoption, if applicable), delivery and performance of this Agreement, the Fee Letter, the Bank Note, the Commercial Paper Notes and other the Related Documents (i) have been duly authorized by the Commission, (ii) do not and will not, to any material extent, conflict with, or result in violation of any applicable provision of law, including, without limitation, the Law and the Ordinance, or any order, rule or regulation of any court or other agency of government and (iii) do not and will not, to any material extent, conflict with, result in a violation of or constitute a default under, the Indenture or any other resolution, agreement or instrument to which the Commission is a party or by which the Commission or any of its property is bound.

Section 5.03. Governmental Consent or Approval. The execution (or adoption, if applicable), delivery and performance of this Agreement, the Fee Letter, the Bank Note, the Commercial Paper Notes and the other Related Documents do not and will not require registration with, or the consent or approval of, or any other action by, any Federal, state or other
governmental authority or regulatory body other than those which have been made or given and are in full force and effect; *provided* that no representation is made as to any blue sky or securities law of any jurisdiction.

**Section 5.04. Binding Obligations.** This Agreement, the Fee Letter, the Bank Note, the Commercial Paper Notes and the other Related Documents are legal, valid and binding obligations of the Commission, enforceable against the Commission in accordance with their respective terms, subject to any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial discretion and principles of equity relating to or affecting creditors’ rights or contractual obligations generally or limitations on remedies against public entities in California.

**Section 5.05. Litigation.** (a) There is no action or investigation pending against the Commission before any court or administrative agency of competent jurisdiction which questions the validity of any act or the validity of any proceeding taken by the Commission in connection with the execution and delivery of this Agreement, the Fee Letter, the Commercial Paper Notes or the other Related Documents or the Law or the Ordinance, or wherein an unfavorable decision, ruling or finding would in any way adversely affect the validity or enforceability of this Agreement, the Fee Letter, the Commercial Paper Notes, any Payment or Collateral Obligation or the other Related Documents or the Law or the Ordinance. Except as disclosed to the Bank, there is no action pending which questions the validity of the Law, the Ordinance, the Sales Tax or the Sales Tax Revenues nor is there any pending initiative or referendum qualified for the ballot which would seek to amend, annul, modify or replace the Law, the Ordinance or to diminish or reallocate the Sales Tax or the Sales Tax Revenues.

(b) To the knowledge of the Commission, there is no action or investigation threatened against the Commission before any court or administrative agency of competent jurisdiction which questions the validity of any act or the validity of any proceeding taken by the Commission in connection with the execution and delivery of this Agreement, the Fee Letter, the Commercial Paper Notes or the other Related Documents or the Law or the Ordinance, or wherein an unfavorable decision, ruling or finding would in any way adversely affect the validity or enforceability of this Agreement, the Fee Letter, the Commercial Paper Notes or the other Related Documents or the Law or the Ordinance. Except as disclosed to the Bank, to the knowledge of the Commission there is no action threatened which questions the validity of the Law, the Ordinance, the Sales Tax or the Sales Tax Revenues nor is there any threatened initiative or referendum qualified for the ballot which would seek to amend, annul, modify or replace the Law, the Ordinance or to diminish or reallocate the Sales Tax or the Sales Tax Revenues.

(c) There is no action or investigation pending before any court or administrative agency of competent jurisdiction the outcome of which could reasonably be determined to materially adversely affect, or result in material diminution in Sale Tax Revenues that would materially adversely affect, the Commission’s ability to satisfy obligations under the Related Documents.
Section 5.06. Financial Condition. All of the Commission’s financial statements which have been furnished to the Bank have been prepared in conformity with GAAP (except as noted therein) and are comprised of a balance sheet and a statement of revenue and expenditures and changes in fund balances. All of such financial statements accurately present, in all material respects, the financial condition of the Commission, including the Sales Tax Revenues as of the dates thereof, and other than as has been disclosed to the Bank, there has been no material adverse change in the business or affairs of the Commission or of the Sales Tax Revenues since the date the last such report was so furnished to the Bank.

Section 5.07. Offering Memorandum. The information contained in the Offering Memorandum was as of the date thereof correct in all material respects and did not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made in the Offering Memorandum, as of its date and in light of the circumstances under which they were made, not misleading. The Commission makes no representation or warranty as to information in the Offering Memorandum under the captions [“THE BANK” in Appendix F thereto or “BOOK-ENTRY ONLY SYSTEM” in Appendix D thereto].

Section 5.08. Related Documents. Each of the Related Documents, the Law and the Ordinance is in full force and effect. Except as previously disclosed in writing to the Bank, no event of default and no event which, with the giving of notice, the passage of time or both, would constitute an event of default, presently exists under any of the Related Documents or the Law or the Ordinance. Except as previously disclosed in writing to the Bank, neither the Commission nor any other party thereto has waived or deferred performance of any material obligation under any Related Document or the Law or the Ordinance.

Section 5.09. Margin Regulations. The Commission is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U or X of the Board of Governors of the Federal Reserve System), and no part of the proceeds furnished by the Bank pursuant to a Notice of Borrowing under this Agreement will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

Section 5.10. No Default or Event of Default. No Default or Event of Default has occurred and is continuing.

Section 5.11. Commercial Paper Notes. Each Commercial Paper Note will be duly issued under the Indenture and will be entitled to the benefits thereof.

Section 5.12. Security. The Indenture creates, for the benefit of the Commercial Paper Notes, the Bank Note and the Obligations, the legally valid, binding and irrevocable lien on and pledge of the Revenues. There is no lien on or pledge of the Sales Tax Revenues (including Revenues) other than the liens and/or pledges created or permitted by or with respect to the Indenture, the Bond Indenture, the Existing Swap Contracts and Parity Debt. The payment of the Obligations ranks on a parity with the payment of the principal of and interest on Parity Debt and subordinate in priority of payment and lien to the Senior Lien Debt. No filing, registration, recording or publication of the Indenture or any other instrument is required to establish the
pledge provided for thereunder or to perfect, protect or maintain the lien created thereby on the Revenues (including Sales Tax Revenues), the Subordinate Sales Tax Revenue Fund, the Support Agreement Fund and the Fees and Expenses Fund to secure the Commercial Paper Notes, the Bank Note and the Obligations. This Agreement constitutes a “Support Agreement” and a “Support Facility” under the Indenture. All Obligations constitute “Parity Debt” under the Indenture.

Section 5.13. Sovereign Immunity. The Commission is subject to claims and to suit for damages in connection with its obligations under this Agreement and the Fee Letter pursuant to and in accordance with the laws of the State of California applicable to public entities such as the Commission.

Section 5.14. Accurate Information. All information, reports and other papers and data with respect to the Commission furnished to the Bank, at the time the same were so furnished, were accurate in all material respects. Any financial, budget and other projections furnished to the Bank were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections.

Section 5.15. Usury. Except as provided in the Law, the Ordinance and the Related Documents, there is no limitation under California law on the rate of interest payable by the Commission with respect to the Obligations, the Bank Note or any other obligations payable to the Bank hereunder, under the Fee Letter or under any Related Document.

Section 5.16. Swap Termination Payments. The Commission is not a party to any Swap Contract that provides that any termination payment thereunder is payable from or secured by Revenues on a basis that is senior to or on a parity with the lien securing the Commercial Paper Notes, the Bank Note and Advances.

ARTICLE VI

COVENANTS

Section 6.01. Covenants of the Commission. Until the termination of this Agreement and the payment in full to the Bank of all amounts payable to the Bank hereunder, under the Fee Letter and under the Bank Note, the Commission hereby covenants and agrees that it will:

(a) Notice of Default. As promptly as practical after the Executive Director of the Commission shall have obtained knowledge of the occurrence of either a Default or an Event of Default or breach of this Agreement or the Fee Letter, and in any case, provide to the Bank the written statement of the Commission setting forth the details of each such event and the action which the Commission proposes to take with respect thereto.
(b) **Annual Report.** Within two hundred and ten (210) days after the end of each fiscal year of the Commission, provide to the Bank audited financial statements consisting of a balance sheet and a statement of revenues, expenditures and changes in fund balances of the Commission, including the Sales Tax Revenues for such fiscal year, setting forth in comparative form the corresponding figures (if any) for the preceding fiscal year, all in reasonable detail, and (i) accompanied by an unqualified opinion of a nationally recognized independent certified public accounting firm stating that (y) they have been prepared in accordance with GAAP consistently applied and (z) nothing has come to the attention of the auditors which would indicate that a Default or an Event of Default has occurred under this Agreement, and (ii) accompanied by a certification from the Executive Director of the Commission addressed to the Bank stating that neither a Default or an Event of Default has occurred which was continuing at the end of such fiscal year or on the date of his certification, or, if such an event has occurred and was continuing at the end of such fiscal year or on the date of his certification, indicating the nature of such event and the action which the Commission proposes to take with respect thereto.

(c) **Offering Circulars and Material Event Notices.** (i) The Commission agrees to use its commercially reasonable efforts to post on the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board (“EMMA”), the final official statement or other offering circular prepared by the Commission in connection with the issuance of any securities by the Commission and (ii) during any period of time the Commission is subject to a continuing disclosure undertaking or requirements under or related to Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal requirement, the Commission shall post on EMMA a copy of any Material Event Notice or Reportable Event Notice disseminated, distributed or provided in satisfaction of or as may be required pursuant to such requirements and shall promptly inform the Bank that the same is available on EMMA.

(d) **Notice of Adverse Change.** Notify the Bank as soon as possible after an executive officer of the Commission acquires knowledge of the occurrence of (i) the filing of a complaint against the Commission in any court or administrative agency, where the amount claimed is in excess of Twenty-Five Million Dollars ($25,000,000), (ii) the filing of any action which could lead to an initiative or referendum which could annul, amend, modify or replace the Law or the Ordinance or which could lead to the diminution or reallocation of the Sales Tax Revenues or (iii) any other event which, in the reasonable judgment of the Commission, is likely to have a material adverse effect on the financial condition or operations of the Commission.

(e) **Additional Debt.** The Commission agrees to use its commercially reasonable efforts to post on EMMA (and promptly inform the Bank that the same is available on EMMA), in connection with the issuance and delivery of any additional Debt which would constitute Parity Debt or Senior Lien Debt, a copy of the Certificate of the Commission which the Commission is required to provide to the Trustee pursuant to Sections 3.04, 3.06 and 3.07 of the Indenture, as applicable.
(f) **Other Information.** Provide to the Bank such other information respecting the business affairs, financial condition and/or operations of the Commission, as the Bank may from time to time reasonably request.

(g) **Inspections; Discussion.** Permit the Bank or its representatives, at any reasonable time during normal business hours and from time to time at the request of the Bank to the extent that the Commission is not legally precluded from permitting access thereto to visit and inspect the properties of the Commission; to examine and make copies of and take abstracts from the records and books of account of the Commission; and to discuss the affairs, finances and accounts of the Commission with the appropriate officers of the Commission; provided that, if required by the Commission, as a condition to the Bank being permitted by the Commission to make or conduct any such visit, inspection, examination or discussion, the Bank shall certify to the Commission that the same is being made or conducted solely in order to assist the Bank in evaluating its position under this Agreement.

(h) **Further Assurances.** Take any and all actions necessary or reasonably requested by the Bank to (i) perfect and protect, any lien, pledge or security interest in the Revenues or any other right or interest given, or purported to be given to the Bank or any other Person under or in connection with this Agreement, the Indenture, the Ordinance or the other Related Documents or the Law or the Ordinance or (ii) enable the Bank to exercise or enforce its rights under or in connection with this Agreement or the Fee Letter.

(i) **Taxes and Liabilities.** Pay all its indebtedness and obligations promptly and in accordance with their terms and pay and discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default, which default could have a material adverse effect on the ability of the Commission to perform its obligations under this Agreement, the Fee Letter, the Bank Note or any Commercial Paper Note; provided that the Commission shall have the right to defer payment or performance of obligations to Persons other than the Bank so long as it is contesting in good faith the validity of such obligations by appropriate legal action and no final order or judgment has been entered with respect to such obligations.

(j) **Commercial Paper Dealer.** The Commission will, at all times, maintain a reputable dealer of recognized national standing for the Commercial Paper Notes, and will notify the Bank as promptly as practicable of any appointment of a successor dealer (which successor dealer shall not be appointed without the prior written consent of the Bank, which response to such notice shall be prompt and which consent shall not be unreasonably withheld or delayed) for the Commercial Paper Notes before the date such appointment is to take effect. The Commission agrees to cause the Dealer to use its best efforts to sell Commercial Paper Notes up to the Maximum CP Rate in order to repay maturing Commercial Paper Notes. If any Advance or unreimbursed Drawing remains outstanding for a period of thirty (30) consecutive Business Days or any Dealer fails to
perform its duties under the Dealer Agreement, at the written direction of the Bank, the Commission shall cause the related Dealer (that has been unable to sell rollover Commercial Paper Notes or fails to perform its duties) to be replaced with a Dealer satisfactory to the Bank seven (7) Business Days of the receipt of such written direction, subject to the any limitations in the Related Documents. Any Dealer Agreement with a successor Dealer shall provide that such dealer may resign upon at least sixty (60) days’ prior written notice to the Commission, the Issuing and Paying Agent and the Bank.

(k) Alternate Facility or Refunding. (i) The Commission agrees to use commercially reasonable efforts to obtain an Alternate Facility to replace the Letter of Credit or otherwise refinance, redeem or defease the Commercial Paper Notes in the event (A) the Bank decides not to extend the Letter of Credit Expiration Date or if the Commission fails to request such an extension (such replacement, refinancing, redemption or defeasance to occur on or before the Letter of Credit Expiration Date), (B) the Letter of Credit is terminated, (C) the Commission terminates this Agreement and/or the Letter of Credit in accordance with the terms hereof and thereof, (D) the Bank issues a Notice of No Issuance and/or a Final Drawing Notice or (E) the Commission terminates this Agreement and/or the Letter of Credit in accordance with the terms hereof.

(ii) The Commission agrees that any Alternate Facility will require, as a condition to the effectiveness of the Alternate Facility, that the provider of Alternate Facility provide funds to the extent necessary, on the date the Alternate Facility becomes effective, for payment of all Reimbursement Obligations at par plus interest (at the applicable rate pursuant to the terms hereof) through the date repaid. On the effective date of such Alternate Facility or refinancing, redemption or defeasance, as the case may be, the Commission shall pay in full all other amounts due under this Agreement, the Fee Letter and the Bank Note (including, without limitation, all Excess Interest and unpaid interest thereon) and the Commission shall provide for the surrender (and cancellation) of the Letter of Credit to the Bank.

(iii) The Commission shall not permit an Alternate Facility to become effective with respect to less than all of the Commercial Paper Notes of a Subseries without the prior written consent of the Bank.

(l) Incorporation of Covenants. The covenants of the Commission set forth in the Indenture, the Issuing and Paying Agent Agreement, the Board of Equalization Agreement and the Dealer Agreement are hereby incorporated by reference in this Agreement for the benefit of the Bank. To the extent that any such incorporated provision permits any Person to waive compliance with or consent to such provision or requires that a document, opinion, report or other instrument or any event or condition be acceptable or satisfactory to any Person, for purposes of this Agreement, such compliance shall be waived, or such provision shall be consented to, only if it is waived or consented to, as the case may be, by the Bank and such document, opinion, report or other instrument shall be acceptable or satisfactory to the Bank. No amendment to such
covenants (or the defined terms relating thereto) made pursuant to the Indenture, the Issuing and Paying Agent Agreement, the Board of Equalization Agreement and the Dealer Agreement, which could reasonably be expected to have a material adverse effect on the rights, interest, security or remedies of the Bank, shall be effective to amend such incorporated covenants without the written consent of the Bank. So long as (i) the Stated Amount has not been reduced to zero or terminated pursuant to the terms of this Agreement or the Letter of Credit has not been terminated or (ii) any Obligations remain outstanding, the Commission shall continue to comply with the covenants and undertakings set forth in the Indenture, including Section 3.06 and 6.07 thereof, notwithstanding anything in the Indenture limiting such compliance to when Notes or Parity Debt remain outstanding thereunder.

(m) Use of Proceeds. The Commission shall (i) cause the proceeds from any Drawing under the Letter of Credit or any Advance made hereunder to be used solely to pay the principal of and interest on maturing Commercial Paper Notes as more fully described in Article III hereof and (ii) use the proceeds of the Commercial Paper Notes solely for the purposes set forth in the Indenture.

(n) Disclosure to Participants. The Commission will permit the Bank to disclose the information described in Section 6.01 hereof to any Participants of the Bank in this Agreement.

(o) Most Favored Nations. If the Commission desires to enter into any Bank Agreement with respect to the Commercial Paper Notes or any other debt obligations of the Commission payable on a parity basis with the Commercial Paper Notes, that would permit the acceleration of amounts due under such Bank Agreement, the Commission shall promptly notify the Bank of such proposed Bank Agreement and provide a copy thereof to the Bank and identify the applicable sections relating to acceleration set forth in such Bank Agreement. If within ten (10) days after such notification to the Bank, the Bank delivers to the Commission a proposed amendment to this Agreement containing such more favorable remedy of acceleration, and the Commission and the Bank subsequently execute and deliver such an amendment to this Agreement, such amendment shall be effective immediately after any applicable requirements of the Indenture have been satisfied, including, without limitation, any rating confirmations, and, upon the effectiveness of such amendment (or sooner, with the written consent of the Bank), the proposed Bank Agreement shall become effective in accordance with its terms. If the Bank does not deliver to the Commission a proposed amendment to this Agreement within ten (10) days after such notification to the Bank, the proposed Bank Agreement shall become effective in accordance with its terms. If the Bank delivers a proposed amendment and such amendment cannot be agreed upon by the Bank and the Commission, the proposed Bank Agreement shall not become effective.

(p) Sovereign Immunity. In the event of a change in applicable law (a “Change in Law Related to Sovereign Immunity”) which permits the Commission to assert the defense of sovereign immunity in any proceeding by the Bank to enforce any of the Commission’s obligations under this Agreement or any of the other Related
Documents or the Law or the Ordinance and such Change in Law Related to Sovereign Immunity permits the Commission to waive such right in contract or otherwise, to the extent permitted by such applicable law, the Commission agrees not to assert the defense of sovereign immunity in any proceeding by the Bank to enforce any of the obligations of the Commission under this Agreement or any other Related Document or the Law or the Ordinance.

(q) **Maintenance of Ratings.** The Commission covenants and agrees that it shall at all times (i) use its best efforts to maintain at least two short-term ratings on the Commercial Paper Notes by any Rating Agencies, (ii) maintain at least two unenhanced long-term ratings on any one or more series of the Senior Lien Debt by any Rating Agencies and (iii) maintain at least one long-term rating on the Bank Note from any Rating Agency.

(s) **Maintenance of Existence.** To the extent permitted by law, the Commission shall preserve and maintain (i) its existence as a public instrumentality of the State, and (ii) its rights, franchises and privileges material to the conduct of its business as from time to time being conducted.

(t) **Pledge of Sales Tax Revenues.** The Commission will take all actions and do all things necessary to maintain the pledge of and the lien on the Sales Tax Revenues (including Revenues) as provided in the Indenture and herein.

(u) **Budget.** Promptly after adoption thereof, a copy of the final budget of the Commission for each Fiscal Year during the term of the Agreement.

(v) **Amendments.** Promptly provide copies of any amendments or modifications to the Law or any other enacted legislation of which the Commission has actual knowledge which may materially adversely impact upon the Sales Tax Revenues (including Revenues) or the Commission’s ability to perform its obligations under the Commercial Paper Notes or the other Related Documents, the Bond Indentures, the Law or the Ordinance.

Section 6.02. **Negative Covenants of the Commission.** Until the termination of this Agreement and the payment in full to the Bank of all amounts payable to the Bank hereunder, under the Fee Letter and under the Bank Note, the Commission hereby covenants and agrees that it will not:

(a) **Compliance with Laws, Etc.** Violate any laws, rules, regulations, or governmental orders to which it is subject and of which it is aware after diligent inquiry, which violation could reasonably be expected to result in a Material Adverse Change.

(b) **Amendments.** Without the prior written consent of the Bank, (i) consent or agree to or permit any rescission of or amendment to the Indenture, the Law or the Ordinance, the Bond Indentures or any Related Document which would materially reduce the amount of the Sales Tax Revenues (including Revenues) or impair the obligations of
the Commission hereunder or under the Fee Letter or which would in any manner materially impair or materially adversely affect the rights of the Commission to the Revenues or the security of the Indenture; or (ii) agree to the amendment of the Indenture, the Law, the Ordinance, the Bond Indentures or any Related Documents such that payments to holders of Commercial Paper Notes are impaired or reduced or the priority of the obligations of the Commission under the Indenture or to the Bank hereunder or under the Fee Letter is adversely affected in any way; or (iii) agree to any amendment of the Indenture, the Law, the Ordinance, the Bond Indentures or any Related Documents whatsoever which will materially and adversely affect the rights, interests, security or remedies of the Bank or the holders of Commercial Paper Notes in respect thereof provided no consent shall be required or impairment deemed or adverse affect assumed from the issuance of additional Commercial Paper Notes in accordance with the Indenture or the issuance of additional Bonds or Senior Lien Debt or Parity Debt in accordance with the Bond Indenture.

(c) *Swap Termination Payments.* Subsequent to the Closing Date, the Commission shall not enter into any additional Swap Contract unless any and all termination payments that may become owing by the Commission thereunder shall be subordinate to all amounts payable to the Bank hereunder. The Commission shall not permit any Lien on any portion of the Revenues securing any swap termination payments to be *pari passu* with or senior to the Lien on the Revenues created pursuant to the Indenture or the Issuing and Paying Agency Agreement to secure the payment of the principal of and interest on the Commercial Paper Notes, the Bank Note, the Advances and Reimbursement Obligations.

(f) *Offering Statement Disclosure.* The Commission shall not include in an offering document for the Commercial Paper Notes any information concerning the Bank (other than identifying the Bank as a party to its contracts) that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein. Except as may be required by law, the Commission shall not use the Bank’s name in the context of credit extension to the Commission or securities offerings (other than identifying the Bank as a party to this Agreement) in any published materials (other than the Commission’s staff reports, annual statements, audited financial statements and rating agency presentations) without the prior written consent of the Bank (which consent shall not be unreasonably withheld); *provided* that, without the prior written consent of the Bank, the Commission may identify the Bank as the issuer of the Letter of Credit and a party to this Agreement, the Stated Amount of the Letter of Credit, the expiration date of the Letter of Credit, the conditions under which the Bank may issue a Notice of No Issuance or a Final Drawing Notice, the Amortization Period and related conditions, the Amortization End Date and related conditions, the relationship between the Bank and any participants in a financing and that the Commission’s obligations under this Agreement and the Fee Letter are secured by Sales Tax Revenues, in offering documents with respect to the Senior Lien Debt and the Commercial Paper Notes, so long as no other information relating to the Agreement, the Fee Letter or the Bank is disclosed in such offering documents without the prior written consent of the Bank.
ARTICLE VII

DEFAULTS

Section 7.01. Events of Default and Remedies. If any of the following events shall occur, each such event shall be an “Event of Default”:

(a) the Commission fails to pay, or cause to be paid (i) any principal of or interest on any Drawing or any Advance when due, (ii) any Letter of Credit Fee within five (5) Business Days of the date such Letter of Credit Fee is due or (iii) any other Obligation (other than the Obligations described in clause (i) or (ii) of this Section 7.01(a)) within five (5) Business Days of the date such Obligation is due;

(b) any material representation, warranty or statement made by or on behalf of the Commission herein or in any Related Document to which the Commission is a party or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made;

(c) (i) the Commission fails to perform or observe any term, covenant or agreement contained in Sections 6.01(k)(ii), 6.01(k)(iii), 6.01(l) (with respect to amendments without consent only), 6.01(m), 6.01(p), 6.01(q)(ii), 6.01(q)(iii), 6.01(s), 6.01(t), 6.02 and 8.15 hereof; or (ii) the Commission fails to perform or observe any other term, covenant or agreement contained in this Agreement or the Fee Letter (other than those referred to in Sections 7.01(a) and 7.01(c)(i)) and any such failure cannot be cured or, if curable, remains uncured for thirty (30) days after the earlier of (A) written notice thereof to the Commission or (B) an Authorized Officer having actual knowledge of such failure;

(d) the Commission shall (i) default in any payment of any Revenues Secured Debt, beyond the period of grace, if any, provided in the instrument or agreement under which such Revenues Secured Debt was created; or (ii) default in the observance or performance of any agreement or condition relating to any Revenues Secured Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to permit the holder or holders of such Revenues Secured Debt (or a trustee or agent on behalf of such holder or holders) to cause, or to cause (in each case, determined without regard to whether any notice is required), any such Revenues Secured Debt to become due prior to its stated maturity;

(e) a court or other Governmental Authority with jurisdiction to rule on the validity of this Agreement, the Indenture, the Issuing and Paying Agent Agreement, the Law, the Ordinance or any other Related Document to which the Commission is a party shall find, announce or rule that (A) any material provision of this Agreement and any other Related Document to which the Commission is a party; or (B) any provision of the Indenture, the Issuing and Paying Agent Agreement, the Law or the Ordinance relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the
Commission’s ability to pay the Obligations or perform its obligations hereunder or under the Fee Letter or the interests, security, rights and remedies of the Bank or any Payment and Collateral Obligation, is not a valid and binding agreement of the Commission or;

(ii) an Authorized Officer of the Commission, by duly authorized action of the Commission, shall contest the validity or enforceability of this Agreement, any other Related Document to which the Commission is a party or any provision of the Indenture, the Issuing and Paying Agent Agreement, the Law or the Ordinance relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Commission’s obligation to pay the Obligations or perform its obligations hereunder or under the Fee Letter or the interests, security, rights or remedies of the Bank or the pledge of, lien on or security interest in the Sales Tax Revenues or any Payment and Collateral Obligation, or shall, by duly authorized action of the Commission, seek an adjudication that this Agreement, any other Related Document to which the Commission is a party or any provision of the Indenture, the Issuing and Paying Agent Agreement, the Law or the Ordinance relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Commission’s ability to pay the Obligations or perform its obligations hereunder or under the Fee Letter or the interests, security, rights or remedies of the Bank or any Payment and Collateral Obligation, is not valid and binding on the Commission or an Authorized Officer of the Commission shall, by duly authorized action of the Commission, repudiate the Commission’s obligations under this Agreement or under any other Related Document or any Payment and Collateral Obligation or any Governmental Authority with competent jurisdiction (including, without limitation, the Commission) shall initiate legal proceedings seeking to declare any of the Related Documents or the Commission’s obligations to pay any Parity Debt as not valid and binding on the Commission; or (iii) the validity, effectiveness or enforceability of the pledge of, lien on or security interest in the Sales Tax Revenues under the Indenture, the Issuing and Paying Agent Agreement or the Ordinance securing the Commercial Paper Notes and the Obligations hereunder and under the Fee Letter and the Bank Note or any Payment and Collateral Obligation shall at any time for any reason cease to be valid, effective or binding as a result of a finding or ruling by a court or Governmental Authority with competent jurisdiction, or shall be declared, in a final non-appealable judgment by any court of competent jurisdiction, to be null and void, invalid or unenforceable;

(f) any provision of the Indenture, the Issuing and Paying Agent Agreement or the Ordinance relating to the security for the Commercial Paper Notes, the Bank Note or the Obligations, the Commission’s ability to pay the Obligations or perform its obligations hereunder or under the Fee Letter or the interests, security, rights or remedies of the Bank, or any Related Document to which the Commission is a party, except for any Dealer Agreement which has been terminated due to a substitution of a Dealer, shall cease to be in full force or effect, or the Commission or any Person acting by or on behalf of the Commission shall deny or disaffirm the Commission’s obligations under the Indenture, the Issuing and Paying Agent Agreement, the Law or the Ordinance or any other Related Document to which the Commission is a party or any Payment and Collateral Obligation;
(g) one or more final judgments or orders for the payment of money from Revenues which, individually or in the aggregate, equal or exceed $10,000,000 (excepting therefrom any amounts covered by and available from insurance) shall have been rendered against the Commission and such judgment(s) or order(s) shall not have been satisfied, stayed, vacated, discharged or bonded pending appeal within a period of sixty (60) days from the date on which it was first so rendered;

(h) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any Debt (including, without limitation, amounts due under any Bank Agreement) secured by a lien, charge or encumbrance upon or payable from the Sales Tax Revenues; (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the Commission seeks to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, termination, composition or other relief with respect to it or its debts (or the existence of the Commission is dissolved or terminated by any other means); (iii) the Commission seeks appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of the Commission’s property, or the Commission shall make a general assignment for the benefit of its creditors; (iv) there shall be commenced against the Commission any case, proceeding or other action of a nature referred to in clause (ii) above and the same shall remain undismissed; (v) there shall be commenced against the Commission any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within 60 days from the entry thereof; (vi) a financial control board, or its equivalent, shall be imposed upon the Commission by a Governmental Authority; (vii) the Commission takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv), (v) or (vi) above; or (viii) the Commission shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(i) either of Moody’s or S&P suspends, withdraws (other than a withdrawal requested by the Commission for non-credit related reasons) or downgrades the long-term unenhanced rating of any Senior Lien Debt of the Commission below “Baa3” (or its equivalent), “BBB-” (or its equivalent) or “BBB-” (or its equivalent), respectively;

(j) any funds or accounts or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established pursuant to the Indenture, the Law, the Ordinance, the Issuing and Paying Agent Agreement or the other Related Documents, that have been pledged to or a lien granted thereon to secure the Commercial Paper Notes, the Bank Note or the Obligations, shall become subject to any writ, judgment, warrant or attachment, execution or similar process which shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof;
(k)  (i) any “event of default” shall have occurred and be continuing under any Related Document beyond the expiration of any applicable grace period or (ii) any “event of default” under any Bank Agreement shall have occurred and be continuing beyond the expiration of any applicable grace period;

(l) Any provision of the Law or the Ordinance is supplemented, modified or amended in a manner that materially adversely impairs (i) the Commission’s ability or obligation to impose or levy the Sales Tax in the incorporated and unincorporated territory of the County of San Diego or collect Revenues and/or pay the Revenues directly to the Trustee or (ii) the State Board of Equalization’s obligation to collect the Sales Tax or the State Board of Equalization’s ability or obligation to make payment of the Sales Tax Revenues to the Trustee; or

(m) the Commission shall cease to exist, dissolve or terminate.

Section 7.02. Remedies. Upon the occurrence of any Event of Default, all Obligations shall bear interest at the Default Rate and the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(a) by notice to the Commission, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Commission; provided that upon the occurrence of an Event of Default described under Section 7.01(h) hereof such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

(b) by notice of the occurrence of any Event of Default to the Issuing and Paying Agent (which notice shall constitute a “Notice of No Issuance” for purposes of the Issuing and Paying Agent Agreement) prohibit, until such time, if any, as the Bank shall withdraw (in writing) such notice, the issuance of additional Commercial Paper Notes, reduce the Stated Amount of the Letter of Credit to the amount of the then Outstanding Commercial Paper Notes supported by the Letter of Credit and interest payable thereon at maturity of such Commercial Paper Notes and/or terminate and/or permanently reduce such Stated Amount as the then Outstanding Commercial Paper Notes are paid;

(c) issue the Final Drawing Notice (the effect of which shall be to cause the Termination Date of the Letter of Credit to occur on the 15th day after the date of receipt thereof by the Issuing and Paying Agent);

(d) pursue any rights and remedies it may have under the Related Documents or the Law or the Ordinance; or

(e) pursue any other action available at law or in equity.
ARTICLE VII

MISCELLANEOUS

Section 8.01. Amendments, Waivers, Etc. No amendment or waiver of any provision of this Agreement, or consent to any departure by the Commission therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by the Bank, affect the rights or duties of the Bank under this Agreement or any other Related Document or the Law or the Ordinance.

Section 8.02. Notices. All notices and other communications provided for hereunder shall be in writing (including required copies) and sent by receipted hand delivery (including Federal Express or other receipted courier service), facsimile transmission, or regular mail, as follows:

To the Commission: San Diego County Regional Transportation Commission
San Diego Association of Governments
Suite 800
401 B Street
San Diego, CA 92101
Attention: Director of Finance
Tax ID No.: 68-0162675
Telephone: (619) 699-1940
Facsimile: (619) 699-4890
E-mail: ________________

With a copy to:
San Diego County Regional Transportation Commission

Telephone: ______________
Facsimile: ______________
Attention: ______________
E-mail: ________________

To the Bank with respect to credit matters:
Union Bank, N.A.

Telephone: ______________ or

Facsimile: ______________
Attention: ______________
E-mail: ________________
or, as to each Person named above, at such other address as shall be designated by such Person in a written notice to the parties hereto. All such notices and other communications shall, when delivered or sent by facsimile transmission or mailed, be effective when deposited with the courier, sent by facsimile transmission or mailed respectively, addressed as aforesaid, except that Drawing certificates submitted to the Bank shall not be effective until received by the Bank.
Section 8.03. Survival of Covenants; Successors and Assigns. (a) All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of any Drawing or Advance hereunder and shall continue in full force and effect and until all Obligations hereunder, under the Fee Letter and under the Bank Note shall have been paid in full. Whenever in this Agreement and the Fee Letter any of the parties hereto and thereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Commission which are contained in this Agreement, the Fee Letter and the Bank Note shall inure to the benefit of the successors and assigns of the Bank. The Commission may not transfer its rights or obligations under this Agreement, the Fee Letter or the Bank Note without the prior written consent of the Bank. The Bank may transfer some or all of its rights and obligations under this Agreement with the prior written consent of the Commission (which consent shall not be withheld unreasonably), provided that (i) the Commission has received written notice from at least two of the Rating Agencies that the transfer shall not cause the lowering, withdrawal or suspension of any ratings then existing on the Commercial Paper Notes; and (ii) the Bank shall be responsible for all costs resulting from the transfer. This Agreement, the Fee Letter and the Bank Note are made solely for the benefit of the Commission, the Bank, and no other Person (including, without limitation, the Issuing and Paying Agent, any Dealer or any holder of Commercial Paper Notes) shall have any right, benefit or interest under or because of the existence of this Agreement, the Fee Letter or the Bank Note; provided further that the Commission’s liability to any Participant shall not in any event exceed that liability which the Commission would owe to the Bank but for such participation.

(b) Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each a “Participant”) a participation or participations in all or any part of the Bank’s rights and benefits under this Agreement, the Fee Letter and the Bank Note on a participating basis but not as a party to this Agreement, the Fee Letter or the Bank Note (a “Participation”) without the consent of the Commission. The Bank shall provide the Commission with written notice of any Participation not more than five (5) Business Days after the date of entering into such Participation. In the event of any such grant by the Bank of a Participation to a Participant, the Bank shall remain responsible for the performance of its obligations hereunder, and the Commission shall continue to deal solely and directly with the Bank in connection with the Bank’s rights and obligations under this Agreement and the Bank Note. The Commission agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement, the Fee Letter and the Bank Note as if such Participant were the Bank; provided that no Participant shall have the right to declare, or to take actions in response to, any Event of Default under the Agreement, any Related Documents, the Bond Indentures, the Law or the Ordinance; and provided further that no such Participant shall be entitled to receive payment pursuant to Section 2.14 hereof in an amount greater than the amount which would have been payable had the Bank not granted a Participation to such Participant.

Section 8.04. Unconditional Obligations. The obligations of the Commission under this Agreement, the Fee Letter and the Bank Note shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of the Indenture, the Issuing and Paying Agent
Agreement, the Ordinance, this Agreement, the Fee Letter and the Bank Note, under all circumstances whatsoever, including, without limitation, the following:

(a) any lack of validity or enforceability of this Agreement, the Fee Letter, the Letter of Credit, the Bank Note or, to the extent permitted by law, the Commercial Paper Notes, the Indenture, the Issuing and Paying Agent Agreement, the Law, the Ordinance or any other Related Document;

(b) any amendment or waiver of or any consent to departure from the terms of the Indenture, the Issuing and Paying Agent Agreement, the Law, the Ordinance or all or any of the other Related Documents to which the Bank has not consented in writing;

(c) the existence of any claim, counterclaim, set off, recoupment, defense, or other right which any Person may have at any time against the Bank, the Commission, the Issuing and Paying Agent, any Dealer, or any other Person, whether in connection with this Agreement, the Fee Letter, the Bank Note, the Indenture, the Issuing and Paying Agent Agreement, the Law, the Ordinance, the other Related Documents, or any other transaction related thereto;

(d) any statement or any other document presented pursuant hereto or pursuant to the Letter of Credit which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; and

(e) payment by the Bank of a Drawing against presentation of a request which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently is found not to comply with the terms of this Agreement.

Notwithstanding this Section, the Bank acknowledges the Commission may have the right to bring a collateral action with respect to one or more of the foregoing circumstances. The Commission’s payment obligations shall remain in full force and effect pending the final disposition of any such action.

SECTION 8.05. LIABILITY OF BANK: INDEMNIFICATION. (A) To the fullest extent permitted by the laws of the State, the Commission assumes all risks of the acts or omissions of the Issuing and Paying Agent with respect to the use of the Letter of Credit and the use of proceeds thereunder; provided that this assumption with respect to the Bank is not intended to and shall not preclude the Commission from pursuing such rights and remedies as it may have against the Issuing and Paying Agent under any other agreements. Neither the Bank nor any of its officers, directors, employees or agents shall be liable or responsible for (i) the use of the Letter of Credit, the drawings or advances thereunder or hereunder, the proceeds of the Commercial Paper Notes or the transactions contemplated hereby and by the Program Documents or for any acts or omissions of the Issuing and Paying Agent or any Dealer; (ii) the validity, sufficiency or genuineness of any documents determined
in good faith by the Bank to be valid, sufficient or genuine, even if such documents shall, in fact, prove to be in any or all respects invalid, fraudulent, forged or insufficient; (iii) payments by the Bank against presentation of requests for drawings or requests for which the Bank in good faith has determined to be valid, sufficient or genuine and which subsequently are found not to comply with the terms of this Agreement or the Letter of Credit; or (iv) any other circumstances whatsoever in making or failing in good faith to make payment hereunder or under the Letter of credit; provided that the Commission shall not be required to indemnify the Bank for any claims, losses, liabilities, costs or expenses to the extent, but only to the extent, solely and directly caused by the gross negligence or willful misconduct of the Bank.

(b) to the extent permitted by the laws of the State, the Commission hereby indemnifies and holds harmless the Bank and any of its officers, directors, employees or agents from and against any and all direct, as opposed to consequential or punitive claims, damages (the right to receive consequential or punitive damages being hereby waived), losses, liabilities, costs or expenses (including specifically reasonable attorneys’ fees) which the Bank may incur (or which may be claimed against the Bank by any person whatsoever) by reason of or in connection with (i) the execution and delivery of this Agreement, the Fee Letter, the Letter of Credit and the Bank Note and the transactions contemplated hereby or thereby; and (ii) the statements contained in the Offering Memorandum prepared and distributed in connection with the Commercial Paper Notes; provided that the Commission shall not be required to indemnify the Bank, and the Commission shall have a cause of action against the Bank, and the Bank shall be liable, for any direct, as opposed to consequential or punitive damages (the right to receive consequential or punitive damages being hereby waived), losses, liabilities, costs or expenses (a) to the extent, but only to the extent, solely and directly caused by (1) the Bank’s willful misconduct or gross negligence in determining whether the documents presented under the Letter of Credit comply with the terms of the Letter of Credit; or (2) the Bank’s willful or grossly negligent failure to make lawful payment under the Letter of Credit after the proper presentation to the Bank by the Issuing and Paying Agent or a successor issuing and paying agent under the Issuing and Paying Agent Agreement of a drawing strictly complying with the terms and conditions of the Letter of Credit; or (b) incurred in connection with the statements contained in Appendix [ ] to the Offering Memorandum under the caption [“Certain Information Regarding the Bank – Union Bank, N.A.”] as set forth in the Offering Memorandum.

The Bank is hereby expressly authorized and directed to honor any demand for payment which is made under the Letter of Credit without regard to, and without any duty on its part to inquire into the existence of, any disputes or controversies between the Commission, any Dealer, the Issuing and Paying Agent or any other person or the respective rights, duties or liabilities of any of them, or whether any facts or occurrences represented in any of the documents presented under the Letter of Credit are true and correct.

Section 8.06. Expenses and Taxes. The Commission will promptly pay (a) the fees and expenses of counsel to the Bank and incurred in connection with the preparation, execution and
delivery of this Agreement, the Fee Letter and the Letter of Credit as set forth in the Fee Letter; (b) the fees and disbursements of counsel to the Bank with respect to advising the Bank as to the rights and responsibilities under this Agreement and the Fee Letter after the occurrence of an Event of Default; and (c) all costs and expenses, if any, in connection with the enforcement of this Agreement and the Fee Letter and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, the Commission shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement and the Fee Letter and the security contemplated by the Related Documents, the Law and the Ordinance and any related documents and agrees to hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. In addition, the Commission agrees to pay, after the occurrence of an Event of Default, all costs and expenses (including attorneys’ fees and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from the Commission hereunder or under the Fee Letter or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement or the Fee Letter in the nature of a “workout” or of any insolvency or bankruptcy proceedings of the Commission.

Section 8.07. No Waiver; Conflict. Neither any failure nor any delay on the part of the Bank in exercising any right, power or privilege hereunder, nor any course of dealing with respect to any of the same, shall operate as a waiver thereof, preclude any other or further exercise thereof nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies herein provided are cumulative, and not exclusive of any remedies provided by law. To the extent of any conflict between this Agreement, the Letter of Credit, the Issuing and Paying Agent Agreement, the Law, the Ordinance and any other Related Documents, this Agreement shall control solely as between the Commission and the Bank.

Section 8.08. Modification, Amendment, Waiver, Etc. No modification, amendment or waiver of any provision of this Agreement, the Fee Letter or the Bank Note shall be effective unless the same shall be in writing and signed by the parties hereto.

Section 8.09. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and all other remaining provisions hereof will be construed to render them enforceable to the fullest extent permitted by law.

Section 8.10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart.
Section 8.11. Table of Contents; Headings. The table of contents and the section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

Section 8.12. Entire Agreement. This Agreement and the Fee Letter, together with the Bank Note represents the final agreement between the Parties hereto and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the Parties hereto.

Section 8.13. Governing Law; Jury Trial. (a) This Agreement shall be governed by and construed in accordance with the laws of the State.

(b) Each party hereto knowingly, voluntarily and intentionally waives its right to a jury trial in respect of any litigation (whether as claim, counterclaim, affirmative defense or otherwise) or other causes of action based upon or arising out of this Agreement and the other Related Documents, the Law and the Ordinance. It is hereby acknowledged that the waiver of a jury trial is a material inducement for the Bank to enter into this Agreement and that the execution and delivery of this agreement by the Commission and the Bank is made in reliance upon such waiver. Each party hereto further warrants and represents that such waiver has been knowingly and voluntarily made following consultation with its respective legal counsel. The Commission represents and acknowledges that it has reviewed this provision with its legal counsel and that it has knowingly and voluntarily waived any jury trial rights it may have following consultation with such legal counsel. If and to the extent the foregoing waiver of the right to a jury trial is unenforceable for any reason, the parties hereto hereby consent to the adjudication of any and all claims pursuant to judicial reference as provided in California Code of Civil Procedure Section 638, and the judicial referee shall be empowered to determine any and all issues in such reference whether fact or law. Each party hereto acknowledges and represents that it and the other parties hereto have been induced to enter into this Reimbursement Agreement and the other Related Documents by, among other things, the mutual waivers and certifications in this Section, and that it has reviewed this waiver and consent, and knowingly and intentionally waives its jury trial rights and consents to judicial references following the opportunity to consult with legal counsel of its choice on such matters. In the event of litigation, a copy of this Reimbursement Agreement may be filed as a written consent to a trial by the court or to judicial reference under California Code of Civil Procedures Section 638 as provided herein.

Section 8.14. Reserved.

Section 8.15. USA Patriot Act; Government Regulations. The Bank hereby notifies the Commission that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Patriot Act”), the Bank is required to obtain, verify and record information that identifies the Commission, which information includes the name and address of the Commission and other information that will allow the Bank to identify
the Commission in accordance with the Patriot Act. The Commission shall, promptly following a request by the Bank, provide all documentation and other information that the Bank reasonably requests in order to comply with its ongoing obligations under applicable law or regulation, including, without limitation, “know your customer” and anti-money laundering rules and regulations, including the Patriot Act, and shall comply with all applicable Bank Secrecy Act (“BSA”) laws and regulations, as amended.

The Commission hereby represents and warrants and covenants and agrees (a) that it is not and shall not be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control (“OFAC”), the Commission of the Treasury or included in any Executive Orders, that prohibits or limits the Bank from making any advance or extension of credit to the Commission or from otherwise conducting business with the Commission and (b) to ensure that the proceeds of the Commercial Paper Notes shall not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

Section 8.16. Dealing with the Commission, the Issuing and Paying Agent, and/or the Dealer. The Bank and its affiliates may accept deposits from, extend credit to and generally engage in any kind of banking, trust or other business with the Commission, the Issuing and Paying Agent, and/or any Dealer regardless of the capacity of the Bank hereunder.
IN WITNESS WHEREOF, the Commission and the Bank have duly executed this Agreement as of the date first above written.

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: ______________________________
   Name: __________________________
   Title: ___________________________

UNION BANK, N.A.

By: ______________________________
   Name: __________________________
   Title: ___________________________
APPENDIX II

[FORM OF NOTICE OF NO ISSUANCE]

[Dated Date]

San Diego County Regional Transportation Commission
San Diego Association of Governments
401 B Street, Suite 800
San Diego, CA 92101
Attention: Director of Finance

U.S. Bank National Association,
as Issuing and Paying Agent
100 Wall Street, 16th Floor
New York, New York 10005
Attention: _______________

Re: $75,000,000
Subordinate Sales Tax Revenue Commercial Paper Notes
(Limited Tax Bonds), Series B

Ladies and Gentlemen:

Pursuant to Section 7.02(b) or Section 3.02 of that certain Reimbursement Agreement, dated as of September 1, 2012 (the “Reimbursement Agreement”), by and between the San Diego County Regional Transportation Commission (the “Commission”) and the undersigned, as Bank, you are hereby notified that (a) either (1) an “Event of Default” under Section 7.01( _) of the Reimbursement Agreement has occurred and is now continuing or (2) one or more of the representations and warranties of the Commission set forth in the Reimbursement Agreement, are in the reasonable opinion of the Bank, no longer true and correct in all material respects and; (b) upon receipt of this notice, (i) no new Commercial Paper Notes, as defined in the Reimbursement Agreement, shall be issued or authenticated (ii) the Stated Amount of the Letter of Credit shall be permanently reduced to $______________, representing the principal amount of Commercial Paper Notes currently outstanding and interest thereon, and shall be further permanently reduced following the maturity of any such Commercial Paper Notes, and (iii) the Stated Amount shall no longer be reinstated following payment by the Bank of any Drawings.

This Notice of No Issuance shall remain in effect unless you have received written notification from us that this Notice of No Issuance has been rescinded.

APPENDIX II
(to Reimbursement Agreement)

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Very truly yours,

UNION BANK, N.A., as Bank

By: ______________________________
    Name: ______________________________
    Title: ______________________________

cc:  [DEALER]
     [RATING AGENCIES]
APPENDIX III

[FORM OF BANK NOTE]

$81,750,000 Maximum Principal Amount

FOR VALUE RECEIVED, the undersigned, SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION (the “Borrower”), hereby promises to pay to the order of UNION BANK, N.A., and its successors and assigns (the “Bank”) at its principal office at ____________, in the manner and on the dates provided in the hereinafter defined Agreement in lawful money of the United States of America and in immediately available funds, the principal amount equal to the aggregate unreimbursed amount of Drawings and Advances made by the Bank pursuant to the Letter of Credit and the Agreement not to exceed Eighty-One Million Seven-Hundred Fifty Thousand Dollars ($81,750,000). Terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Reimbursement Agreement, dated as of September 1, 2012 (the “Agreement”) by and between the Borrower and the Bank, as from time to time in effect.

The Borrower further promises to pay interest from the date hereof on the outstanding principal amount hereof and unpaid interest hereon from time to time at the rates and times and in all cases in accordance with the terms of the Agreement. The Borrower promises to make all other payments owed by it under the Agreement and the Fee Letter. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Credit Agreement.

The Bank may endorse its records relating to this Bank Note with appropriate notations evidencing the Drawing under the Letter of Credit and Advances under the Agreement and payments of principal hereunder as contemplated by the Agreement.

This Bank Note (a) is one of “the duly authorized issue of notes of the Borrower known as “San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds)–Bank Note” (the “Bank Note”) issued under and pursuant to (i) that certain Amended and Restated Subordinate Indenture dated as of November 1, 2005 (the “A&R Indenture”), as supplemented and amended by that certain First Supplement to the Amended and Restated Subordinate Indenture dated as of March 27, 2008 (the “First Supplement to Indenture”), and as further supplemented and amended by that certain Second Supplement to the Amended and Restated Subordinate Indenture dated as of October 1, 2010 (the “Second Supplement to Indenture”), each between the Borrower and U.S. Bank National Association, as Trustee (the “Trustee”), (ii) that certain Amended and Restated Issuing and Paying Agent Agreement dated as of November 1, 2005, as amended and supplemented to date, between the Borrower and U.S. Bank National Association, as Issuing and Paying Agent, as the same may from time to time be amended or supplemented in accordance with the terms thereof and of the Agreement, (iii) the Agreement and (v) the Fee Letter. Reference is made to the Agreement for provisions relating to (a) the security for the payment hereof, (b) the prepayment hereof and (c) the acceleration of the maturity hereof.

APPENDIX III
(to Reimbursement Agreement)

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The parties hereto, including the undersigned maker and all guarantors, endorsers and pledgors that may exist at any time with respect hereto, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Bank Note and assent to the extensions of the time of payment or forbearance or other indulgence without notice.

This Bank Note is an obligation of the Borrower secured by a lien on the Revenues as more fully described in Section 5.12 of the Agreement.

This Bank Note is not an obligation of the State of California.

It is hereby certified, recited and declared that all conditions, acts and things essential to the validity of this Bank Note exist, have happened and have been done and that every requirement of law affecting the issuance hereof has been duly complied with.
IN WITNESS WHEREOF, the Borrower has caused this Bank Note to be signed in its name as an instrument by its duly authorized officer on the date and in the year first above written.

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: ____________________________
Name: __________________________
Title: __________________________

Attest:

By: ____________________________
Name: __________________________
Title: __________________________
APPENDIX IV

[FORM OF REQUEST FOR EXTENSION]

Union Bank, N.A., as Bank
____________________
____________________
Attention: ______________

Re: Request for Extension of Irrevocable Transferable Direct-Pay Letter of Credit No. ________

Ladies and Gentlemen:

Pursuant to Section 2.12 of that certain Reimbursement Agreement, dated as of September 1, 2012 (the “Reimbursement Agreement”), by and between the San Diego County Regional Transportation Commission (the “Commission”) and Union Bank, N.A. (the “Bank”), the Commission hereby requests that the Letter of Credit Expiration Date be extended for a one-year extension. All capitalized terms contained herein which are not specifically defined herein shall be deemed to have the definition set forth in the Reimbursement Agreement.

The Bank is requested to notify the Commission of its decision with respect to this request for extension within 30 days of the date of receipt of all information necessary, in the Bank’s reasonable judgment, to permit the Bank to make an informed credit decision. If the Bank fails to notify the Commission of its decision within such 30-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: ______________________________
   Name: ______________________________
   Title: ______________________________

cc: U.S. Bank National Association,
    as Issuing and Paying Agent
On September 28, 2011, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission, delivered an opinion with respect to the Notes to the effect that 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 Notes, when issued in accordance with the Subordinate Indenture, the Tax Certificate and the Issuing and Paying Agent Agreement, 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. The opinion of Bond Counsel stated that the amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer’s election under Internal Revenue Service Notice 94-84. The opinion of Bond Counsel further stated that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See “TAX MATTERS.”

$75,000,000
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SUBORDINATE SALES TAX REVENUE COMMERCIAL PAPER NOTES
(LIMITED TAX BONDS)
SERIES B

This cover page contains certain information for quick reference only. It is not a summary of the Notes. Investors must read the entire Offering Memorandum to obtain information essential to the making of an informed investment decision. This Offering Memorandum supersedes the Offering Memorandum relating to the Notes dated September 23, 2011.

The San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series B (the “Notes” or the “Series B Notes”) are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Notes will be made in principal amounts of $100,000 and in integral multiples of $1,000 in excess thereof and will be in book-entry form only. Purchasers of the Notes will not receive instruments representing their beneficial ownership in the Notes purchased but will receive a credit balance on the books of their respective DTC Participants or DTC Indirect Participants. See Appendix C – “Book-Entry Only System” herein.

The Notes are limited obligations of the San Diego County Regional Transportation Commission (the “Commission”) payable from the receipts of a one-half of one percent (1/2%) 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 expires on March 31, 2048. The Commission has incurred obligations secured by the Sales Tax on a senior basis to the Notes, and subject to certain financial covenants described herein, the Commission may incur additional obligations secured by the Sales Tax on a senior basis to the Notes. See “Security and Source of Payment for the Notes” herein.

The payment of principal of and interest on the Notes will be supported by an irrevocable, direct-pay letter of credit (the “Letter of Credit”) issued by Union Bank, N.A. (the “Bank”).

The Letter of Credit will be issued on or about September 19, 2012 pursuant to a Reimbursement Agreement, dated as of September 1, 2012 (the “Reimbursement Agreement”), between the Commission and the Bank. The Letter of Credit is stated to expire on September 18, 2015. See “THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT” and “THE BANK” herein.

Dated: September __, 2012.

[Citigroup logo]
No dealer, broker, salesperson or other person has been authorized by the Commission, the Dealer, the Bank or the Financial Advisor to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of any Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Offering Memorandum is not to be construed as a contract with the purchasers of the Notes.

The information set forth herein has been obtained from the Commission, the Bank, The Depository Trust Company, and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by any Dealer of the Notes. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change since the date hereof in the affairs of the Commission, or in any other matters which are material to the full and punctual payment of any Notes. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

This Offering Memorandum is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

The Dealer has provided the following sentence for inclusion in this Offering Memorandum. The Dealer has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Dealer does not guarantee the accuracy or completeness of such information. The information and expression of opinion herein are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commission since the date hereof. This Offering Memorandum, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

**CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFERING MEMORANDUM**

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 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. Jerome Stocks
FIRST VICE-CHAIR: Hon. Jack Dale
SECOND VICE-CHAIR: Hon. Jim Janney

CITY OF CARLSBAD
Hon. Matt Hall, Mayor
(A) Hon. Ann Kulchin, Mayor Pro Tem
(A) Hon. Farrah Douglas, Councilmember

CITY OF LEMON GROVE
Hon. Mary Teresa Sessom, Mayor
(A) Hon. George Gastil, Mayor Pro Tem
(A) Hon. Jerry Jones, Councilmember

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Hon. Ron Roberts, Chair
(A) Hon. Greg Cox, Vice Chair
(A) Hon. Pam Slater-Price, Supervisor
Hon. Bill Horn, Supervisor
(A) Hon. Dianne Jacob, Supervisor

CITY OF CHULA VISTA
Hon. Cheryl Cox, Mayor
(A) Hon. Rudy Ramirez, Deputy Mayor
(A) Hon. Pamela Bensousan, Deputy Mayor

CITY OF NATIONAL CITY
Hon. Ron Morrison, Mayor
(A) Hon. Rosalie Zarate, Councilmember
(A) Hon. Alejandra Sotelo-Solis, Vice Mayor

IMPERIAL COUNTY
(Advisory Member)
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(A) Daniel Romero, Mayor, City of Calexico

CITY OF CORONADO
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(A) Hon. Al Ovrom, Mayor Pro Tem
(A) Hon. Michael Woiwode, Councilmember

CITY OF NAXESIDE
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(A) Hon. Jack Feller, Councilmember
(A) Hon. Gary Felien, Councilmember

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(Advisory Member)
Malcolm Dougherty, Director
(A) Laurie Berman, District 11 Director

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(A) Hon. Terry Sinnott, Deputy Mayor
(A) Hon. Mark Filane, Councilmember

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Hon. Don Higginson, Mayor
(A) Hon. Jim Cunningham, Deputy Mayor
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(A) Hon. Al Ovrom

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(A) Hon. Bill Wells, Councilmember

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(A) Hon. Lorie Zapf, Councilmember
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(A) Hon. Todd Gloria, Councilmember
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(Advisory Member)
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(A) CAPT Allan Stratman, USN, CEC, Southwest Division Naval Facilities Engineering Command

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(A) Hon. Jim King, Councilmember
(A) Hon. Lorie Bragg, Councilmember

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(A) John Linden, Director

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(A) Hon. Ruth Sterling, Councilmember

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Hon. Allen Lawson, San Pasqual Band of Diegueño Indians
(A) Robert Smith, Pala Band of Mission Indians

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(A) Hon. John Aguilera, Councilmember

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(Advisory Member)
Hon. Remedios Gómez-Arnau, Cónsul General of Mexico
(A) Hon. Francisco J. Olivarria, Deputy Cónsul General of Mexico
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

MANAGEMENT

EXECUTIVE DIRECTOR
Gary L. Gallegos

CHIEF DEPUTY EXECUTIVE DIRECTOR
Renée Wasmund

GENERAL COUNSEL
John F. Kirk

DIRECTOR OF MOBILITY MANAGEMENT AND PROJECT IMPLEMENTATION
Jim Linthicum

DIRECTOR OF FINANCE
André Douzdjian

DIRECTOR OF LAND USE AND TRANSPORTATION PLANNING
Charles “Muggs” Stoll

TransNet AND LEGISLATIVE AFFAIRS PROGRAM DIRECTOR
Kim Kawada

FINANCIAL ADVISOR
Public Financial Management Inc.
San Francisco, California

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

TRUSTEE
U.S. Bank National Association
Los Angeles, California

ISSUING AND PAYING AGENT
U.S. Bank Trust National Association
New York, New York
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OFFERING MEMORANDUM

$75,000,000
San Diego County Regional Transportation Commission
Subordinate Sales Tax Revenue Commercial Paper Notes
(Limited Tax Bonds)
Series B

INTRODUCTION

This introduction is not a summary of the Offering Memorandum. It is only a brief
description of and guide to, and is qualified by, more complete and detailed information contained
in the entire Offering Memorandum and the documents summarized or described herein. A full
review should be made of the entire Offering Memorandum for an informed investment decision.

General

This Offering Memorandum, which includes the cover page and appendices hereto, sets forth
certain information in connection with the offering of $75,000,000 aggregate principal amount of San
Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper
Notes (Limited Tax Bonds), Series B (the “Notes” or the “Series B Notes”) to be issued from time to time
by the San Diego County Regional Transportation Commission (the “Commission”). 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 (more fully described herein). The Notes are being issued pursuant to the Act and an Amended and
Restated Subordinate Indenture, dated as of November 1, 2005 (as amended, the “Subordinate
Indenture”), between the Commission and U.S. Bank National Association, as trustee (the “Trustee”).
Certain matters relating to the payment of the principal of and interest on the Notes and the preparation
and sale of the Notes are described in an Amended and Restated Issuing and Paying Agent Agreement,
dated as of November 1, 2005 (as amended, the “Issuing and Paying Agent Agreement”), between the
Commission and U.S. Bank Trust National Association (the “Issuing and Paying Agent”). The
Commission has appointed Citigroup Global Markets Inc. as dealer (the “Dealer”) with respect to the
offering and sale of the Notes pursuant to a Commercial Paper Dealer Agreement, dated as of
November 1, 2005 (the “Dealer Agreement”), between the Commission and the Dealer.

Authority for Issuance

The Notes are being issued pursuant to authority granted under the Act, Resolution No.
RC2005-01 adopted by the Board of Directors of the Commission on September 23, 2005, Resolution No.
RC2008-02 adopted by the Board of Directors of the Commission on May 23, 2008, and adopted under
the San Diego Transportation Improvement Program Ordinance and Expenditure Plan adopted on July 31,
1987 (as amended, the “1987 Ordinance”) and the San Diego Transportation Improvement Program
Ordinance and Expenditure Plan (the “Sales Tax Extension Ordinance”), adopted on May 28, 2004 (the
1987 Ordinance and the Sales Tax Extension Ordinance are referred to collectively as the “Ordinance”).

The Commission’s debt issuance capacity and authority is separate and distinct from either the
City of San Diego or the County of San Diego (the “County”).
The Notes

The Notes are authorized to be issued in a principal amount not to exceed $75,000,000; as of September 4, 2012, $34,150,000 in principal amount of Notes was outstanding. See “DESCRIPTION OF THE NOTES” herein.

In June 2008, the Commission issued $34,000,000 of Notes, the proceeds of which were applied to purchase certain certificates of participation (the “NCTD Certificates”) originally executed and delivered in 2004 as auction rate securities on behalf of the North County Transit District (“NCTD”) to fund, in part, Expenditure Plan-eligible projects relating to NCTD’s SPRINTER rail line. The NCTD Certificates are insured by MBIA Insurance Corporation and are subject to annual mandatory prepayments in part with a final maturity in 2034. Pursuant to a Memorandum of Understanding, dated June 1, 2008, by and between the Commission and NCTD, the Commission and NCTD agreed that the Commission would apply principal and interest payments it receives from NCTD under the NCTD Certificates to pay the principal of and interest on the Notes the Commission issued to purchase the NCTD Certificates.

However, the Notes are not directly secured by payments the Commission receives from NCTD, but rather by the pledge of Revenues as herein described. See “SECURITY AND SOURCE OF PAYMENT FOR THE NOTES – Pledge of Sales Tax Revenues.” The NCTD Certificates held by the Commission are subject to tender and remarketing prior to maturity under certain circumstances at the option of the Commission or NCTD, in accordance with the provisions of the Memorandum of Understanding, and the Commission expects to apply the proceeds of any such remarketing either to pay the principal of and interest on the Notes or to finance a portion of the projects described in the Expenditure Plan. See “SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION--The Expenditure Plan” herein.

Security and Source of Payment for the Notes

The Notes are limited obligations of the Commission payable from certain revenues (as more fully defined herein, the “Sales Tax Revenues”) to be received from the collection of a one-half of one percent (1/2%) retail transactions and use tax (the “Sales Tax”) imposed in the County. Collection of the Sales Tax commenced April 1, 1988, and, pursuant to the Sales Tax Extension Ordinance, will continue until March 31, 2048. See “SECURITY AND SOURCE OF PAYMENT FOR THE NOTES – Pledge of Sales Tax Revenues” and “THE SALES TAX” herein.

The payment of principal of and interest on the Notes will be supported by an irrevocable direct-pay letter of credit (the “Letter of Credit”) issued by Union Bank, N.A. (the “Bank”). The Letter of Credit will be issued on or about September 19, 2012 pursuant to a Reimbursement Agreement, dated as of September 1, 2012 (the “Reimbursement Agreement”), between the Commission and the Bank. The Bank has agreed to issue the Letter of Credit in the stated amount of $___________, representing the aggregate principal amount of the Series B Notes authorized to be outstanding at any one time,[ plus interest at 12% per annum for a period of 270 days]. See “THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT.”

The Letter of Credit constitutes a “Liquidity Facility” as defined in the Subordinate Indenture. As provided in the Subordinate Indenture, the Commission may deliver an alternate liquidity facility to replace the Liquidity Facility then in effect, provided that (i) the Commission shall provide the Issuing and Paying Agent, the Trustee and the applicable Dealer with written evidence of the ratings on the applicable Series of Notes upon delivery of the alternate liquidity facility, and (ii) such alternate liquidity facility shall take effect on a date on which all Notes of such Series mature. The Issuing and Paying
Agent shall give notice of the provision of the alternate liquidity facility to the Owners of the applicable series of Notes at least thirty days prior to the proposed date of delivery of such alternate liquidity facility.


The Commission and SANDAG

The San Diego Association of Governments (“SANDAG”) is designated under state legislation as responsible for the implementation of the original TransNet (1987) and the TransNet Extension (2004) Ordinances. The SANDAG Board of Directors, acting as the Board of Commissioners of the San Diego County Regional Transportation Commission, is authorized, acting by motion, resolution or ordinance and in accordance with the bylaws, and all rules and regulations of SANDAG, to enter into contracts, including the issuance of bonds payable from proceeds of the Sales Tax.

The Commission is responsible for the implementation and administration of transportation improvement programs funded with the Sales Tax. The Commission is authorized to receive sales tax revenues after deduction of required State Board of Equalization costs, approve programs and projects for funding, and adopt implementing ordinances, rules, policies, and take such other actions as may be necessary and appropriate to carry out its responsibilities.

In 2003, state legislation required the consolidation of the planning, programming, project development, and construction functions of the agencies currently known as San Diego Metropolitan Transit System (“MTS”) and the North County Transit District into SANDAG. SANDAG is now responsible for transit planning, programming, project implementation, and construction of transit projects in the region. Neither SANDAG nor the Commission operates public transit services. MTS and NCTD operate such services within the County. The liabilities of SANDAG are not liabilities of the Commission. See “SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION.”

References

Brief descriptions of the Notes, the security and sources of payment for the Notes, the Ordinance, the Commission and its financial status and the pledge of Sales Tax Revenues are presented herein. Such references and descriptions do not purport to be comprehensive or definitive. All references herein to various documents are qualified in their entirety by reference to the forms thereof. Such documents pertaining to the Notes are available at the offices of the Trustee. All capitalized terms used herein and not otherwise defined shall have the meanings given such terms in Appendix D hereto or in the Subordinate Indenture.
DESCRIPTION OF THE NOTES

General

The Notes are authorized to be issued pursuant to the Act and the Subordinate Indenture. The Notes will be dated the date of their respective authentication and issuance, and will be issued in book-entry form only in denominations of $100,000 and in integral multiples of $1,000 in excess thereof. The Notes will bear interest from their respective dates, payable on their respective maturity dates.

The Notes: (i) will bear interest payable at maturity at a rate not to exceed twelve percent (12%) per annum calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed; (ii) will mature on a Business Day not more than two hundred seventy (270) days after their respective dates, but in no event later than the expiration date of the Sales Tax or five (5) days prior to the expiration date of the applicable Liquidity Facility; and (iii) will be sold at a price of not less than one hundred percent (100%) of the principal amount thereof.

The Notes, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC” and together with any successor securities depository, the “Securities Depository”). DTC will act as Securities Depository for the Notes so purchased. Individual purchases will be made in book-entry only form. Purchasers will not receive a certificate representing their beneficial ownership interest in the Notes. So long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references herein to the Noteholders, holders or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners of Notes. In this Offering Memorandum, the term “Beneficial Owner of Notes” shall mean the person for whom a Participant (as such term is defined in Appendix C) acquires an interest in the Notes.

So long as Cede & Co. is the registered owner of the Notes, principal of and interest on the Notes are payable by wire transfer of same day funds by the Issuing and Paying Agent to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to Beneficial Owners of the Notes. See APPENDIX C – “BOOK-ENTRY-ONLY SYSTEM” herein.

SECURITY AND SOURCE OF PAYMENT FOR THE NOTES

Pledge of Sales Tax Revenues

The Notes are limited obligations of the Commission and are payable as to principal and interest exclusively from Revenues, consisting of Sales Tax Revenues and any other amounts pledged to pay the Senior Lien Debt (as defined below) received by the Trustee after satisfaction of the Commission’s obligation to pay principal of and interest on the Senior Lien Debt and any other requirements relating to the Senior Lien Debt and any funds held by the Trustee under the Subordinate Indenture (other than amounts held in the Rebate Fund) and amounts held by the Issuing and Paying Agent in funds established under the Subordinate Indenture or the Issuing and Paying Agent Agreement, subject to the provisions of the Subordinate Indenture and the Issuing and Paying Agent Agreement permitting the application thereof for the purposes and on the terms set forth therein. “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 State Board of Equalization (“BOE”) for costs and expenses for its services in connection with the Sales Tax. For a general discussion of the Sales Tax and historical and forecasted Sales Tax Revenues, see “The Sales Tax” herein.
The Subordinate Indenture provides that the pledge of Revenues for the payment of the Notes, and any debt or other obligations of the Commission on a parity with the Notes (such debt being hereinafter referred to as “Parity Debt”), shall constitute a first lien on the Revenues and shall be valid and binding from and after delivery by the Trustee of the Notes or Parity Debt, without any physical delivery thereof or further act. As of June 30, 2012, the Commission had outstanding $1,172,000,000 aggregate principal amount of sales tax revenue bonds (the “Outstanding Senior Lien Debt”) and may determine to issue additional sales tax revenue bonds or other indebtedness having a lien upon the Sales Tax Revenues that is senior to that of the Notes (the Outstanding Senior Lien Debt and any additional bonds or other indebtedness with a senior lien to that of the Notes is referred to herein as the “Senior Lien Debt”) upon compliance with certain requirements set forth in the Subordinate Indenture. See “Additional Indebtedness; Refunding Notes; Limitation on the Issuance of Obligations payable from Sales Tax.” Under the Subordinate Indenture, the Commission has covenanted to cause the Sales Tax Revenues to be transmitted by the BOE directly to the trustee for the Senior Lien Debt (the “Senior Lien Bond Trustee”); the Commission has directed the Senior Lien Bond Trustee to remit all Sales Tax Revenues remaining after satisfaction of the requirements relating to the Senior Lien Debt to the Trustee. The Trustee is directed to deposit all Sales Tax Revenues received from the Senior Lien Bond Trustee in the Revenue Fund established under the Subordinate Indenture. After making the monthly deposits of Sales Tax Revenues to the Interest Fund and the Principal Fund to provide for the payment of the interest on the Notes and the principal of the Notes which the Commission certifies shall be paid from Sales Tax Revenues, the Trustee shall deposit any remaining Sales Tax Revenues into a fund to be used to repay any advances or loans under the Reimbursement Agreement, then shall transmit any excess Sales Tax Revenues to the Senior Lien Bond Trustee. All moneys at any time held in the Revenue Fund established under the Subordinate Indenture shall be held in trust for the benefit of the registered owners of the Notes and Parity Debt and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Subordinate Indenture. See APPENDIX D – “DEFINITIONS AND SUMMARY OF THE LEGAL DOCUMENTS – Revenues,” – “Pledge of Revenues, Allocation of Revenues.”


**Outstanding Senior Lien Debt**

As of September 1, 2012, the Outstanding Senior Lien Debt consists of seven series of sales tax revenue bonds: the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D (collectively, the “Series 2008 Bonds”), the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series A (Taxable Build America Bonds), and 2010 Series B (Tax-Exempt Bonds) (collectively, the “Series 2010 Bonds”) and the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A (the “Series 2012 Bonds” and, together with the Series 2008 Bonds and the Series 2010 Bonds, the “Senior Lien Bonds”). As of June 30, 2012, the aggregate principal amount of the Outstanding Senior Lien Debt was $1,172,000,000, all of which will mature on or before April 1, 2048, and maximum annual debt service
on the Outstanding Senior Lien Debt was approximately $62.3 million (net of certain federal subsidy payments expected to be received with respect to interest payments on the 2010 Series A (Taxable Build America Bonds)). The Commission anticipates issuing additional Senior Lien Debt subject to satisfaction of the conditions to the issuance of additional Senior Lien Debt as set forth in the Subordinate Indenture and that certain Indenture dated as of March 1, 2008 (as amended and supplemented, the “Senior Lien Indenture”), by and between the Commission and U.S. Bank National Association, as trustee.

The Series 2008 Bonds were originally issued in the aggregate principal amount of $600 million as variable rate demand obligations. In June 2012, the Commission refunded $151,500,000 in aggregate principal amount of the Series 2008 Bonds with proceeds of the Series 2012 Bonds. While the Series 2008 Bonds remain in a variable rate mode, the interest rate on the Series 2008 Bonds is determined by remarketing agents (to a maximum rate of 12%) and the Series 2008 Bonds are subject to optional and mandatory tender under certain circumstances. As of September 1, 2012, the 2008 Bonds are supported by standby bond purchase agreements pursuant to which certain banks have agreed (subject to conditions specified in the agreements) to purchase the Commission’s Series 2008 Bonds that are tendered for purchase and not successfully remarketed. Series 2008 Bonds so purchased and held by the banks (the “2008 Liquidity Facility Bonds”) will continue to be secured under the Senior Lien Indenture and payable on a parity basis with other Senior Lien Debt. Under the current standby bond purchase agreements, fees and other expense payments due to the banks are subordinate to Senior Lien Debt, the Notes and other Parity Debt. However, the amortization period applicable to Liquidity Facility Bonds may be accelerated under certain circumstances. See “RISK FACTORS – No Acceleration Provision.” The standby bond purchase agreements supporting the Series 2008 Bonds are not a source of funds for the payment of the principal of or interest on the Senior Lien Debt, including the Series 2008 Bonds.

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 or $200,000,000 each. The Initial Swaps became 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 on the first day of each month, commencing May 1, 2008. 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 Senior Lien 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 Notes. As of August 17, 2012, if the Initial Swaps were terminated, the Commission would owe a termination amount of approximately $93.7 million.

The names of the swap counterparties under the Initial Swaps, the fixed rate of interest paid by the Commission, and the floating rate of interest paid by the swap counterparties are as follows:

<table>
<thead>
<tr>
<th>Name of Counterparty</th>
<th>Fixed Rate of Interest</th>
<th>Floating Rate of Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America, N.A.</td>
<td>3.4100%</td>
<td>65% of USD One-Month LIBOR</td>
</tr>
<tr>
<td>Goldman Sachs Mitsui Marine Derivative Projects, L.P.</td>
<td>3.8165%</td>
<td>65% of USD One-Month LIBOR until April 1, 2018; USD SIFMA Swap Index thereafter</td>
</tr>
<tr>
<td>Bank of America, N.A.</td>
<td>3.8165%</td>
<td>65% of USD One-Month LIBOR until April 1, 2018; USD SIFMA Swap Index thereafter</td>
</tr>
</tbody>
</table>
In March, 2009, the Commission entered into two Securities Industry and Financial Markets Association ("SIFMA") versus London Interbank Offered Rate ("LIBOR") floating-to-floating swaps or "basis" swaps with Barclays Bank PLC (the "Basis Rate Swap Overlays"), with initial notional amounts for the two swaps of $156,600,000 each. Under two of the Initial Swaps, the Commission pays the counterparties a fixed payment of 3.8165 percent and receives 65 percent of LIBOR (through April 2018) and thereafter receives the SIFMA index. Pursuant to the terms of the Basis Rate Swap Overlays of two of the Initial Swaps, the Commission agreed to pay to the counterparties a payment of the SIFMA index and the counterparties agreed to pay the Commission 107.4 percent of LIBOR, on the first day of each month, commencing May 1, 2018, for the last 20 years of two of the Initial Swaps. The Commission’s obligation to make regularly scheduled payments of interest to the counterparties under the Basis Rate Swap Overlays is payable from and secured by Sales Tax Revenues on a parity basis with the Senior Lien Bonds. Under certain circumstances, the Basis Rate Swap Overlay may be terminated, at which time the Commission may be required to make a termination payment to the applicable counterparty; as of September 16, 2011, if the Basis Rate Swap Overlays were terminated, the Commission would receive approximately $13 million in termination payments. Under the terms of the Basis Rate Swap Overlays, the Commission may terminate the agreement and cash settle with prior written notice. Termination payments payable in accordance with the provisions of the Basis Rate Swap Overlay are secured by a lien on the Sales Tax Revenues subordinate to the lien which secures the Notes.

A portion of the Series 2010 Bonds were issued as taxable build America bonds and are currently outstanding in the aggregate principal amount of $338,960,000. The Commission expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on such bonds. See “– Maximum Annual Debt Service.” See also “RISK FACTORS – Loss of Subsidy Payments.”

Additional Indebtedness; Refunding Notes; Limitation on the Issuance of Obligations Payable from Sales Tax

Additional Series of Notes. The Commission may by Supplemental Indenture establish one or more additional Series of Notes, payable from the Sales Tax Revenues and secured by the pledge made under the Act and the Subordinate Indenture equally and ratably with the Notes and any other Series of Notes previously issued, in such principal amount as the Commission determines, but only upon compliance by the Commission with the provisions of the Subordinate Indenture and any additional requirements set forth in said Supplemental Indenture, and subject to the following specific conditions:

(a) no Event of Default shall have occurred and then be continuing;

(b) the aggregate principal amount of Notes authorized to be issued together with all outstanding Senior Lien Debt and Parity Debt shall not in combination with all outstanding debt obligations of the Commission exceed any limitation imposed by law or by any Supplemental Indenture or by Section 132309(b) of the Public Utilities Code of the State; and

(c) the Commission shall have placed on file with the Trustee, the Issuing and Paying Agent and the Bank, a Certificate certifying that the amount of Senior Lien Revenues received by the Commission for any period of 12 consecutive months during the 18 months immediately preceding the date of the proposed issuance will be at least equal to 1.15 times the Maximum Annual Debt Service on all Notes, Parity Debt and Senior Lien Debt then outstanding, including the additional series of Notes then proposed to be issued, and 1 times the amount then due and owing to the provider of a surety bond, insurance policy or letter of credit which is used...
to satisfy all or a portion of a bond reserve requirement established pursuant to a bond indenture relating to the Senior Lien Debt.

In the event additional assets or revenues are included within the definition of “Senior Lien Revenues” by a Supplemental Bond Indenture, such additional assets or revenues shall be included in the calculations in (c) above as if such additional assets or revenues had always been included in Senior Lien Revenues; provided that the consent of the Bank to such inclusion is obtained and Moody’s and Standard & Poor’s each confirm that inclusion of such revenues will not cause a reduction or withdrawal of any rating then in effect with respect to the Notes.

**Refunding Notes.** Refunding debt may be authorized and issued by the Commission without filing the certificate referred to in subsection (c) above, provided that no Note, advance or bank loan under any Reimbursement Agreement shall be deemed to constitute refunding debt and provided further that Maximum Annual Debt Service on all Senior Lien Debt, Notes and Parity Debt outstanding following the issuance of such refunding debt is less than or equal to Maximum Annual Debt Service on all Senior Lien Debt, Notes and Parity Debt outstanding prior to the issuance of such refunding debt. Such refunding debt may be issued as Senior Lien Debt in accordance with the provisions set forth in the bond indenture relating to the Senior Lien Bonds (the “Bond Indenture”) or as Parity Debt in accordance with the provisions set forth herein, in each case, in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of the principal or redemption price, if any, of the Senior Lien Debt, Notes or Parity Debt to be refunded, the interest on the Senior Lien Debt, Notes or Parity Debt to be refunded to the date such Senior Lien Debt, Notes or Parity Debt will be called for redemption or paid at maturity, as applicable, all incidental expenses and costs of issuance for the refunding debt, and interest on the refunding debt from the date thereof to the date of redemption of the Senior Lien Debt, Notes or Parity Debt to be refunded.

**Limitations on the Issuance of Obligations Payable from Sales Tax Revenues.** The Commission will not, so long as any of the Notes, Advances, Bank Loans, Parity Debt or Senior Lien Debt are outstanding, issue any obligations or securities, however denominated, payable in whole or in part from or secured by Sales Tax Revenues, except the following:

(a) notes of any additional Series authorized pursuant to the provisions of the Subordinate Indenture described above under the caption “Additional Series of Notes;”

(b) refunding debt authorized pursuant to the provisions of the Subordinate Indenture described above under the caption “Refunding Notes;”

(c) Parity Debt, provided that certain conditions precedent to the issuance of such Parity Debt specified in the Subordinate Indenture are satisfied;

(d) Senior Lien Debt, provided that the Commission shall have placed on file with the Trustee and the Bank a Certificate certifying that, the amount of Senior Lien Revenues received for any period of 12 consecutive months during the 18 months immediately preceding the date on which such additional Senior Lien Debt will become outstanding shall have been at least equal to 1.15 times the amount of Maximum Annual Debt Service on all Senior Lien Debt, Notes and Parity Debt then outstanding and the additional Senior Lien Debt then proposed to be issued, and 1 times the amount then due and owing to the provider of a surety bond, insurance policy or letter of credit which is used to satisfy all or a portion of a bond reserve requirement established pursuant to a bond indenture relating to the Senior Lien Debt;
Obligations which are junior and subordinate to the payment of the principal, premium, if any, interest and reserve fund requirements, if any, for the Notes and all Parity Debt, and which junior and subordinate obligations are payable as to principal, premium, if any, interest and reserve fund requirements, if any, only out of Revenues after the prior payment of all amounts then required to be paid hereunder from Revenues for principal, premium, if any, interest and reserve fund requirements, if any, for the Notes and all Parity Debt, as the same become due and payable and at the times and in the manner as required in the Indenture.

Notwithstanding anything in the Indenture to the contrary, the making of an Advance or Bank Loan with respect to Notes of any Series shall not be considered the issuance of additional debt.

**Maximum Annual Debt Service.** For purposes of calculating Maximum Annual Debt Service, principal and interest payments on Debt shall be excluded to the extent that: (i) such payments are to be paid from amounts on deposit with any fiduciary, including Investment Securities and interest to be payable thereon, in escrow specifically therefore; (ii) such interest payments are to be paid from the proceeds of Debt held by any fiduciary as capitalized interest, including Investment Securities and interest to be payable thereon, specifically to pay such interest by such fiduciary, and (iii) such interest payments are to be paid from pledged Subsidy Payments the Commission expects to receive.

**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. 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 which are then applied to satisfy the Commission’s obligations with respect to the Senior Lien Debt. The remaining Sales Tax Revenues are then remitted to the Trustee for the Commission’s Subordinate Obligations, including the Notes. After payment of debt service requirements on the Subordinate Obligations, any remaining unapplied Sales Tax Revenues are then remitted to the Trustee for payment of certain fees and expenses and thereafter to the Commission. The fee charged by the BOE is determined by the BOE pursuant to statute. The fee charged by the BOE to the Commission for collection of the Sales Tax for Fiscal Year 2011 was $2,501,240 and for Fiscal Year 2012 was $2,376,850. The fee that the BOE is authorized to charge for collection of the Sales Tax is determined by State legislation and may be increased or decreased by legislative action. There can be no assurances that the amount of this fee or the method for determining the amount of the fee will remain the same.

The Sales Tax is imposed in addition to a seven and one quarter percent sales and use tax levied statewide by the State. 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 the State 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 the State for use within the State, subject to certain exceptions.

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. 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 “RISK FACTORS – Proposition 218.”

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, 1990 through June 30, 2011.

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SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
HISTORICAL SALES TAX REVENUES

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Sales Tax Revenues(^{(1)})</th>
<th>% Change From Prior Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>$113,758,624</td>
<td>--</td>
</tr>
<tr>
<td>1991</td>
<td>109,806,529</td>
<td>(3.5)%</td>
</tr>
<tr>
<td>1992</td>
<td>106,105,958</td>
<td>(3.4)</td>
</tr>
<tr>
<td>1993</td>
<td>111,783,116</td>
<td>5.4</td>
</tr>
<tr>
<td>1994</td>
<td>111,461,846(^{(2)})</td>
<td>(0.3)(^{(2)})</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>
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<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>
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<tr>
<td>2005</td>
<td>228,562,785</td>
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<tr>
<td>2006</td>
<td>243,317,789</td>
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<tr>
<td>2007</td>
<td>247,924,394</td>
<td>1.9</td>
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<tr>
<td>2008</td>
<td>244,406,219</td>
<td>(1.4)</td>
</tr>
<tr>
<td>2009</td>
<td>221,991,360</td>
<td>(9.2)</td>
</tr>
<tr>
<td>2010</td>
<td>204,191,747</td>
<td>(8.0)</td>
</tr>
<tr>
<td>2011</td>
<td>221,304,014</td>
<td>8.4</td>
</tr>
<tr>
<td>2012</td>
<td>236,947,113(^{(3)})</td>
<td>7.1(^{(3)})</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Cash basis, net of BOE administrative fee.
\(^{(2)}\) Reflects, in part, effect of increase in BOE administration fee in 1994.
\(^{(3)}\) Unaudited.

Source: San Diego County Regional Transportation Commission.

Annual Sales Tax Revenues received for the Fiscal Year ended June 30, 2012 (unaudited) totaled $236,947,113. Following declines in Sales Tax Revenues which began in Fiscal Year 2008, the first increase in Sales Tax Revenues occurred in Fiscal Year 2011, when Sales Tax Revenues grew 8.4 percent over the prior Fiscal Year. Although there can be no assurances that Sales Tax Revenues will continue to increase, this positive trend has continued into the fourth quarter of Fiscal Year 2012. The following table shows the Sales Tax remitted to the Commission during the quarters indicated for the Fiscal Year ended June 30, 2011 and the Fiscal Year ending June 30, 2012.
### SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
### HISTORICAL QUARTERLY SALES TAX REVENUES

<table>
<thead>
<tr>
<th>Fiscal Year Quarter</th>
<th>Sales Tax Revenues (1)</th>
<th>% Change from Prior Year’s Fiscal Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter 2011</td>
<td>$54,023,173</td>
<td>7.8%</td>
</tr>
<tr>
<td>Second Quarter 2011</td>
<td>$56,480,414</td>
<td>8.3%</td>
</tr>
<tr>
<td>Third Quarter 2011</td>
<td>$55,429,535</td>
<td>8.0%</td>
</tr>
<tr>
<td>Fourth Quarter 2011</td>
<td>$55,370,892</td>
<td>9.4%</td>
</tr>
<tr>
<td>First Quarter 2012</td>
<td>$57,520,522</td>
<td>6.5%</td>
</tr>
<tr>
<td>Second Quarter 2012</td>
<td>$60,119,497</td>
<td>6.4%</td>
</tr>
<tr>
<td>Third Quarter 2012</td>
<td>$60,082,307</td>
<td>8.4%</td>
</tr>
<tr>
<td>Fourth Quarter 2012</td>
<td>$59,224,786</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

(1) Cash basis, net of BOE administrative fee.

### Other Sales Taxes Imposed in the County

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the 7.25% sales and use tax levied statewide by the State. Governor Brown has proposed a ballot measure increasing the State sales and use tax by 0.25% for the next four years. This ballot measure will be considered by the voters of the State in November 2012. The Commission is unable to predict whether such ballot measure will be successful. Further, the State Legislature or the voters of 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. See “RISK FACTORS – Other Sales Taxes.”

In addition to the statewide sales and use tax and the Sales Tax, the following sales and use taxes are imposed in certain cities within the County. No portion of the statewide sales and use tax or the following taxes imposed in certain cities within the County are pledged to the repayment of the Series 2012 Bonds.

<table>
<thead>
<tr>
<th>Sales and Use Tax</th>
<th>Tax Rate</th>
<th>Effective Date</th>
<th>Termination Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of El Cajon Service Preservation Transactions and Use Tax</td>
<td>0.50%</td>
<td>04/01/09</td>
<td>03/31/29</td>
</tr>
<tr>
<td>City of El Cajon Public Safety Facilities Transactions and Use Tax</td>
<td>0.50</td>
<td>04/01/05</td>
<td>03/31/15</td>
</tr>
<tr>
<td>City of La Mesa Transactions and Use Tax</td>
<td>0.75</td>
<td>04/01/09</td>
<td>03/31/29</td>
</tr>
<tr>
<td>City of National City Transactions and Use Tax</td>
<td>1.00</td>
<td>10/01/06</td>
<td>09/30/16</td>
</tr>
<tr>
<td>City of Vista Transactions and Use Tax</td>
<td>0.50</td>
<td>04/01/07</td>
<td>03/31/37</td>
</tr>
</tbody>
</table>

Source: California City and County Sales and Use Tax Rates (November 1, 2011), California State Board of Equalization.

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.”
THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

[TO COME]

THE BANK

The following information has been provided by the Bank for use in securities disclosure documents. The Commission makes no representation regarding the accuracy or completeness thereof, or of any information in the documents incorporated by reference in the following section.

Union Bank, N.A.

Union Bank is a full-service commercial bank providing an array of financial services to individuals, small businesses, middle-market companies, and major corporations. The Bank operates 402 branches and 607 ATM’s in California, Oregon, Washington, Texas, Illinois, and New York, as well as two international offices. The Bank serves corporate clients across the country, and has a retail customer base of approximately 1 million households.

Union Bank, N.A. is the primary subsidiary of UnionBanCal Corporation, the second-largest commercial bank holding company headquartered in California, based on assets of $87.9 billion at June 30, 2012. UnionBanCal is a wholly owned subsidiary of The Bank of Tokyo-Mitsubishi UFJ, Ltd., and a member of the Mitsubishi UFJ Financial Group (MUFG, NYSE:MTU), one of the world’s largest financial organizations.

For the quarter ending June 30, 2012, the Corporation had loans totaling $54.3 billion, total assets of $87.9 billion and total deposits of $63.4 billion. Net income was $187 million, down from $195 million for the prior quarter, and down from $242 million for the year-ago quarter. Copies of the latest annual report and the most recent quarterly report may be obtained at www.unionbank.com or at the Bank’s Los Angeles office, located at 445 South Figueroa Street, Los Angeles, California 90071.

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

General

The Commission was organized pursuant to the Act and is responsible for providing improvements to the transportation system and other public infrastructure systems in San Diego County funded with the Sales Tax. To carry out this responsibility, the Commission adopted in 1987 the initial San Diego County Transportation Improvement Program Ordinance (Commission Ordinance 87-1 – Proposition A, 1987) (referred to herein as the “1987 Ordinance”). In 2004, the Commission adopted the San Diego County Transportation Improvement Program TransNet Ordinance and Expenditure Plan (Commission Ordinance 04-01), referred to herein as the “2004 Sales Tax Extension Ordinance,” which provides for an extension of the retail transactions and use tax implemented by the initial 1987 Ordinance for a 40-year period commencing on April 1, 2008. See “– The Expenditure Plan” below. The
Commission Board is composed of the SANDAG Board of Directors. However, the liabilities of SANDAG are not liabilities of the Commission.

On January 1, 2003, Senate Bill 1703 took effect, changing 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 SANDAG Board of Directors consists of voting representatives from the County and 18 incorporated cities within the County. Supplementing these voting members are advisory representatives from Imperial County, the U.S. Department of Defense, Caltrans, San Diego Unified Port District, Metropolitan Transit System, NCTD, San Diego County Water Authority, Southern California Tribal Chairmen’s Association, and Mexico. Policy Advisory Committees assist the SANDAG Board of Directors in carrying out the agency’s work program. The SANDAG Board of Directors is also assisted by a professional staff of approximately 250 planners, engineers, research specialists, and supporting staff.

Senate Bill 1703 also required the consolidation of the planning, programming, project development, and construction functions of MTS and NCTD into SANDAG. SANDAG is responsible for transit planning, programming, project implementation, and construction of transit projects in the region. Neither the Commission nor SANDAG operates transit services. Transit operations in the County are the responsibility of MTS and NCTD.

On October 28, 2011, the SANDAG Board of Directors adopted the 2050 Regional Transportation Plan (“2050 RTP”), which describes a plan for investing local, State and federal transportation funds expected to come into the region over the next 40 years. Pending litigation against SANDAG broadly alleges that the programmatic Environmental Impact Report (“EIR”) prepared for the 2050 RTP is inconsistent with the California Environmental Quality Act. Among other things, the Plaintiffs’ request injunctive relief, which, if granted, could stay construction of projects listed in the 2050 RTP until after SANDAG corrects any alleged deficiencies in the EIR. Certain projects managed by the Commission are included in the 2050 RTP. The Commission believes that the likelihood of any stay prohibiting work on projects already under construction is remote.

The Expenditure Plan

The 1987 Ordinance and the 2004 Sales Tax Extension Ordinance each outline a series of projects (together, the “Expenditure Plan”) to be completed during the term of the Sales Tax. The Ordinance specifies that Sales Tax Revenues are to be distributed according to the following diagram.
To implement the Expenditure Plan, the Commission annually adopts finance plan updates (each, a “TransNet Plan of Finance”) that describe major program revenue, cost and project budget and schedule assumptions. Each TransNet Plan of Finance adopted by the Commission sets forth projected cash flow and borrowing requirements during the term of the program covered by such plan. The TransNet Early Action Program (depicted in the map on page i of this Official Statement) includes various highway and transit improvements in the Interstates 5, 15, and 805 corridors; completion of the State Route 52 and 76 projects; implementation of the Mid-Coast Corridor, SuperLoop, and Mid-City Rapid Transit projects; trolley vehicle and station upgrades along the Blue and Orange Lines; and double tracking improvements in the coastal rail corridor to be financed by the proceeds of Bonds, Sales Tax Revenues, and eligible federal, state, and local revenues.

The current distribution of funds in the 2011 TransNet Plan of Finance assumes $1.85 billion (28%) in federal funds, $1.77 billion (27%) in State funds, $269 million (4%) in local funds and $2.7 billion (41%) in TransNet bond and sales tax proceeds. Overall, the TransNet funds leverage the program with 59% of program funds from other sources.

In response to changing conditions, the TransNet Plan of Finance is updated on an annual basis. The update includes the latest project cost estimates, actual revenues received, and estimated revenue projections. The update allows the Commission to assess the strength of the program and appropriate changes to the implementation of the Project. In recent years and in response to economic conditions where costs have dropped even more than sales tax collections, the Board has accelerated projects to take advantage of a construction bid environment that has continued to offer bids significantly below engineering estimates. During periods when costs were rising faster than revenues, the Commission has deferred the implementation of certain projects to allow the TransNet Plan of Finance to remain focused on the highest priority projects.

On November 18, 2011, the Commission unanimously approved the “2011 TransNet Plan of Finance,” which includes a “robust” scenario to advance several TransNet projects to construction and prepare the next “shelf” of TransNet projects for future funding. The 2011 TransNet Plan of Finance provided for the use of TransNet funds for SANDAG’s acquisition of the State Route 125 (SR 125) toll road (the “Southbay Expressway”). See “SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION – Recent Developments – SANDAG Acquisition of Southbay Expressway Toll Concession.”

As a guiding principle, the Commission’s primary borrowing is focused on three capital programs: (1) Major Corridor Capital Projects; (2) Major Corridor Environmental Mitigation Program (“EMP”); and (3) Local Project EMP, which comprise 44.2 percent of allocated funds from the 2004 Sales Tax Extension Ordinance as shown on the diagram on the preceding page. The remaining Sales Tax Revenues are allocated to current expenses for the remaining programs. From time to time, at the request of member agencies (local jurisdictions), the Commission may borrow for local street and road capital improvements, with the debt service for these improvements paid from each respective agency’s share of Local Street & Road Formula Funds.

**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 are 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, approved budget, and all personnel decisions. Mr. Gallegos
was appointed by the SANDAG Board of Directors to his present position in 2001. Prior to joining
SANDAG, Mr. Gallegos held the position of District Director for Caltrans District 11,
enscaping 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.

**Renée Wasmund**, Chief Deputy Executive Director. Ms. Wasmund’s major
responsibilities include managing the ongoing 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. Wasmund
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. Wasmund transferred to SANDAG from MTS in 2003 as a result of
the consolidation of certain regional transportation functions into SANDAG. Before being named
Chief Deputy Executive Director, Ms. Wasmund served as the Director of Finance for SANDAG
and the Commission. She was at MTS 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 F. Kirk**, General Counsel. Mr. Kirk was appointed General Counsel for SANDAG
and the Commission in January 2012. Mr. Kirk was originally hired by SANDAG as Deputy
General Counsel in June 2006. Between 1990 and 2006 Mr. Kirk served the City of San Diego as a
Deputy City Attorney. Mr. Kirk holds a Bachelors’ degree from Wabash College and a Juris
Doctorate from Pepperdine University’s School of Law.

**André Douzdjian**, Director of Finance. Mr. Douzdjian serves as SANDAG’s chief
financial officer and directs all financial and programming functions for SANDAG and the
Commission. Mr. Douzdjian recently returned to SANDAG in June of 2012. During the previous
12 years, Mr. Douzdjian worked in the capacity of Chief Financial Officer for two privately-held
staffing companies, where he was a co-founder and shareholder of those businesses. Prior to that,
Mr. Douzdjian was the Financial Services Manager at SANDAG, a position that he held for almost
ten years, from 1991 to 2000. Prior to his employment at SANDAG, Mr. Douzdjian was a Senior
Accountant for KPMG, LLP, a certified accounting firm. Mr. Douzdjian received a Bachelor of
Business Administration (B.A.) degree in Accounting in 1988 from the University of San Diego
and a Master’s degree in Business Administration (M.B.A.) with an emphasis in Finance in 1996
from San Diego State University and is a Certified Public Accountant.

**Jim Linthicum**, Director of Mobility Management and Project Implementation. Mr.
Linthicum 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. Linthicum transferred to SANDAG from MTS in 2003 as a result of
the consolidation of project development and construction functions into SANDAG. Prior to his
employment at MTS, Mr. Linthicum worked for the California Department of Transportation for 24
years. Mr. Linthicum holds a B.S. degree in Civil Engineering from Pennsylvania State University.

**Charles “Muggs” Stoll**, Director of Land Use and Transportation Planning. Mr. Stoll 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. Stoll joined SANDAG in April 2007 after spending more than 20 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 of Caltrans in Sacramento. 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 since 1988.

**Marney P. Cox**, Chief 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 Prosperity Strategy, performing financial and risk analysis for transportation and other public infrastructure projects, and evaluating the fiscal consequences of alternative regional growth management policies. Mr. Cox joined SANDAG in 1979 as a Research Analyst responsible for SANDAG 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.

**Kim Kawada**, TransNet and Legislative Affairs Program Director. Ms. Kawada manages and directs the operations of the SANDAG TransNet program and federal and State legislative affairs, and oversees the Board of Directors and Policy Advisory Committee agendas. She has been involved in a number of significant transportation and planning initiatives in the San Diego region. She spearheaded the development of several of the agency’s Regional Transportation Plans. She also worked with local, state, and federal officials to launch the first-ever high occupancy toll lanes that charge solo drivers a fee to use carpool lanes. She was responsible for the team that developed the first Regional Comprehensive Plan, a long-range planning framework for the San Diego region. She has worked at SANDAG for 17 years and previously worked for the City of Laguna Niguel. She is a graduate of Brown University with a Bachelor of Arts in American History.

**Recent Developments – SANDAG Acquisition of Southbay Expressway Toll Concession**

The Southbay Expressway is a 9.3-mile, four-lane toll road located near the City of Chula Vista in the southeastern portion of the County, originally constructed and operated by a private owner/operator under a Development Franchise Agreement (the “DFA”) with the California Department of Transportation (“Caltrans”). On December 22, 2011, SANDAG acquired the private owner/operator’s rights and assumed the obligations under the DFA to operate, maintain, and collect tolls on the Southbay Expressway. The purchase price that SANDAG paid for the rights under the Southbay Expressway DFA was approximately $341.5 million. The components of the purchase price consisted of approximately $247.5 million borrowed from the Commission and evidenced by a promissory note made by SANDAG (the “TransNet Note”), the assumption of an existing Transportation Infrastructure Finance and Innovation Act loan funded by the U.S. Department of Transportation (“DOT”) in the principal amount of approximately $92.5 million (the “TIFIA Loan”) and the issuance to DOT of a subordinate promissory note in the principal amount of approximately $1.5 million (the “Series D Note”). The Commission used proceeds of its 2010 Series A Bonds to make the loan to SANDAG evidenced by the TransNet Note.
The Commission recently amended the Expenditure Plan to remove approximately $192 million of funding for two reversible high-occupancy vehicle lanes on Interstate 805 north of SR 54 and to replace such projects with an equivalent amount of funding for SANDAG’s acquisition of the Southbay Expressway. The swap of the Interstate 805 high-occupancy vehicle lanes with the Southbay Expressway reflected in this Expenditure Plan amendment caused the principal amount of the TransNet Note to be decreased to approximately $55 million. By its terms, SANDAG will repay amounts owed to the Commission under the TransNet Note solely from toll revenues generated by the Southbay Expressway, on a subordinate basis after the payment of operations and maintenance costs and debt service on the TIFIA Loan. Debt service on the Series D Note is subordinate to the TransNet Note and is not payable until the TransNet Note is paid in full and other SANDAG capital reserves are fully funded.

Toll revenues collected from users of the Southbay Expressway will be the sole source of funds to satisfy SANDAG’s obligations under its franchise agreement with Caltrans, the TIFIA Loan, the TransNet Note and the Series D Note, including the payment of operations, maintenance and debt service costs. No Sales Tax Revenues, other than amounts pledged to pay debt service on the 2010 Series A Bonds, are or will be pledged to secure or used to make payments with respect to the Southbay Expressway. SANDAG’s acquisition of the rights and assumption of the obligations relating the Southbay Expressway will not have a material adverse effect on the Commission’s ability to pay debt service on the Bonds, including the Series 2012 Bonds.

**RISK FACTORS**

**Economy of the County and the State**

The Notes are secured by a subordinate pledge of Sales Tax Revenues. 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 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 Notes. For information relating to economic conditions within the County and the State, see APPENDIX B – “INFORMATION REGARDING THE COUNTY OF SAN DIEGO.”

**Other Sales Taxes**

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the 7.25% sales and use tax levied statewide by the State. Governor Brown has proposed a ballot measure increasing the State sales and use tax by 0.25% for the next four years. This ballot measure will be considered by the voters of the State in November 2012. The Commission is unable to predict whether such ballot measure will be successful. In addition, the State Legislature or the voters of 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. In addition, the Sales Tax is imposed generally on the same transactions and items subject to sales and use taxes levied by certain cities within the County. See “THE SALES TAX – Other Sales Taxes Imposed in the County.”
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. In 2004, the Sales Tax Extension Ordinance 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 the State’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 Subordinate Indenture does not contain a provision allowing for the acceleration of the Notes in the event of a default in the payment of principal and interest on the Notes when due. In the event of a default by the Commission, each Holder of a Note will have the rights to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX D – “DEFINITIONS AND SUMMARY OF THE LEGAL DOCUMENTS.” The amortization period applicable to the Notes purchased from Advances made pursuant to the Letter of Credit, however, may be accelerated under certain circumstances. The Commission’s obligation to reimburse the Bank on account of any Advance made to pay principal of and interest on the Notes pursuant to the Letter of Credit may, under specified circumstances, be paid over a period of five years following the date of such Advance.

In addition, the Series 2008 Bonds are supported by liquidity facilities. The amortization period applicable to Series 2008 Bonds that have become 2008 Liquidity Facility Bonds may be accelerated under certain circumstances. The Commission’s obligation to redeem Bonds purchased by the providers of the liquidity facilities supporting the Series 2008 Bonds on account of the purchase, with proceeds of such liquidity facilities, of any of the Series 2008 Bonds tendered for purchase and not successfully remarketed may, under specified circumstances, be paid over a period of five years or, if earlier, by no later than the last day of the purchase period provided for in such liquidity facilities, and may, under certain circumstances, become immediately due and payable on the one hundred eightieth (180th) day following the date on which any Series 2008 Bond became a 2008 Liquidity Facility Bond. The liquidity facilities supporting the Series 2008 Bonds are not a source of funds for the payment of the principal of or interest on the Senior Lien Debt or the Notes.
Loss of Subsidy Payments

The 2010 Series A Bonds were issued as “Build America Bonds.” The amount of any subsidy payments to be received in connection with the 2010 Series A Bonds (the “Subsidy Payments”) are subject to legislative changes by the United States Congress. Further, Subsidy Payments will only be paid if the 2010 Series A Bonds continue to qualify as Build America Bonds. For the 2010 Series A Bonds to remain Build America Bonds, the Commission must comply with certain covenants with respect to the 2010 Series A Bonds, the use and investment of proceeds thereof and the use of property financed thereby. Thus, it is possible that the Commission may not receive the Subsidy Payments. Subsidy Payments are also subject to offset against amounts that may, for unrelated reasons, be owed by the Commission to any agency of the United States of America. The Commission does not believe that failure to receive the Subsidy Payments or any offset to the Subsidy Payments will materially and adversely impact the Commission’s ability to pay interest on the 2010 Series A Bonds. If the Commission does not receive the Subsidy Payments, the Commission has pledged Sales Tax Revenues to pay debt service on the 2010 Series A Bonds.

Loss of Tax Exemption

As discussed under “TAX MATTERS,” interest on the Notes could become includable in federal gross income, possibly from the date of issuance of the Notes, including as a result of acts or omissions of the Commission subsequent to the issuance of the Notes or changes in tax law. Should interest become includable in federal gross income, the Notes are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption.

Impact of Bankruptcy of the Commission

As a municipal entity, the Commission may be qualified to file a petition under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”) under certain circumstances. In a Chapter 9 bankruptcy, the pledge of Sales Tax Revenues for the benefit of owners of the Notes will be enforceable only if a bankruptcy court determines that the Sales Tax Revenues are special revenues under Chapter 9 (“Special Revenues”).

The results of Chapter 9 proceedings are difficult to predict. The fact that the Sales Tax was specifically levied to finance the projects described in the San Diego County Transportation Improvement Program TransNet Ordinance and Expenditure Plan (under this caption, the “Project”) would support a determination that the Sales Tax Revenues constitute Special Revenues. However, if a bankruptcy court concludes that the Sales Tax is a general sales tax levied to finance the general purposes of the Commission as well as the Project, the court could rule that the Sales Tax Revenues do not constitute Special Revenues. If the Sales Tax Revenues are held not to be Special Revenues, the owners of the Notes would no longer be entitled to any lien on the Sales Tax Revenues and may be treated as general unsecured creditors of the Commission.

If a bankruptcy court rules that the Sales Tax Revenues constitute Special Revenues, the court could further rule that the pledge is subordinate to the payment of necessary operating expenses of the Project. In order to make such a ruling, however, the court must first determine that the Sales Tax Revenues are “derived from” the Project. Such a determination does not appear to be supported by the facts and would involve the court holding that an indirect nexus is sufficient to find that sales taxes specifically levied to finance a transportation project are “derived from” the transportation system.
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 Notes. 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

On September 28, 2011, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission ("Bond Counsel"), delivered an opinion with respect to the Notes to the effect that 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 Notes, when issued in accordance with the Subordinate Indenture, the Issuing and Paying Agent Agreement and the Master Tax Certificate of the Commission, dated the date of the Bond Counsel opinion (the “Tax Certificate”), 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. The opinion of Bond Counsel further stated that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the opinion Bond Counsel delivered on September 28, 2011 is set forth in Appendix E hereto, subject to the matters discussed below.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the “IRS”) is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the “original issue discount”). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of Dealer, placement agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes if the prospective purchaser elects original issue discount treatment.

Notes 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 Notes”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of notes, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Holder’s basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Holder. Holders of Premium Notes 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 Notes. The Commission has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply or to have complied with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion Bond Counsel rendered on September 28, 2011 assumed 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 September 28, 2011 may adversely affect or have adversely affected the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Bond Counsel was and is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although the opinion Bond Counsel rendered on September 28, 2011 stated that interest on the Notes 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 Notes may otherwise affect a Holder’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Holder or the Holder’s other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences.

The opinion of Bond Counsel described herein is deemed to be delivered and in effect by Bond Counsel as to any Note issued after the date of such opinion, to the extent that, at the date of issuance of such Note: (i) there is and has been no change in applicable existing federal or State of California law after the date of such opinion; (ii) the provisions of the Subordinate Indenture, in so far as such provisions affect the terms and conditions pursuant to which Notes are issued and held, have not been materially amended or supplemented after the date of such opinion; (iii) the representations and covenants of the parties contained in the Subordinate Indenture, the Issuing and Paying Agent Agreement, the Tax Certificate and certain certificates dated the date of the opinion of Bond Counsel and delivered by authorized officers of the Commission remain and have remained from the date such representations and covenants were originally made true and accurate and are and have been complied with in all material respects; and (iv) no litigation affecting the issuance or validity of the Notes is pending at the time of delivery of any such Notes.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions subsequent to the date Bond Counsel delivered its opinion may cause or may have caused interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be or to have been subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions subsequent to the date Bond Counsel delivered its opinion may also affect or have affected, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any federal or state tax legislation, regulations or litigation pending, proposed or
enacted subsequent to September 28, 2011, the date Bond Counsel delivered its opinion in connection with the Notes, as to which Bond Counsel has expressed no opinion.

The opinion of Bond Counsel was based on then current legal authority, covered certain matters not directly addressed by such authorities, and represented Bond Counsel’s judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the activities of the Commission subsequent to the date Bond Counsel delivered its opinion, or about the effect of changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS subsequent to the date Bond Counsel delivered its opinion. The Commission has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Notes ended with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Commission or the Holders regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the Commission and their appointed counsel, including the Holders, 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 notes 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 Notes for audit, or the course or result of such audit, or an audit of notes presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the Commission or the Holders to incur significant expense.

RATINGS

The Notes have been assigned a rating of “P-1” by Moody’s Investors Service and are expected to be assigned a rating of “A-1” by Standard & Poor’s Ratings Services based on the understanding that the Bank will issue the Letter of Credit supporting payment of the Notes. Certain information was supplied by the Commission to Moody’s Investors Service and Standard & Poor’s Ratings Services to be considered in evaluating the Notes. The ratings reflect only the views of such rating agencies and any explanation of the significance of such ratings should be obtained from the rating agencies. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by either rating agency if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Notes.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the Act, the Notes are legal investments in California for all trust funds, funds of insurance companies, commercial and savings banks, trust companies and State school funds and are eligible to secure deposits of public moneys.

THE DEALER

The Commission has appointed Citigroup Global Markets Inc. as Dealer with respect to the offering and sale of the Notes pursuant to the Dealer Agreement. The Dealer Agreement, among other things, does not require the Dealer to purchase the Notes. Furthermore, pursuant to the Dealer Agreement, the Dealer may resign or be replaced by the Commission.
FINANCIAL ADVISOR

Public Financial Management Inc., San Francisco, California, serves as Financial Advisor to the Commission with respect to the sale of the Notes. The Financial Advisor has not conducted a detailed investigation of the affairs of the Commission to determine the completeness or accuracy of this Offering Memorandum. Because of its limited participation, the Financial Advisor has not independently verified any of the data contained herein and has no responsibility for the accuracy or completeness thereof.
OTHER MATTERS

This Offering Memorandum is not to be construed as a contract or agreement between the Commission and the purchasers, holders or Beneficial Owners of any of the Notes. Any statements made in this Offering Memorandum involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commission since the date hereof.

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: /s/ Gary L. Gallegos
   Executive Director
APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Please use the link provided to access Appendix A,
San Diego County Regional Transportation Commission
Basic Financial Statements for the fiscal year ended June 30, 2011.
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”). Such information was obtained from the County and from sources the Commission believes to be reliable 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 “State”). The County covers 4,261 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, government and the largest uniformed military presence in the nation.

PETCO Park, located in the City of San Diego, provides 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 also is within walking distance of a San Diego Trolley station and nearby parking facilities.

The San Diego Convention Center includes 2.6 million total gross square feet and plans are in progress to expand the Convention Center into the nearby bayfront area. Preliminary estimates from the San Diego Convention Center Corporation indicate that the Convention Center generated approximately $1.4 Billion in calendar year 2011 in total economic impact (direct and indirect spending).

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.

In addition to the City of San Diego, other principal cities in the County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, San Marcos, and Vista. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas, principally planted in avocados and tomatoes, while the easternmost portion of the County has a dry, desert-like topography.
Population

There are 18 incorporated cities in the County, and a number of unincorporated communities. In the 1990s the population of the County grew at a greater rate than that of either the State or the nation. The County population as of January 2011 was estimated to be approximately 3,118,876, making it the second largest County by population in California. As of July 1, 2011, the U.S. Census Bureau ranked San Diego County the seventeenth largest Metropolitan Statistical Area in the United States. The 2011 population increased 0.77% from 2010. 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 2002 to 2011.

<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</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>2,890</td>
<td>1.44%</td>
<td>35,064</td>
<td>1.84%</td>
<td>287,985</td>
<td>1.01%</td>
</tr>
<tr>
<td>2003</td>
<td>2,927</td>
<td>1.28</td>
<td>35,653</td>
<td>1.68</td>
<td>290,850</td>
<td>0.99</td>
</tr>
<tr>
<td>2004</td>
<td>2,954</td>
<td>0.92</td>
<td>36,199</td>
<td>1.53</td>
<td>293,657</td>
<td>0.97</td>
</tr>
<tr>
<td>2005</td>
<td>2,967</td>
<td>0.44</td>
<td>36,677</td>
<td>1.32</td>
<td>296,410</td>
<td>0.94</td>
</tr>
<tr>
<td>2006</td>
<td>2,976</td>
<td>0.30</td>
<td>37,086</td>
<td>1.12</td>
<td>299,398</td>
<td>1.01</td>
</tr>
<tr>
<td>2007</td>
<td>2,998</td>
<td>0.74</td>
<td>37,472</td>
<td>1.04</td>
<td>301,140</td>
<td>0.58</td>
</tr>
<tr>
<td>2008</td>
<td>3,033</td>
<td>1.17</td>
<td>37,884</td>
<td>1.10</td>
<td>304,374</td>
<td>1.07</td>
</tr>
<tr>
<td>2009</td>
<td>3,064</td>
<td>1.02</td>
<td>38,293</td>
<td>1.08</td>
<td>307,006</td>
<td>0.86</td>
</tr>
<tr>
<td>2010</td>
<td>3,095</td>
<td>1.01</td>
<td>37,224</td>
<td>(2.79)</td>
<td>308,745</td>
<td>0.57</td>
</tr>
<tr>
<td>2011</td>
<td>3,119</td>
<td>0.77</td>
<td>37,511</td>
<td>0.77</td>
<td>311,592</td>
<td>0.92</td>
</tr>
</tbody>
</table>


Employment

The County’s total labor force, the number of persons who work or are available for work, during December 2011 was approximately 1,586,000. The number of employed civilian workers in the labor force for the same month was approximately 1,445,100. 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 full years 2006 through 2010. 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 December 2011.
### CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT*
#### ANNUAL AVERAGES 2006-2011

**By Place of Residence**  
(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>County of San Diego</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Force</td>
<td>1,499.9</td>
<td>1,518.3</td>
<td>1,547.3</td>
<td>1,554.1</td>
<td>1,558.2</td>
<td>1,586.0</td>
</tr>
<tr>
<td>Employment</td>
<td>1,440.4</td>
<td>1,449.5</td>
<td>1,455.1</td>
<td>1,404.5</td>
<td>1,393.9</td>
<td>1,445.1</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>4.0%</td>
<td>4.5%</td>
<td>6.0%</td>
<td>9.6%</td>
<td>10.5%</td>
<td>8.9%</td>
</tr>
<tr>
<td><strong>State of California</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Force</td>
<td>17,901.9</td>
<td>17,970.8</td>
<td>18,251.6</td>
<td>18,250.2</td>
<td>18,280.4</td>
<td>18,172.2</td>
</tr>
<tr>
<td>Employment</td>
<td>17,029.3</td>
<td>17,011.0</td>
<td>16,938.3</td>
<td>16,163.9</td>
<td>16,051.2</td>
<td>16,185.1</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>4.9%</td>
<td>5.3%</td>
<td>7.2%</td>
<td>11.4%</td>
<td>12.2%</td>
<td>10.9%</td>
</tr>
<tr>
<td><strong>United States</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Force</td>
<td>151,428.0</td>
<td>153,124.0</td>
<td>154,287.0</td>
<td>154,142.0</td>
<td>154,767.0</td>
<td>153,887.0</td>
</tr>
<tr>
<td>Employment</td>
<td>144,427.0</td>
<td>146,047</td>
<td>145,362.0</td>
<td>139,877.0</td>
<td>139,882.0</td>
<td>140,790.0</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>4.6%</td>
<td>4.6%</td>
<td>5.8%</td>
<td>9.3%</td>
<td>9.6%</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

*Data not seasonally adjusted; March 2010 benchmark.

**As of December 2011.**

The following table sets forth the annual average employment within the County by employment sector for 2006 through 2011. Industry employment in the County has decreased by a total of 49,700 jobs since 2007. The largest growth industries were: education and health services; leisure and hospitality; and government. During the years profiled (2006 to 2011), these industries gained a total of 47,800 jobs. The largest growth occurred in education and health services (32,900 jobs).

### SAN DIEGO COUNTY
#### LABOR FORCE AND INDUSTRY EMPLOYMENT
#### ANNUAL AVERAGES
#### 2006 – 2011*

<table>
<thead>
<tr>
<th>Employment Sector</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, All Industries</td>
<td>1,312,500</td>
<td>1,319,700</td>
<td>1,309,300</td>
<td>1,240,900</td>
<td>1,229,800</td>
<td>1,270,000</td>
</tr>
<tr>
<td>Agriculture</td>
<td>10,900</td>
<td>10,900</td>
<td>10,500</td>
<td>9,500</td>
<td>9,700</td>
<td>9,000</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>500</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>Construction</td>
<td>92,600</td>
<td>87,000</td>
<td>76,100</td>
<td>61,100</td>
<td>55,500</td>
<td>54,000</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>103,900</td>
<td>102,500</td>
<td>102,800</td>
<td>95,400</td>
<td>92,400</td>
<td>91,400</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>222,000</td>
<td>222,300</td>
<td>215,900</td>
<td>199,600</td>
<td>196,700</td>
<td>206,800</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>45,100</td>
<td>45,500</td>
<td>44,900</td>
<td>40,670</td>
<td>39,200</td>
<td>41,500</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>148,300</td>
<td>148,100</td>
<td>142,000</td>
<td>131,600</td>
<td>130,000</td>
<td>136,900</td>
</tr>
<tr>
<td>Transportation, Warehousing &amp; Utilities</td>
<td>28,700</td>
<td>28,800</td>
<td>29,000</td>
<td>27,400</td>
<td>27,500</td>
<td>28,400</td>
</tr>
<tr>
<td>Information</td>
<td>31,700</td>
<td>31,300</td>
<td>31,400</td>
<td>28,200</td>
<td>25,200</td>
<td>25,200</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>83,700</td>
<td>80,300</td>
<td>75,200</td>
<td>69,800</td>
<td>67,100</td>
<td>68,000</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>53,200</td>
<td>50,200</td>
<td>46,100</td>
<td>43,300</td>
<td>41,400</td>
<td>42,700</td>
</tr>
<tr>
<td>Real Estate, Rental &amp; Leasing</td>
<td>30,500</td>
<td>30,100</td>
<td>29,200</td>
<td>26,500</td>
<td>25,700</td>
<td>25,300</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>219,200</td>
<td>223,200</td>
<td>222,300</td>
<td>206,800</td>
<td>208,000</td>
<td>221,200</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>125,100</td>
<td>129,500</td>
<td>137,300</td>
<td>144,300</td>
<td>147,100</td>
<td>158,000</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>156,500</td>
<td>161,800</td>
<td>164,000</td>
<td>154,800</td>
<td>154,600</td>
<td>160,600</td>
</tr>
<tr>
<td>Other Services</td>
<td>48,400</td>
<td>48,300</td>
<td>48,400</td>
<td>46,800</td>
<td>47,200</td>
<td>46,900</td>
</tr>
<tr>
<td>Government</td>
<td>217,700</td>
<td>222,400</td>
<td>225,100</td>
<td>224,500</td>
<td>226,000</td>
<td>228,500</td>
</tr>
</tbody>
</table>

Source: California Employment Development Department.

* As of December 2011.
Regional Economy

The table below sets forth the County’s Gross Metropolitan Product, which is an estimate of the value for all goods and services produced in the region, from 2002 through 2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Metropolitan Product (In Billions)</th>
<th>Current Dollars</th>
<th>Constant Dollars*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>San Diego</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>$123.2</td>
<td>7.7%</td>
<td>5.3%</td>
</tr>
<tr>
<td>2003</td>
<td>130.9</td>
<td>6.3</td>
<td>3.9</td>
</tr>
<tr>
<td>2004</td>
<td>141.5</td>
<td>8.1</td>
<td>5.2</td>
</tr>
<tr>
<td>2005</td>
<td>151.6</td>
<td>7.1</td>
<td>3.9</td>
</tr>
<tr>
<td>2006</td>
<td>159.8</td>
<td>5.4</td>
<td>2.2</td>
</tr>
<tr>
<td>2007</td>
<td>167.1</td>
<td>4.5</td>
<td>1.7</td>
</tr>
<tr>
<td>2008</td>
<td>172.4</td>
<td>3.2</td>
<td>1.4</td>
</tr>
<tr>
<td>2009</td>
<td>171.5</td>
<td>(0.5)</td>
<td>(2.4)</td>
</tr>
<tr>
<td>2010</td>
<td>176.0</td>
<td>2.6</td>
<td>1.9</td>
</tr>
<tr>
<td>2011(1)</td>
<td>182.6</td>
<td>3.8</td>
<td>2.1</td>
</tr>
</tbody>
</table>

* Adjusted using the GMP/GSP/GDP Implicit Price Deflator.
(1) Forecast.

Economic activity and population growth in the local economy are closely related. Helping to sustain the County’s economy is the performance of many industries, including Biotechnology, Wireless Communications, Defense Manufacturing and Uniformed Personnel, and Leisure and Hospitality. The U.S. Department of Defense contributed about $18.2 billion to the local economy during 2009, through wages paid to the uniformed military and civilian personnel, and for equipment and services purchased from local businesses. The military presence in the County 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.

Building Activity

Annual total building permit valuation and the annual unit total of new residential permits from 2007 through 2011 are shown in the following table.
COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2007 – 2011
($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>$1,852,381</td>
<td>$1,339,204</td>
<td>$464,005</td>
<td>$974,490</td>
<td>$1,304,642</td>
</tr>
<tr>
<td>Non-Residential</td>
<td>1,416,823</td>
<td>1,061,841</td>
<td>344,084</td>
<td>658,867</td>
<td>1,072,381</td>
</tr>
<tr>
<td>Total</td>
<td>$3,269,204</td>
<td>$2,401,045</td>
<td>$808,089</td>
<td>$1,633,357</td>
<td>$2,377,023</td>
</tr>
<tr>
<td>New Housing Units:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Family</td>
<td>3,503</td>
<td>2,347</td>
<td>936</td>
<td>2,254</td>
<td>2,252</td>
</tr>
<tr>
<td>Multiple Family</td>
<td>3,942</td>
<td>2,806</td>
<td>742</td>
<td>1,092</td>
<td>2,968</td>
</tr>
<tr>
<td>Total</td>
<td>7,445</td>
<td>5,153</td>
<td>1,678</td>
<td>3,346</td>
<td>5,220</td>
</tr>
</tbody>
</table>

Source: Construction Industry Research Board.

Commercial Activity

Consumer spending for 2010 resulted in approximately $41.6 billion in taxable sales in the County. The following table sets forth information regarding taxable sales in the County for the years 2006 through 2010.

COUNTY OF SAN DIEGO
TAXABLE SALES
2006 – 2010
(In Thousands)

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel Stores</td>
<td>$ 1,909,011</td>
<td>$ 2,034,512</td>
<td>$ 2,205,568</td>
<td>$ 2,560,683</td>
<td>$ 2,769,897</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>5,594,621</td>
<td>5,673,538</td>
<td>5,305,252</td>
<td>4,254,037</td>
<td>4,381,526</td>
</tr>
<tr>
<td>Specialty Stores (1)</td>
<td>4,926,656</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Food Stores</td>
<td>1,928,274</td>
<td>1,994,237</td>
<td>1,868,466</td>
<td>1,934,812</td>
<td>1,943,969</td>
</tr>
<tr>
<td>Food and Drinking Places</td>
<td>4,521,392</td>
<td>4,784,500</td>
<td>4,869,497</td>
<td>4,717,292</td>
<td>4,873,578</td>
</tr>
<tr>
<td>Home Furnishings/Appliances</td>
<td>1,511,389</td>
<td>1,420,933</td>
<td>1,590,329</td>
<td>2,024,448</td>
<td>2,101,996</td>
</tr>
<tr>
<td>Building Materials</td>
<td>3,331,161</td>
<td>2,768,385</td>
<td>2,183,006</td>
<td>1,841,740</td>
<td>1,945,310</td>
</tr>
<tr>
<td>Automotive</td>
<td>9,819,932</td>
<td>6,321,987</td>
<td>5,010,084</td>
<td>4,196,256</td>
<td>4,486,375</td>
</tr>
<tr>
<td>Service Stations (2)</td>
<td>-</td>
<td>3,755,121</td>
<td>4,154,465</td>
<td>3,153,090</td>
<td>3,663,149</td>
</tr>
<tr>
<td>All Other Retail Stores</td>
<td>1,076,631</td>
<td>5,285,332</td>
<td>4,529,006</td>
<td>1,405,774</td>
<td>1,384,312</td>
</tr>
<tr>
<td>Business and Personal Services</td>
<td>2,302,057</td>
<td>2,298,265</td>
<td>2,255,309</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All Other Outlets</td>
<td>10,914,390</td>
<td>11,149,178</td>
<td>11,358,155</td>
<td>11,770,139</td>
<td>12,148,147</td>
</tr>
<tr>
<td>TOTAL ALL OUTLETS</td>
<td>$47,835,514</td>
<td>$47,485,988</td>
<td>$45,329,136</td>
<td>$39,728,657</td>
<td>$41,623,636</td>
</tr>
</tbody>
</table>

Source: California State Board of Equalization, Taxable Sales in California.

(1) After 2006, data for the Specialty Stores Group was included in the category for All Other Retail Stores.
(2) After 2006, Service Stations became a separate category and were not included in the Automotive Category.
(3) After 2008, category for Business and Personal Services was discontinued.
**Personal Income**

The following table summarizes the median household income for the County, the State, and the United States between 2006 and 2010. In 2010, the median household income for the County of San Diego was $63,069.

**MEDIAN HOUSEHOLD INCOME**(1)
**2006 through 2010**(2)**

<table>
<thead>
<tr>
<th>Year</th>
<th>San Diego County</th>
<th>California</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$56,335</td>
<td>$53,629</td>
<td>$46,242</td>
</tr>
<tr>
<td>2006</td>
<td>59,591</td>
<td>56,645</td>
<td>48,451</td>
</tr>
<tr>
<td>2007</td>
<td>61,794</td>
<td>59,948</td>
<td>50,740</td>
</tr>
<tr>
<td>2008</td>
<td>63,026</td>
<td>61,021</td>
<td>52,029</td>
</tr>
<tr>
<td>2009</td>
<td>60,231</td>
<td>58,931</td>
<td>50,221</td>
</tr>
<tr>
<td>2010</td>
<td>63,069</td>
<td>60,883</td>
<td>51,914</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau – Economic Characteristics – America Community Survey.
(1) Estimated in inflation-adjusted dollars.
(2) Data for 2011 is not currently available.

**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 and San Bernardino Counties, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

The San Diego 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 Authority 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”) and North County Transit District. The San Diego Trolley, developed by MTS beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

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 $6.708 billion in 2010, according to an estimate by the San Diego Convention and Visitors Bureau, an increase of approximately 1.7% from the prior year. The County hosted 64 conventions and trade shows during 2010, attended by approximately 543,931 delegates. Additional visitors pass through the San Ysidro Port of Entry, the busiest border crossing in the world with more than nearly 42 million crossings during 2010 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 Nazarene University; California State University – San Marcos; Alliant International University; the University of Phoenix; Thomas Jefferson School of Law, and California Western School of Law.
APPENDIX C

BOOK-ENTRY ONLY SYSTEM

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

 Portions of the following information concerning DTC and DTC’s book-entry system have been obtained from DTC. The Commission and the dealers make no representation as to the accuracy or completeness of such information.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Notes. The Notes 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 Master Note will be issued for each Series of the Notes, each in the aggregate principal amount of such Series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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, Inc., and the National Association of Securities Dealer, 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 and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts Cede & Co. such Notes 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.

Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as defaults and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and undivided payments on the Notes 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 Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Issuing and Paying Agent, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments 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 Issuing and Paying Agent, 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 securities depository with respect to the Notes at any time by giving reasonable notice to the Commission or the Issuing and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.
APPENDIX D
DEFINITIONS AND SUMMARY OF THE LEGAL DOCUMENTS

DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary of the Legal Documents. All capitalized terms used but not defined in this Offering Memorandum will have the meanings set forth in the Indenture.

**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 will 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.

**Administrative Agent** means the entity, acting as administrative agent under a Support Agreement, or its successor as administrative agent; provided, however that, in the event that either (i) no Administrative Agent has been appointed under a Support Agreement or (ii) utilization of an Administrative Agent is discontinued under any Support Agreement, all references contained in the Indenture to “Administrative Agent” will be deemed to be references to the Bank which has entered into such Support Agreement with the Commission.

**Advance** means each advance of funds from a Support Facility, in accordance with the terms of the Support Agreement entered into in connection with such Support Facility.

**Advice** means a notice or a written instrument, executed by the Issuing and Paying Agent for a Series of Notes and delivered to the Depository for such Series of Notes, which specifies the amount by which the indebtedness evidenced by the Master Note delivered in connection with such Series of Notes is to be increased or decreased on any particular date, and which includes such other information as may be required pursuant to the systems and procedures of the Depository applicable to implementation of its book-entry program for obligations of the character of such Series of Notes.

**Alternate Facility** means a replacement Support Facility provided pursuant to the provisions of the Indenture and the instruments pursuant to which such Support Facility is provided.

**Assumed Debt Service** means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Senior Lien Debt, Notes and Parity Debt if each Excluded Principal Payment were amortized for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the Tax Expiration Date, and (ii) the date which is thirty (30) years from such date of calculation, on a substantially level debt service basis, calculated based on a fixed interest rate equal to the rate at which the Commission could borrow for such period, as certified by 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, Executive Director, the Chief Deputy Executive Director, the Director of Finance, the TransNet Program Manager, or any other person designated to complete and deliver Issuance Requests and who has been identified in
Available Amount means the initial amount available to be drawn on a Support Facility as set forth in such Support Facility or the Support Agreement entered into in connection with such Support Facility, as applicable, as such amount may be reduced and/or reinstated pursuant to the terms of such Support Facility or the Support Agreement entered into in connection with such Support Facility, as applicable, and available to be drawn under such Support Facility.

Bank means a provider or the providers of a Support Facility securing a Series of Notes.

Bank Loan means each loan of funds made by a Bank to repay an Advance, in accordance with the terms of the Support Agreement entered into by such Bank with the Commission.

BMA Municipal Swap Index means the index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by Municipal Market Data or any successor indexing agent which meets the specific criteria established by the Bond Market Association.

Board means the Board of Directors of the Commission.

Bond Indenture means the Existing Bond Indenture and the Sales Tax Extension Bond Indenture.

Bond Trustee means the Existing Bond Trustee or the Sales Tax Extension Bond Trustee or either.

Bonds means the Second Senior Bonds and the Sales Tax Extension Bonds or either of them.

Business Day means, for so long as DTC will be the Depository for any Series of Notes, any day on which DTC is scheduled to be open for money market instrument settlement services, and is other than: (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed; (2) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed; and (3) for purposes of payments and other actions relating to Notes secured by a Support Facility, a day upon which commercial banks are authorized or obligated by law or executive order to be closed in the city in which demands for payment are to be presented pursuant to such Support Facility.

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 its Executive Director, Chief Deputy Executive Director, Director of Finance, TransNet Program Manager or any other person authorized by the Executive Director to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument.

Certificate Agreement means the Book-Entry-Only Money Market Instrument (Master Note Program) Certificate Agreement, dated as of November 6, 2003, between the Issuing and Paying Agent and DTC.
**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 will, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

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

**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 Notes, 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 the Notes, initial fees and charges of the Trustee and the Issuing and Paying Agent, legal fees and charges, fees and disbursements of consultants and professionals, including fees of the Dealers, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Notes, surety, insurance, liquidity and credit enhancements costs, including without limitation fees and expenses payable to a Bank under a Support Agreement, and any other cost, charge or fee in connection with the issuance of a Series of Notes.

**Dealer** means any dealer for a Series of Notes which has been appointed by the Commission and which has entered into a Dealer Agreement with the Commission with respect to such Series of Notes.

**Dealer Agreement** means any agreement entered into by the Commission with a Dealer in connection with a Series of Notes, as originally executed and as it may from time to time be supplemented or amended pursuant to its terms.

**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.

**Depository** means DTC or any other qualified securities depository selected as set forth in the indenture.
DTC means The Depository Trust Company, New York, New York, and its successors and assigns.

Event of Default means any of the events specified in the Indenture.

Excluded Principal Payments means each payment of principal (or the principal component of lease or installment purchase payments) of Senior Lien Debt, Notes or Parity Debt which the Commission determines (in a Supplemental Bond Indenture, the Indenture, a Supplemental Indenture or other document delivered on a date not later than the date of issuance of such Senior Lien Debt, Notes or Parity Debt) that the Commission intends to pay with moneys which are not Senior Lien Revenues or Revenues, as applicable (such as commercial paper, balloon indebtedness or bond anticipation notes), but from future debt obligations of the Commission, grants received 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 will affect the security for such Senior Lien Debt, Notes or Parity Debt or the obligation of the Commission to pay such payments from Revenues or Senior Lien Revenues, as applicable, or, with respect to Existing Senior Lien Debt, from the bond reserve fund established under the Existing Bond Indenture, or with respect to Sales Tax Extension Senior Lien Debt, from the bond reserve fund, if any, established under the Sales Tax Extension Bond Indenture. No payment of principal of Senior Lien Debt, Notes or Parity Debt may be determined to be an Excluded Principal Payment unless it is due on or prior to the Tax Expiration Date.

Existing Bond Indenture means the Indenture, dated as of October 1, 1992, by and between the Commission and the Existing Bond Trustee, as originally executed and as it has been and as it may from time to time be supplemented or amended by any supplemental indenture delivered pursuant to the provisions thereof.

Existing Bond Trustee means U.S. Bank National Association, a national banking association, duly organized and existing under the laws of the United States, 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, or its successor as trustee under the Existing Bond Indenture.

Existing Bonds or Second Senior Bonds means the San Diego County Regional Transportation Commission Second Senior Sales Tax Revenue Bonds (Limited Tax Bonds) authorized by, and at any time outstanding pursuant to, the Existing Bond Indenture.

Existing Senior Lien Debt means the Second Senior Bonds and other debt payable on a parity with the Second Senior Bonds issued in accordance with the requirements of the Existing Bond Indenture and the provisions thereof.

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

Holder or Noteholder or Owner, whenever used in the Indenture with respect to a Note, means the person in whose name such Note is registered.

Indenture means the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, 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 of the Indenture.

**Interest Fund** means the fund by that name established pursuant to the Indenture.

**Interest Rate Swap Agreement** means: (i) with respect to an interest rate swap agreement relating to any Series of Notes, an interest rate swap agreement in which the counterparty with which the Commission or the Trustee may contract is limited to entities the debt securities of which are rated in the highest short-term or one of the two highest long-term debt Rating Categories by Moody’s and Standard & Poor’s; and (ii) with respect to an interest rate swap agreement relating to any Senior Lien Debt or a portion thereof, (a) the term of which is not less than the term of the Senior Lien Debt to which such interest rate swap agreement relates, and (b) in which the counterparty with which the Commission or the Trustee may contract is limited to (x) entities the debt securities of which are rated in one of the two highest long-term debt Rating Categories by Moody’s and Standard & Poor’s or (y) entities the obligations of which under such Interest Rate Swap Agreement are either guaranteed or insured by an entity the debt securities or insurance policies of which are so rated or (z) entities the debt securities of which are rated in the third highest long-term debt rating categories by Moody’s and Standard & Poor’s or whose obligations are guaranteed or insured by an entity so rated, and, in each case, the obligations of which under such Interest Rate Swap Agreement are continuously and fully secured by Investment Securities (other than those described in clauses (iv) through (xviii) of the definition thereof) which will have a market value determined, by the party designated in such Interest Rate Swap Agreement, at least monthly (exclusive of accrued interest), at least equal to the termination value, if any, that would be payable by such counterparty under the Interest Rate Swap Agreement and which will be deposited with a custodian acceptable to the Commission. The ratings of the counterparties in the above definition are determined as of the date of execution of the interest rate swap agreement.

**Investment Securities** means the following:

(i) 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 (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) 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 (i);


(iv) 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;

(v) 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;

(vi) 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 (i) or (ii) 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 (i) or (ii) 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 (vi) 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 (vi), 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;

(vii) 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;

(viii) 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 will be purchased directly from such a bank, trust company or
national banking association and will be either (1) continuously and fully insured by the Federal
Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and
obligations as are described above in clauses (i) through (v), inclusive, which will have a market
value (exclusive of accrued interest) at all times at least- equal to the principal amount of such
certificates of deposit and will 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 will 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 will be
entitled to rely on each such undertaking;

(ix) 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;

(x) 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;

(xi) 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 (i), (ii), (iii) or (iv) above, which will have a market value (exclusive of accrued interest and valued at least monthly) at least equal to the principal amount of such investment and will 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 will 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 will be entitled to rely on each such undertaking;

(xii) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iv), (v) and (xi) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (xi) of this definition of Investment Securities; provided that as used in this clause (xii) and clause (xiii) investments will be deemed to satisfy the requirements of clause (xi) if they meet the requirements set forth in clause (xi) ending with the words “clauses (i), (ii), (iii) or (iv) above” and without regard to the remainder of such clause (xi);

(xiii) 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 (i), (ii), (iii) or (iv) 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;

(xiv) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (xiii) 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;
(xv) 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;

(xvi) 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;

(xvii) 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;

(xviii) 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 the Indenture; and

(xxiv) any investment approved by the Board for which confirmation is received from each rating agency then rating any of the Notes that such investment will not adversely affect such agency’s rating on such Notes.

Issuance Request means a request made by the Commission, acting through an Authorized Representative, to the Issuing and Paying Agent for the authentication and delivery of a Note or Notes.

Issuing and Paying Agent means U.S. Bank Trust National Association, or any successor or assigns permitted under the Issuing and Paying Agent Agreement, or any other Issuing and Paying Agent which is appointed by the Commission and has entered into an Issuing and Paying Agent Agreement.

Issuing and Paying Agent Agreement means the Amended and Restated Issuing and Paying Agent Agreement, dated as of November 1, 2005, between the Commission and the Issuing and Paying Agent, and any and all modifications, alterations, amendments and supplements thereto, or any other Issuing and Paying Agent Agreement entered into by the Commission and an Issuing and Paying Agent with respect to the Notes or a Series of Notes.

Law means the San Diego County Regional Transportation Commission Act, Chapter 2 of Division 12.7 (Section 132000 et. m.) of the Public Utilities Code of the State and Chapter 6 of Part 1 of Division 2 of Title 5 (Section 54300 et. q.) of the Government Code of the State as referenced in said San Diego County Regional Transportation Commission Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 (Section 53570 et. m.) 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 Representations means, with respect to the Series B Notes, the Certificate Agreement and the Letter of Representations, dated September 27, 2005, executed by the Commission and the Issuing and Paying Agent and delivered to DTC, as initial Depository for the Series B Notes, or any replacement thereof or substitute therefor, and, with respect to any other Series of Notes, the documentation delivered to a Depository in connection with such Series of Notes.
**Mandatory Sinking Account Payment** means, with respect to Bonds of any Series and maturity, the amount required by the Bond Indenture or a Supplemental Bond Indenture to be deposited by the Commission in a Sinking Account for the payment of Term Bonds of such Series and maturity.

**Master Note** means a Note substantially in the form attached to the Indenture as Exhibit B.

**Maximum Annual Debt Service** means the greatest amount of principal and interest becoming due and payable on all Senior Lien Debt, Notes and Parity Debt (for purposes of this definition of “Maximum Annual Debt Service,” herein collectively referred to as “Debt”) in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) Excluded Principal Payments will be excluded from such calculation and Assumed Debt Service will be included in such calculation;

(b) if the Debt is Variable Rate Indebtedness, the interest rate on such Debt for periods when the actual interest rate cannot yet be determined will be assumed to be equal to the average of the BMA Municipal Swap Index for the ten (10) years preceding the date of calculation; provided however that if an Interest Rate Swap Agreement providing for a fixed rate of interest to maturity is in effect with respect to such Debt, the interest rate on such Debt will be assumed to be the interest rate specified in such Interest Rate Swap Agreement; provided, however, that, if the Parity Debt is a Bank Loan, the interest rate will be assumed to be 150% of the daily average of the Six Month LIBOR Rate during the 12-month period ending with the month preceding the date of calculation;

(c) principal and interest payments on Debt will be excluded to the extent that: (i) such payments are to be paid from amounts on deposit with any fiduciary, including Investment Securities and interest to be payable thereon, in escrow specifically therefor, (ii) such interest payments are to be paid from the proceeds of Debt held by any fiduciary as capitalized interest, including Investment Securities and interest to be payable thereon, specifically to pay such interest by such fiduciary, and (iii) such interest payments are to be paid from pledged Subsidy Payments the Commission expects to receive;

(d) in determining the principal amount due in each Fiscal Year, payment will (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 Debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(e) if any Interest Rate Swap Agreement is in effect with respect to, and is payable on a parity with, the Debt to which it relates, no amounts payable under such Interest Rate Swap Agreement will be included in the calculation of Maximum Annual Debt Service unless the sum of (i) interest payable on such Debt, 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, are greater than the interest payable on the Debt to which it relates, then, in such instance, the amount of such payments to be made that exceed the interest to be paid on the Debt will be included in such calculation; provided that if such Interest Rate Swap Agreement results in the payment by the Commission of a net variable interest rate with respect
to the Debt to which it relates, the interest rate on such Debt will be assumed to be equal to the sum of (x) the fixed interest rate or rates to be paid on the Debt, minus (y) the fixed interest rate receivable by the Commission under such Interest Rate Swap Agreement, plus (z) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified by the Director of Finance of the Commission, or, if not based on an identifiable index, then the BMA Municipal Swap Index, in each case, over the five years preceding the date of calculation;

(f) if any Debt features an option, on the part of the owners or an obligation under the terms of such Debt, to tender all or a portion of such Debt to the Commission, the Trustee or other fiduciary or agent, and requires that such Debt 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 Debt, the options or obligations of the owners of such Debt to tender the same for purchase or payment prior to the stated maturity or maturities will be treated as a principal maturity occurring on the first date on which owners of such Debt may or are required to tender such Debt except that any such option or obligation to tender Debt will be ignored and not treated as a principal maturity, if such Debt is rated in one of the two highest long-term Rating Categories by Moody’s and by Standard & Poor’s or such Debt is rated in the highest short-term, note or commercial paper Rating Categories by Moody’s and by Standard & Poor’s; and if any Debt consists of Paired Obligations, the interest rate on such Debt will be the resulting fixed interest rate to be paid by the Commission with respect to such Paired Obligations.

Moody’s means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term “Moody’s” will 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.

Note Fund means a fund by that name established pursuant to the Indenture and maintained by the Issuing and Paying Agent to pay principal and interest on a Series of Notes when due.

Note Interest Account means an account by that name established in a Note Fund pursuant to the Indenture and maintained by the Issuing and Paying Agent.

Note Principal Account means an account by that name established in a Note Fund pursuant to the Indenture and maintained by the Issuing and Paying Agent.

Notes means the Commission’s Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds) authorized by, and at any time Outstanding pursuant to, the Indenture.

Notice of Borrowing means a notice submitted by the Issuing and Paying Agent to a Bank pursuant to the Issuing and Paying Agent Agreement.

Notice of No Issuance means a written notice delivered by a Bank with respect to a Series of Notes pursuant to the provisions of the Support Agreement entered into in connection with such Series of Notes, which notifies the Commission and the Issuing and Paying Agent that no additional Notes of such Series may be issued.
Notice of Termination means a written notice delivered by a Bank with respect to a Series of Notes pursuant to the provisions of the Support Agreement entered into in connection with such Series of Notes, which notifies the Commission and the Issuing and Paying Agent that the Support Facility provided pursuant to such Support Agreement is being terminated.

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.

Outstanding, when used as of any particular time with reference to Notes, means (subject to the provisions of the Indenture) all Notes theretofore, or thereupon being, authenticated and delivered by the Issuing and Paying Agent under the Indenture except: (i) Notes theretofore cancelled by the Issuing and Paying Agent or surrendered to the Issuing and Paying Agent for cancellation; (ii) Notes with respect to which all liability of the Commission will have been discharged in accordance with the Indenture, including Notes (or portions of Notes) referred to in the Indenture; and (iii) Notes for the transfer or exchange of or in lieu of or in substitution for which other Notes will have been authenticated and delivered by the Issuing and Paying Agent pursuant to the Indenture.

Owner or Holder or Noteholder or Noteowner means, whenever used herein with respect to a Note, means the person in whose name such Note is registered.

Paired Obligations means any Senior Lien Debt, Notes or Parity Debt, designated as Paired Obligations in a Certificate of the Commission, which are simultaneously outstanding (i) the principal of which is of equal amount maturing and to be retired on the same dates and in the same amounts and (ii) the interest rates on which, taken together, result in an irrevocably fixed interest rate obligation of the Commission for the term of such Senior Lien Debt, Notes or Parity Debt.

Parity Debt means amounts owing under any Support Agreement and any indebtedness, installment sale obligation, lease obligation or other obligation of the Commission for borrowed money or Interest Rate Swap Agreement having an equal lien and charge upon the Revenues and therefore payable on a parity with the Notes (whether or not any Notes are Outstanding); provided, however, that any payments with respect to an Interest Rate Swap Agreement which represent termination payments or unwinding payments will not constitute Parity Debt and will be payable from Revenues on a subordinate basis.

Person means a corporation, firm, association, 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 the Indenture.

Principal Office of the Issuing and Paying Agent means the office thereof designated in writing to the Commission, the Trustee, each Administrative Agent and each Dealer.

Project means transportation facility and service improvements within the County of San Diego, including transportation and service improvements for highways, rail transit services, bus services, local streets and roads, bicycle and pedestrian facilities, transportation-related community infrastructure to support smart growth development and related environmental mitigation and enhancement projects, and the payment of all costs incidental to or connected with the accomplishment of such purposes, including, without limitation, 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 construction.
and for a period not to exceed one year thereafter and expenses for all proceedings for the authorization, issuance and sale of Notes.

**Project Fund** means a fund by that name established pursuant to the Indenture to hold the proceeds of a Series of Notes or a portion thereof prior to expenditure on the Project.

**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 the fund by that name established pursuant to the Indenture.

**Rebate Requirement** means the Rebate Requirement defined in the Tax Certificate delivered in connection with a Series of Notes.

**Redemption Price** means, with respect to any Senior Lien Debt or Parity Debt (or portion thereof) the principal amount of such Senior Lien Debt or Parity Debt (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Senior Lien Debt or Parity Debt and the Bond Indenture, Indenture or other document authorizing such Senior Lien Debt or Parity Debt, as applicable.

**Revenue Fund** means the Subordinate Sales Tax Revenue Fund established pursuant to the Indenture.

**Revenues** means all Sales Tax Revenues and all interest, profits and other income received from the investment of Sales Tax Revenues (other than amounts in the Rebate Fund) and such additional sources of revenue pledged to pay the Senior Lien Debt under the Bond Indenture, but excluding all amounts: (i) which are required by the terms of the Existing Bond Indenture to be deposited into the Interest Fund, Principal Fund (including Sinking Accounts) and Bond Reserve Fund, each established with the Existing Bond Trustee pursuant to the Existing Bond Indenture, or are otherwise required to be used to pay the principal of or interest on, or reserve requirements with respect to, Existing Senior Lien Debt; and (ii) which will be required by the terms of the Sales Tax Extension Bond Indenture to be deposited into the Interest Fund, Principal Fund (including Sinking Accounts) and Bond Reserve Fund, if any, established with the Sales Tax Extension Bond Trustee pursuant to the Sales Tax Extension Bond Indenture, or will otherwise required to be used to pay the principal of or interest on, or reserve requirements with respect to, Sales Tax Extension Senior Lien Debt. Revenues do not include grants from the State or federal governments or any agency or instrumentality thereof or any other funds or assets of the Commission except Sales Tax Revenues and earnings thereon; provided that the Commission by Supplemental Indenture may provide for additional revenues or assets of the Commission to be included in the definition of Revenues under the Indenture.

**Sales Tax Extension Bond Indenture** means any indenture entered into by the Commission and a Sales Tax Extension Bond Trustee, pursuant to which the Commission may issue limited tax bonds secured by a lien on the retail transactions and use tax superior to the lien which secures the Notes, as originally executed and as it may from time to time be supplemented or amended by any supplemental indenture delivered pursuant to the provisions thereof.
Sales Tax Extension Bond Trustee means the financial institution designated as trustee under the Sales Tax Extension Bond Indenture or its successor as trustee under the Sales Tax Extension Bond Indenture.

Sales Tax Extension 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, the Sales Tax Extension Bond Indenture.

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 Extension Senior Lien Debt means the Sales Tax Extension Bonds and other debt payable on a parity with the Sales Tax Extension Bonds issued in accordance with the requirements of the Sales Tax Extension Bond Indenture and the provisions thereof.

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 Law 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 Law.

Second Senior Bonds or Existing Bonds means the San Diego County Regional Transportation Commission Second Senior Sales Tax Revenue Bonds (Limited Tax Bonds) authorized by, and at any time outstanding pursuant to, the Existing Bond Indenture.

Senior Lien Debt means the Bonds and other debt payable on a parity with the Bonds issued in accordance with the requirements of the Bond Indenture and the provisions thereof.

Senior Lien Revenues means all Sales Tax Revenues and all interest, profits and other income received from the investment of Sales Tax Revenues (other than amounts in any rebate fund established with respect to Senior Lien Debt) and such additional sources of revenue, if any, as are pledged to pay the Senior Lien Debt under the Bond Indenture. Senior Lien Revenues do not include grants from the State or federal governments or any agency or instrumentality thereof or any other funds or assets of the Commission except Sales Tax Revenues and earnings thereon; provided that the Commission by Supplemental Bond Indenture may provide for additional revenues or assets of the Commission to be included in the definition of Senior Lien Revenues.

Series, whenever used in the Indenture with respect to Notes, means all of the Notes designated as being of the same series, regardless of variations in maturity, interest rate and other provisions.

Series B Bank means Bank of America, N.A., or the provider or providers of any Alternate Facility for the Series B Notes, substituted therefor in accordance with the provisions set forth in the Indenture.

Series B Notes means the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes, Series B, authorized by, and at any time Outstanding pursuant to the Indenture.

Six Month LIBOR Rate means, as of any date of determination, the offered rate for deposits in U.S. dollars for a six-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m.,
London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

**Standard & Poor’s** means Standard & Poor’s Corporation, 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 will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” will be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

**State** means the State of California.

**Subsidy Payments** means payments to be made by the United States Treasury to the Sales Tax Extension Bond Trustee pursuant to Section 54AA of the Code or Section 6431 of the Code or any successor to either of such provisions of the Code and with respect to the interest due on a series of taxable Sales Tax Extension Bonds that have been accorded Build America Bonds status under the provisions of the American Recovery and Reinvestment Act of 2009 or any successor thereto or replacement thereof.

**Supplemental Bond Indenture** means any Supplemental Existing Bond Indenture or any Supplemental Sales Tax Extension Bond Indenture.

**Supplemental Existing Bond Indenture** means any indenture, duly executed and delivered, supplementing, modifying or amending the Existing Bond Indenture, but only if and to the extent such Supplemental Existing Bond Indenture is specifically authorized under the Existing Bond Indenture.

**Supplemental Indenture** means any supplement to the Indenture hereafter duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

**Supplemental Sales Tax Extension Bond Indenture** means any indenture, duly executed and delivered, supplementing, modifying or amending the Sales Tax Extension Bond Indenture, but only if and to the extent such Supplemental Sales Tax Extension Bond Indenture is specifically authorized under the Sales Tax Extension Bond Indenture.

**Support Agreement** means any agreement, pursuant to which a Bank provides a Support Facility in connection with a Series of Notes, between the Commission and such Bank, as originally executed and as it may from time to time be amended or supplemented pursuant to its terms, and any similar agreement entered into in connection with an Alternate Facility for such Series of Notes.

**Support Agreement Fund** means a fund by that name established pursuant to the Indenture.

**Support Facility** means any letter of credit, line of credit, credit agreement, standby bond purchase agreement or other agreement, instrument, or facility, insurance or guarantee arrangement issued by a financial institution, insurance company or association pursuant to which the Issuing and Paying Agent and/or the Trustee, as the case may be, on behalf of the Commission, is entitled to obtain funds to pay the principal of and interest on any Series of Notes or any Alternate Facility substituted therefor in accordance with the provisions of the Indenture.

**Support Facility Expiration Date** means the stated expiration date of a Support Facility, taking into account any extension of such stated expiration date.
Support Facility Fund means a fund by that name established pursuant to the Issuing and Paying Agent Agreement.

Tax Certificate means the Master Tax Certificate delivered by the Commission in connection with the Series B Notes, as originally executed and as it may from time to time be amended or supplemented pursuant to its terms, including, without limitation, as amended or supplemented in connection with a new commercial paper program as described therein, or the Master Tax Certificate delivered by the Commission in connection with the issuance of any additional Series of Notes.

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 Law.

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 the laws of the United States, or its successor, as Trustee, as provided in the Indenture.

Variable Rate Indebtedness means any indebtedness, including, without limitation, auction rate indebtedness, 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 single numerical rate for the entire term of the indebtedness.

SUMMARY OF THE AMENDED AND RESTATED SUBORDINATE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere in this Offering Memorandum. This summary does not purport to be a definitive or comprehensive summary of all the provisions of such document. This summary is qualified in its entirety by reference to the full text of the Indenture.

THE NOTES

Terms of the Notes

The Notes will not be subject to redemption prior to maturity. Each Series of Notes will be numbered consecutively from No. 1 upward. The Issuing and Paying Agent may make additional provisions for numbering, including additional prefixes and suffixes, as it may deem appropriate.

Subject to the provisions set forth in the Indenture, the principal of and the interest on the Notes will be paid in federal or other immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts. The principal of and the interest on the Notes will be payable at the Principal Office of the Issuing and Paying Agent on or before the close of business on any Business Day upon which such Notes have become due and payable, provided that such Notes are presented and surrendered on a timely basis. Upon presentation of such a Note to the Issuing and Paying Agent no later than 2:00 p.m. (New York City time) on or after any Business Day upon which such Notes have become due and payable, payment for such Note will be made by the Issuing and Paying Agent in immediately available funds on such Business Day. If a Note is presented for payment after 2:00 p.m. (New York City time) on a Business Day, payment therefor will be made by the Issuing and Paying Agent on the next succeeding Business Day without the accrual of additional interest thereon.
Notwithstanding the provisions set forth regarding terms of the Notes: (i) in the event that the Commission determines to issue a taxable Series of Notes, the terms of such taxable Series of Notes will be set forth in the Supplemental Indenture creating such taxable Series of Notes; and (ii) in the event that a Series of Notes is issued in the form of a Master Note or Master Notes in book-entry form, such Notes will be payable at maturity without the necessity of physical presentation or surrender in accordance with the procedures of the Depository for such Series of Notes.

Notwithstanding the foregoing, the Commission may deliver the Notes of any Series, including the Series B Notes, in the form of a Master Note, representing all Notes of such Series to be issued from time to time, each maturing not more than 270 days after their respective dates, but in no event later than the Tax Expiration Date or 5 days prior to the applicable Support Facility Expiration Date. Each Master Note may be replaced by a new Master Note having a later maturity date so long as the maturity date thereof does not extend beyond the date calculated in the preceding sentence, as the same may be extended from time to time. Each Master Note will evidence indebtedness of the Commission as set forth in the Advices. Each Advice will comply with the limitations on Notes set forth in the Indenture. The aggregate indebtedness evidenced by any Master Note will at all times equal or be less than the Available Amount of the Support Facility then in effect with respect to the Series of Notes to which the Master Note relates. References in the Indenture to Notes when a Master Note has been issued therefor will refer to the indebtedness under the Master Note or the Advices issued with respect thereto.

**Transfer of Notes**

Any Note may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of the Indenture, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Issuing and Paying Agent. Whenever any Note or Notes will be surrendered for transfer, the Commission will execute and the Issuing and Paying Agent will authenticate and deliver a new Note or Notes, of the same Series, maturity and interest rate and for a like aggregate principal amount. The Issuing and Paying Agent will require the Noteholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

**ISSUE AND SALE OF NOTES**

**Issuance and Sale of the Notes**

Whenever an Authorized Representative determines that the Commission will sell or issue Notes, such Authorized Representative will deliver an Issuance Request to the Issuing and Paying Agent prescribing the terms of such Notes and the sale or issuance thereof in accordance with the terms of the Indenture, and representing: (i) that all action on the part of the Commission necessary for the valid issuance of the Notes then to be issued has been taken and has not been rescinded or revoked; (ii) that all provisions of State and federal law necessary for the valid issuance of such Notes and (except in the case of a Series of Notes, the interest with respect to which is not expected to be excluded from gross income for federal income tax purposes) necessary to provide that interest thereon is excludable from gross income for purposes of federal income taxes and is exempt from State of California personal income taxes have been complied with; (iii) that interest on the Notes is excludable from gross income for purposes of federal income taxes and is exempt from State of California personal income taxes, provided, however, that such representation need not be provided in the case of a Series of Notes, the interest with respect to which is not expected to be excluded from gross income for federal income tax purposes; and (iv) that such Notes in the hands of the Holders thereof will be valid and binding limited tax bond obligations of the Commission according to their terms. Each such Issuance Request will also certify or constitute a
representation and warranty that (x) no Event of Default has occurred and is continuing as of the date of such Issuance Request; (y) the Commission is in compliance with the covenants set forth in the Indenture, including, without limitation, the tax covenants, as of the date of such Issuance Request, and is in compliance with the covenants set forth in the Tax Certificate, as of the date of such Issuance Request, except in the case of a Series of Notes the interest with respect to which is not expected to be excluded from gross income for federal income tax purposes under the Code; and (z) no Notice of No Issuance has been received from the applicable Bank. Notwithstanding any provision of the Indenture or the Issuing and Paying Agent Agreement to the contrary, no such Notes will be delivered by the Issuing and Paying Agent if the delivery of such Notes would result in violation of any of the prohibitions respecting authentication of Notes set forth in the Indenture.

**Proceedings for Issuance of Additional Series of Notes**

Whenever the Commission will determine to issue an additional Series of Notes pursuant to the Indenture, the Commission will authorize the execution of a Supplemental Indenture specifying the aggregate principal amount of such Series of Notes, which will prescribe the terms and conditions of such Series of Notes, including the Series designation, forms, authorized denominations and the Support Facility to be provided with respect to such Notes and which will include such other provisions respecting the Notes of such Series as will be necessary or appropriate and not inconsistent with the terms of the Indenture.

Before such additional Series of Notes will be issued and delivered, the Commission will file the following documents with the Trustee and the Issuing and Paying Agent (upon which documents the Trustee and Issuing and Paying Agent may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Notes have been satisfied), and each Administrative Agent:

1. An executed copy of the Supplemental Indenture authorizing such Series of Notes.
2. An executed copy of the Dealer Agreement, the Support Agreement and the Support Facility, and, as and to the extent applicable, the Issuing and Paying Agent Agreement executed in connection with the issuance and delivery of such additional Series of Notes.
3. A Certificate of the Commission stating that no Event of Default has occurred and is then continuing; and that upon the delivery of such Series of Notes the aggregate principal amount of Notes then Outstanding will not exceed the amount permitted by law or by the Indenture.
4. An Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture has been duly authorized by the Commission in accordance with the Indenture and that such Series, when duly executed by the Commission and authenticated and delivered by the Issuing and Paying Agent, will be valid and binding limited tax bond obligations of the Commission.
5. A Certificate certifying (on the basis of calculations as of the date of sale of such Series of Notes, which calculations will be set forth in such Certificate) that the requirement of the Indenture regarding Senior Lien Revenues received is satisfied.
6. A Certificate certifying that upon delivery of such additional Series of Notes, the aggregate principal amount of debt of the Commission then outstanding will not exceed the amount permitted by Section 132309(b) of the Public Utilities Code of the State.
(7) A Certificate of the Commission, if appropriate, designating any Excluded Principal Payments.

Issuance of Refunding Debt

Before refunding debt will be issued and delivered, the Commission will file the following documents with the Trustee and the Issuing and Paying Agent may conclusively rely in determining whether the conditions precedent to the issuance of such debt have been satisfied, and each Administrative Agent:

(1) A transcript of the proceedings providing for the issuance of such refunding debt.

(2) An Opinion of Bond Counsel to the effect that such refunding debt has been duly authorized by the Commission in accordance with the Indenture.

(3) If any of the Senior Lien Debt or Parity Debt to be refunded is to be redeemed prior to its stated maturity date, irrevocable instructions to the trustee for such debt to give the applicable notice of redemption or a waiver of the notice of redemption signed by the owners of all or the portion of such debt 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 for such debt all of the debt proposed to be redeemed (whether cancelled or uncancelled) with irrevocable instructions to the trustee for such debt to cancel said debt so to be redeemed upon the exchange and delivery of said refunding debt; and provided further that no provision of the Indenture will be construed to require the redemption of such debt prior to the maturity date thereof due to the refunding thereof.

(4) A Certificate certifying (on the basis of calculations as of the date of sale of such refunding debt, which calculations will be set forth in such Certificate) that Maximum Annual Debt Service on all Senior Lien Debt, Notes and Parity Debt outstanding following the issuance of such refunding debt is less than or equal to the Maximum Annual Debt Service on all Senior Lien Debt, Notes and Parity Debt outstanding prior to the issuance of such refunding debt.

The proceeds of the sale of the refunding debt will be applied according to the written direction of the Commission to the retirement of the outstanding Senior Lien Debt, Notes or Parity Debt for the refunding of which said refunding debt is being issued. All Senior Lien Debt, Notes or Parity Debt purchased, redeemed or retired by use of funds received from the sale of refunding debt, and all Senior Lien Debt, Notes or Parity Debt surrendered to the trustee for such debt against the issuance of refunding debt, will be forthwith cancelled and will not be reissued.

Limitations on the Issuance of Obligations Payable from Revenues

The Commission will not, so long as any of the Notes, Parity Debt, Advances or Bank Loan is outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Revenues, except the following:

(a) Notes of any additional Series authorized pursuant to the Indenture;

(b) Refunding debt authorized pursuant to the Indenture;

(c) Parity Debt, provided that the following conditions to the issuance of such Parity Debt are satisfied: (1) Such Parity Debt has been duly and legally authorized for any lawful purpose of
the Commission; (2) No Event of Default will have occurred and then be continuing, as evidenced in a Certificate of the Commission filed with the Trustee and each Administrative Agent; (3) Unless such Parity Debt is for the refunding purposes specified in the Indenture, the Commission will have obtained and placed on file with the Trustee and each Administrative Agent, the Certificate, upon which the Trustee may conclusively rely, certifying (on the basis of calculations as of the date of delivery of such Parity Debt, which calculations will be set forth in such Certificate) that the requirements of the Indenture with respect to the issuance of an additional Series of Notes have been met with respect to such Parity Debt; (4) The Commission will have filed with the Trustee and each Administrative Agent an Opinion of Bond Counsel to the effect that such Parity Debt has been duly authorized in accordance with the Indenture; and (5) The Commission will deliver to the Trustee and each Administrative Agent a transcript of the proceedings providing for the issuance of such Parity Debt.

(d) Obligations which are junior and subordinate to the payment of the principal, premium, if any, interest and reserve fund requirements, if any, for the Notes and all Parity Debt, and which junior and subordinate obligations are payable as to principal, premium, if any, interest and reserve fund requirements, if any, only out of the Revenues after the prior payment of all amounts then required to be paid under the Indenture from the Revenues for principal, premium, if any, interest and reserve fund requirements, if any, for the Notes and all Parity Debt, as the same become due and payable and at the times and in the manner as required in the Indenture.

Notwithstanding anything in the Indenture to the contrary, the issuance of the Series B Notes or the making of an Advance or Bank Loan with respect to Notes of any Series shall not be considered the issuance of additional debt under the Indenture, and no limitations on the issuance of additional debt in the Indenture will apply to the issuance of Series B Notes or the making of Advances or Bank Loans with respect thereto or with respect to the makings of Advances or Bank Loans with respect to any other Series of Notes.

PROJECT FUNDS

Establishment and Application of Project Funds

In connection with the issuance of each Series of Notes issued to finance a portion of the Project, the Trustee will establish, maintain and hold in trust a separate fund designated as the “Project Fund” (inserting therein the Series designation of such Project Fund). The moneys in each Project Fund will be used and withdrawn by the Trustee to pay the costs of the Project, including providing interim funds for a portion or portions of the Project which will on a long term basis be financed with private developer funding, as contemplated by the Ordinance, and the Costs of Issuance of any Series of Notes, provided that moneys in a Project Fund related to a tax-exempt Series of Notes are not permitted to be used to pay the Costs of Issuance of a taxable Series of Notes. All investment earnings on funds held in a Project Fund will be deposited in such Project Fund unless directed by the Commission to be deposited in the Rebate Fund. Before any payment from any Project Fund will be made, the Commission will file or cause to be filed with the Trustee a Requisition of the Commission. Upon receipt of each such Requisition, the Trustee will pay the amount set forth in such Requisition as directed by the terms thereof out of the applicable Project Fund. The Trustee need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment. The Trustee will not incur any liability for any disbursement from any Project Fund made in reliance upon any Requisition.

When the Commission determines that the portion of the Project to be financed with the proceeds of a Series of Notes has been completed, a Certificate of the Commission will 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 which are subject to dispute and for which a retention in such 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 such Project Fund, less the amount of any such retention, to the Principal Fund and apply such funds to the payment at maturity of the Notes of such Series. Upon the receipt of such Certificate, the Trustee will transfer any remaining balance in such Project Fund, less the amount of any such retention, to the Principal Fund to be used for the payment at maturity of the Notes of such Series as soon as practicable in accordance with the foregoing Certificate and the terms and conditions of the Indenture.

REVENUES

Pledge of Revenues

The Revenues are pledged to the payment of Notes and Parity Debt, including, without limitation, all amounts owed to each Bank pursuant to a Support Agreement, without priority or distinction of one over the other and the Revenues constitute a trust fund for the security and payment of the Notes and Parity Debt, including, without limitation, all amounts owed to each Bank pursuant to a Support Agreement; but nevertheless out of Revenues certain amounts may be applied for other purposes as provided in the Indenture.

Out of Revenues there will be applied as hereinafter set forth all sums required for the payment of the principal of and interest on the Notes and all Parity Debt, together with any sinking fund payments of Parity Debt and reserve fund requirements with respect thereto. The pledge of Revenues made in the Indenture will be irrevocable until all of the Notes and all Parity Debt are no longer outstanding.

Allocation of Revenues

So long as any Notes are Outstanding, the Trustee will 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 will establish, maintain and hold in trust for the benefit of the Owners of the Notes) 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 will set aside or transfer amounts with respect to outstanding Parity Debt, as provided in the proceedings for such Parity Debt delivered to the Trustee pursuant to the Indenture, including, without limitation, all amounts owed to each Bank pursuant to a Support Agreement, which amounts will be set forth by each Bank in an invoice delivered to the Commission and the Trustee or represented by an Advance or Bank Loan, and which amounts will be deposited in the Support Agreement Fund established pursuant to the Indenture, which deposits and amounts will be proportionate in the event such Revenues are insufficient to provide for all deposits and amounts required as of any date to be made with respect to the Notes and such Parity Debt:

1. Interest Fund. The Trustee will set aside in the Interest Fund as soon as practicable in each month an amount which would be sufficient to cause the amount on deposit in the Interest Fund on such day to equal the accrued and unpaid interest, if any, on the Notes Outstanding on such date plus the interest which would accrue on such Notes from such date to and including the next 40 calendar days, or such longer period as will be established in any Supplemental Indenture, if such Notes were outstanding at all times during such period, calculated (i) at the actual rate of interest on the Notes for any day interest is to accrue at a rate known on the date such deposit is made and (ii) at the rate of twelve percent (12%) for any day interest is to accrue at a rate unknown on the date such deposit is made. In August of each
year, on the Business Day prior to the date Revenues are to be received by the Trustee from the Bond Trustee for such month, any excess amounts in the Interest Fund not needed to pay interest on the Notes on such date or the following Business Day will be transferred to the Commission; provided, however, that in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Notes or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment date or Business Day will be retained on deposit in the Interest Fund.

(2) **Principal Fund.** The Trustee will deposit in the Principal Fund as soon as practicable in each month an amount equal to the principal amount of Notes maturing in the next 40 calendar days, or such longer period as will be established in a Supplemental Indenture, which the Commission certifies in writing to the Trustee will be paid from Revenues and which will no longer be designated Excluded Principal Payments. The Trustee will also deposit in the Principal Fund moneys provided by the Commission from grants received from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Commission (other than from the issuance and delivery of Notes pursuant to the Issuing and Paying Agent Agreement) for the payment of principal of the Notes.

Any Revenues remaining in the Revenue Fund after the foregoing transfers described above, except as otherwise provided in the Indenture, or in a Supplemental Indenture, or in an instrument providing for the issuance of debt subordinate to the Notes or Parity Debt, will be transferred on the same Business Day to the to the Existing Bond Trustee for application in accordance with the provisions of the Existing Bond Indenture, or if all Second Senior Bonds will have been discharged, to the Sales Tax Extension Bond Trustee for application in accordance with the provisions of the Sales Tax Extension Bond Indenture.

If 5 days prior to any principal payment date or interest payment date the amounts on deposit in the Interest Fund and Principal Fund, with respect to the payments to be made on such upcoming date from Revenues are insufficient to make such payments, the Trustee will 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 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 or interest payment date referenced in such notice.

**Application of Interest Fund and Principal Fund; Transfer to Issuing and Paying Agent**

All amounts in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Notes as it will become due and payable and making payments on Interest Rate Swap Agreements related to the Notes. Such funds will be transferred to the Issuing and Paying Agent by 12:00 Noon (New York City time) on or before the date interest on the Notes is due to make payment thereon.

All amounts in the Principal Fund will be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Notes when due and payable. Such funds will be transferred to the Issuing and Paying Agent by 12:00 Noon (New York City time) on or before the date principal on the Notes is due to make payment thereon.

**Support Agreement Funds**

In connection with the issuance of each Series of Notes, the Trustee will establish and maintain a separate fund, which fund will be designated the “Support Agreement Fund – Series Support Facility” (inserting therein the Series designation of such Support Agreement Fund). Within each such Support
Agreement Fund, the Trustee will establish two (2) separate accounts to be known as the “Support Agreement Interest Account – Series  

Support Facility” (inserting therein the Series designation of such Support Agreement Interest Account) and the “Support Agreement Principal Account – Series Support Facility” (inserting therein the Series designation of such Support Agreement Principal Account). To the extent that there is an Advance outstanding relating to a Series of Notes, the Trustee will deposit in the applicable Support Agreement Fund, as soon as practicable in each month, an amount equal to one-third (1/3) of the amount expected to become due within the next ninety (90) calendar days with respect to interest due with respect to such Advance, which amount will be deposited in the applicable Support Agreement Interest Account. To the extent that there is a Bank Loan outstanding relating to a Series of Notes, the Trustee will deposit in the applicable Support Agreement Fund as soon as practicable in each month, an amount equal to one-twelfth (1/12) or, during the first six months of a Bank Loan, one-sixth (1/6) of the amount expected to become due on the next date on which an installment of principal is due with respect to such Bank Loan, which amount will be deposited in the applicable Support Agreement Principal Account, and an amount equal to one-third (1/3) of the amount expected to become due within the next ninety (90) calendar days with respect to the interest due with respect to such Bank Loan, which amount will be deposited in the applicable Support Agreement Interest Account. The foregoing deposits by the Trustee will be made from Revenues on a parity basis with the deposits made pursuant to “Allocation of Revenues” above. A Support Agreement Fund may also be funded by the Commission from any other source of funds of the Commission and will be used only to reimburse and repay the applicable Bank with respect to Advances or Bank Loans at the times and in accordance with the terms of the applicable Support Agreement.

Note Funds

In connection with the issuance of each Series of Notes, the Issuing and Paying Agent will establish and maintain a separate fund, which will be designated the “_______ Note Fund” (inserting therein the Series designation of such Note Fund). Within each such Note Fund, the Issuing and Paying Agent will establish two separate accounts to be known as the “_______ Note Principal Account” (inserting therein the Series designation of such Note Principal Account) and the “Note Interest Account” (inserting therein the Series designation of such Note Interest Account). The Issuing and Paying Agent will not have a lien on any Note Fund for the payment of any fees or expenses or other obligations owing to the Issuing and Paying Agent and each such Note Fund will only be used for the purposes set forth in the Indenture and in the Issuing and Paying Agent Agreement.

All moneys from time to time on deposit in each Note Principal Account, whether received from a Dealer from the proceeds of Notes pursuant to the Indenture, from the Trustee from the Principal Fund pursuant to the Indenture from an Advance under a Support Facility, or from any other source, will be used to pay the principal of matured Notes of the applicable Series. Pursuant to the provisions set forth in the Issuing and Paying Agent Agreement and the Indenture, the Issuing and Paying Agent will apply all amounts from time to time held in each Note Principal Account, to the payment of the principal of Notes of the applicable Series when due, as contemplated by this section and the Issuing and Paying Agent Agreement, without further authorization or direction.

Pursuant to the provisions set forth in the Issuing and Paying Agent Agreement and the Indenture, the Issuing and Paying Agent will apply all amounts from time to time on deposit in each Note Interest Account solely for the purpose of paying interest on the Notes of the applicable Series, as contemplated by the Indenture and the Issuing and Paying Agent Agreement, without further authorization or direction.
Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts held by the Trustee or the Issuing and Paying Agent and established pursuant to the Indenture will be invested, as directed by the Commission, solely in Investment Securities. All Investment Securities will, as directed by the Commission in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in the Indenture and each Tax Certificate, the limitations as to maturities hereinafter in this section and each Tax Certificate set forth and such additional limitations or requirements consistent with the foregoing as may be established in each Tax Certificate or by Request of the Commission. If and to the extent the Trustee or the Issuing an Paying Agent does not receive investment instructions from the Commission with respect to the moneys in the funds and accounts held pursuant to the Indenture by the Trustee or the Issuing and Paying Agent, as applicable, such moneys will be invested in Investment Securities described in clause (xii) of the definition thereof and the Trustee or the Issuing and Paying Agent, as applicable, will thereupon request investment instructions from the Commission for such moneys.

Moneys in the funds and accounts will 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 or the Issuing and Paying Agent.

Moneys held by the Issuing and Paying Agent for the payment of the principal of and interest on Notes that have matured will be held uninvested or will be invested only in Investment Securities described in clauses (i) or (ii) of the definition thereof.

Unless otherwise provided in the Indenture or in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account, other than the Rebate Fund, will be transferred to the Revenue Fund when received. All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited in the Rebate Fund, except as otherwise provided in the Indenture. 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 will be credited to the fund or account from which such accrued interest was paid.

The Trustee may commingle any of the funds or accounts established and held by the Trustee pursuant to the Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture will be accounted for separately as required by the Indenture; and provided further the Trustee will segregate such funds and accounts if so instructed by the Commission to assist in the calculation of the Rebate Requirement. 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 will 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, and the Trustee will not be liable or responsible for any loss resulting from such investment.

The Commission may, and the Trustee will, upon the Request of the Commission, enter into a financial futures or financial option contract with an entity the debt securities of which are rated in the highest short-term or one of the two highest long-term Rating Categories by Moody’s and Standard & Poor’s.

The Commission may, and the Trustee will, upon the Request of the Commission, enter into an Interest Rate Swap Agreement corresponding to the interest rate or rates payable on a Series of Notes or
Parity Debt or any portion thereof and the amounts received by the Commission or the Trustee, if any, pursuant to such Interest Rate Swap Agreement may be applied to the deposits required under the Indenture. If the Commission so designates, amounts payable under an Interest Rate Swap Agreement will be secured by Revenues and other assets pledged under the Indenture to the Notes and other Parity Debt on a parity basis therewith (excluding amounts payable in connection with any termination or unwinding of an Interest Rate Swap Agreement which will be secured on a subordinate basis) and, in such event, the Commission will pay to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by the Indenture, the amounts to be paid under such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Notes to which such Interest Rate Swap Agreement relates, and the Trustee will pay to the other party to the Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Notes with respect to which such Interest Rate Swap Agreement was entered into.

The Trustee will keep proper books of record and accounts containing complete and correct entries of all transactions made by it relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Notes, including moneys derived from, pledged to, or to be used to make payments on the Notes. Such records will specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and will set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including paramount, 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 will also provide to the Commission in accordance with a Request of the Commission, with respect to each Investment Security such documentation as is reasonably available to the Trustee and is required by the Code or other applicable law to be obtained by the Commission as evidence to establish that each investment had been acquired and disposed of on an established market in an arm’s-length transaction at a price equal to its fair market value and with no amounts having been paid to reduce the yield on the investments.

COVENANTS OF THE COMMISSION

Punctual Payment

The Commission will punctually pay or cause to be paid the principal of and interest on all the Notes, in strict conformity with the terms of the Notes and of the Indenture, according to the true intent and meaning thereof, but in each case only out of Revenues as provided in the Indenture.

Extension of Payment of Notes

The Commission will not directly or indirectly extend or assent to the extension of the maturity of any of the Notes or the time of payment of any Notes or claims for interest by the purchase or funding of such Notes or claims for interest or by any other arrangement and in case the maturity of any of the Notes or the time of payment of any such claims for interest will be extended, such Notes or claims for interest will not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Notes then Outstanding and of all claims for interest thereon which will not have been so extended. Nothing in this paragraph will be deemed to limit the right of the Commission to issue debt for the purpose of refunding any Outstanding Notes, and such issuance will not be deemed to constitute an extension of maturity of Notes.
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 law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Notes, and all benefit or advantage of any such law or laws is expressly waived by the Commission to the extent permitted by law.

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 the Indenture and for the better assuring and confirming unto the Owners of the Notes of the rights and benefits provided in the Indenture.

Against Encumbrances

The Commission will not create any pledge, lien or charge upon any of the Revenues having priority over or having parity with the lien of the Notes except only as permitted in the Indenture.

Accounting Records and Financial Statements

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 will be made of all transactions relating to the Revenues. Such books of record and account will be available for inspection by the Trustee and each Bank at reasonable hours and under reasonable circumstances.

The Commission will furnish the Trustee and each Administrative Agent within 180 days after the end of each Fiscal Year, the financial statements of the Commission relating to the Revenues 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 the chief financial officer of the Commission 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 owner of Notes upon written request to the Commission.

Collection of Sales Tax Revenues

The Commission covenants and agrees that it has duly levied a retail transactions and use tax in accordance with the Law, 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 Notes 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 Existing Bond Trustee. Said agreement will be continued in effect so long as any of the Existing Senior Lien Debt or Sales Tax Extension Senior Lien Debt, as applicable,
remains unpaid and any of the Notes are Outstanding and will not be amended, modified or altered (other than to provide for the transmission of Sales Tax Revenues directly to the Sales Tax Extension Bond Trustee in the event of the discharge of all Existing Senior Lien Debt) without the written consent of the Existing Bond Trustee or the Sales Tax Extension Bond Trustee, as applicable, so long as any of the Existing Senior Lien Debt or Sales Tax Exemption Lien Debt, as applicable, remains unpaid. The Commission will receive and hold in trust for (and remit immediately to) the Existing Bond Trustee or Sales Tax Exemption Bond Trustee, as applicable, any Sales Tax Revenues paid to the Commission by the State Board of Equalization.

In the event that the Existing Bonds are discharged in accordance with the provisions set forth in the Existing Bond Indenture and no other Existing Senior Lien Debt remains outstanding, the Commission covenants and agrees that it will amend said agreement with the State Board of Equalization in order to permit the State Board of Equalization to transmit Sales Tax Revenues to the Sales Tax Extension Bond Trustee. In the event that the Sales Tax Extension Bonds are discharged in accordance with the provisions set forth in the Sales Tax Extension Bond Indenture and no other Sales Tax Extension Lien Debt remains outstanding, the Commission covenants and agrees that it will amend said agreement with the State Board of Equalization to transmit Sales Tax Revenues to the Trustee. If such agreement is so amended, the Commission covenants and agrees that said agreement will be continued in effect so long as any of the Notes are Outstanding and that said agreement will not be further amended, modified or altered without the written consent of the Trustee so long as any of the Notes are Outstanding.

The Commission represents and warrants that it has directed and ordered the Existing Bond Trustee to transmit to the Trustee, on the same Business Day as such Sales Tax Revenues are received, all Sales Tax Revenues, other than the portion of the Sales Tax Revenues applied to payment of the principal of, premium, if any, and interest on the Existing Senior Lien Debt, together with any sinking fund payments and reserve fund requirements with respect thereto, applied by the Existing Bond Trustee pursuant to the provisions set forth in the Existing Bond Indenture.

Sales Tax Revenues received by the Trustee will be transmitted to the Existing Bond Trustee pursuant to the Indenture; provided that, during the continuance of an Event of Default, any Sales Tax Revenues received by the Trustee will be applied first to the payment of the costs and expenses of the Trustee in declaring such Event of Default and pursuing remedies, including reasonable compensation of its agents, attorneys and counsel, which costs and expenses will be paid from the Revenue Fund, and, second, will be deposited into the Interest Fund, Principal Fund, and the Support Agreement Funds, as more fully set forth in the Indenture.

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

The Commission covenants that so long as the Notes are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Law which would materially and adversely affect the rights of Noteholders or any Bank.

**Rebate Fund**

The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the “Rebate Fund.” Within the Rebate Fund, the Trustee will maintain such accounts as will be necessary in order to comply with the terms and requirements of each Tax Certificate. Subject to the transfer provisions provided below, all money at any time deposited in the Rebate Fund will be held by the Trustee for the account of the Commission in trust, to the extent
required to satisfy the Rebate Requirement (as defined in each Tax Certificate), for payment to the federal government of the United States of America, and neither the Trustee nor the Owner of any Notes nor any Bank will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the Indenture and by the provisions of each Tax Certificate (which are incorporated in the Indenture by reference). The Commission covenants to comply with the directions contained in each Tax Certificate and the Trustee covenants to comply with all written instructions of the Commission delivered to the Trustee pursuant to each Tax Certificate (which instructions will state the actual amounts to be deposited in or withdrawn from the Rebate Fund and will not require the Trustee to make any calculations with respect thereto). The Trustee will be deemed conclusively to have complied with these provisions if it follows such instructions of the Commission, and the Trustee will 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.

The Trustee will 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 each Tax Certificate.

Upon receipt of the instructions of the Commission, the Trustee will remit part or all of the balances in the Rebate Fund to the federal government of the United States of America, as directed. In addition, if such instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds (other than the Support Facility Funds) as directed. Any funds remaining in the Rebate Fund after payment of all of the Notes and payment and satisfaction of any Rebate Requirement, will be withdrawn and remitted to the Commission in accordance with a Request of the Commission.

Notwithstanding any other provision of the Indenture, the obligation to remit the Rebate Requirement to the federal government of the United States of America and to comply with all other requirements and each Tax Certificate will survive the defeasance or payment in full of the Notes.

**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 Notes under Section 103 of the Code; provided that, prior to the issuance of any Series of Notes, the Commission may exclude the application of the covenants regarding the Rebate Fund and taxability to such Series of Notes. Without limiting the generality of the foregoing, the Commission will comply with all requirements and covenants contained in each Tax Certificate. In the event that at any time the Commission is of the opinion that for tax purposes it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Commission will so instruct the Trustee in writing, and the Trustee will take such action as may be necessary in accordance with such instructions.

Notwithstanding any provision of the Indenture, if the Commission will receive an Opinion of Bond Counsel to the effect that any action required under any Tax Certificate or the tax provisions of the Indenture 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 Notes pursuant to Section 103 of the Code, the Commission and the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenants under the Indenture will be deemed to be modified to that extent.
Support Facilities; Alternate Facilities

The Commission will at all times maintain in effect a Support Facility enabling it to borrow an amount equal to the principal amount of each Series of Notes then authorized by the Indenture plus accrued interest thereon. The Commission may deliver a substitute (each, an “Alternate Facility”) to replace any Support Facility then in effect, provided, however, that: (i) the Commission will have provided to the Issuing and Paying Agent, the Trustee and the applicable Dealer written evidence from Moody’s, if such Series of Notes are then rated by Moody’s, and Standard & Poor’s, if such Series of Notes are then rated by Standard & Poor’s, of the ratings which will be assigned to such Series of Notes upon delivery of such Alternate Facility; and (ii) such Alternate Facility will take effect on a date on which all Notes of such Series mature. The Commission will provide advance written notice of the proposed delivery of an Alternate Facility to the Issuing and Paying Agent, the Trustee and the applicable Dealer, such notice to be provided by the Commission, to the extent practicable, at least 40 days in advance of the proposed delivery of an Alternate Facility. Upon receipt of such written notice from the Commission, the Issuing and Paying Agent will provide written notice of the proposed delivery of an Alternate Facility to the Owners of the applicable Series of Notes, such written notice to be provided by first class mail at least 30 days prior to the proposed date of delivery of such Alternate Facility. Following the substitution of an Alternate Facility for a Support Facility then in effect, references to the Support Facility replaced thereby will refer to such Alternate Facility. Upon receipt of an Alternate Facility, the Issuing and Paying Agent or the Trustee, as applicable, will promptly give notice of the acceptance of such Alternate Facility to the Owners of the Notes, such notice to be given by first class mail, postage prepaid.

Appointment of Dealers

The Commission covenants and agrees to take all reasonable steps necessary to assure that, at all times, there will be one or more Dealers for each Series of Notes, and to that end will from time to time enter into one or more Dealer Agreements with such Dealers, providing for the services specified in such Dealer Agreements to be performed by such Dealers, in connection with the offering, sale and issuance of Notes.

EVENTS OF DEFAULT AND REMEDIES

Events of Default

The following events will be Events of Default:

(a) default in the due and punctual payment of the principal of any Note when and as the same will become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Note when and as such interest installment will become due and payable;

(c) if the Commission will fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (a) or (b), for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the Commission by the Trustee; except that, if such failure can be remedied but not within such 60 day period and if the Commission has taken all action reasonably possible to remedy such failure within such 60 day period, such failure will not become an Event of
Default for so long as the Commission will 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 default will exist under any agreement governing any Parity Debt and such default will continue beyond the applicable grace period, if any, provided for with respect to such default or if the holder of any Parity Debt exercises a right under the Parity Debt or the corresponding instruments pursuant to which such Parity Debt was issued to declare the principal thereof to be accelerated and payable immediately;

(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 will 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 will not be vacated or set aside or stayed within 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 will assume custody or control of the Commission or of the Revenues, and such custody or control will not be terminated within 60 days from the date of assumption of such custody or control;

(h) if the Legislature of the State will repeal or amend all or any portion of the provisions of the Law 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 Noteholders; or

(i) if the holder of any Senior Lien Debt or the trustee for any holder of Senior Lien Debt exercises a right under the Senior Lien Debt or the corresponding instruments under which such Senior Lien Debt was issued to declare the principal thereof to be payable prior to the maturity thereof.

Acceleration

Upon the occurrence and continuation of any Event of Default, the Trustee may and, upon the written request of the Owners of not less than a majority in aggregate principal amount of the Notes Outstanding at the time, after being indemnified to its satisfaction, will, by notice in writing delivered to the Commission, declare the entire principal amount of the Notes then Outstanding under the Indenture and the interest accrued thereon, immediately due and payable, and such entire principal and interest will thereupon become and be immediately due and payable. The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before any judgment or decree for the payment of moneys due will have been obtained or entered unless the same has been discharged, all overdue principal of and interest upon the Notes, together with the reasonable and proper charges, expenses and liabilities of the Trustee and the Holders and their respective agents and attorneys and all other sums then payable by the Commission under the Indenture (except the principal of and interest accrued solely by virtue of such declaration) will either be paid by or for the account of the Commission or provision satisfactory to the Trustee will be made for such payment, and all defaults under the Indenture (other than the payment of principal and interest due
and payable solely by reason of such declaration) will be cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will be made therefor, then and in every such case the Holders of a majority in principal amount of the Notes then Outstanding by written notice to the Commission and to the Trustee, may rescind such declaration with respect to the Notes and annul such declaration with respect to the Notes, or, if the Trustee will have acted with respect to the Notes without a direction from the Holders of not less than a majority in aggregate principal amount of the Notes Outstanding at the time of such request, and if there will not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of a majority in aggregate principal amount of the Notes then Outstanding, then the Trustee may, by written notice to the Commission, annul such declaration and any such default with respect to the Notes and its consequences will be annulled; provided that no such rescission and annulment will extend to or affect any subsequent Event of Default or impair or exhaust any right or power consequent thereon.

Application of the Revenues and Other Funds After Default

If an Event of Default will occur and be continuing, the Commission will immediately transfer to the Trustee all Revenues held by it, and the Trustee will apply all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (except as otherwise provided in the 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 Owners of the Notes and Parity Debt, including the costs and expenses of the Trustee and the Noteholders 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 the Indenture; and

2. To the payment of the whole amount of principal then due on the Notes and Parity Debt (upon presentation of the Notes and Parity Debt to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such principal, at the rate or rates of interest borne by the respective Notes and Parity Debt, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price, if applicable, of any Notes and Parity Debt which will have become due, whether at maturity, acceleration or by call for redemption, in the order of their due dates, with interest on the overdue principal and Parity Debt at the rate borne by the respective Notes and Parity Debt, and, if the amount available will not be sufficient to pay in full all the Notes and Parity Debt due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Noteholders

The Trustee is irrevocably appointed (and the successive respective Owners of the Notes, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Notes for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Notes, the 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 Noteholders, the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in aggregate amount of Notes then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings, including acceleration upon occurrence and continuance of any Event of Default, as it will 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 in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture, the Law or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Notes or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Notes, subject to the provisions of the Indenture.

Noteholders’ Direction of Proceedings

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Notes then Outstanding will 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 under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the 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 will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Noteholders or holders of Parity Debt not parties to such direction.

Limitation on Noteholders’ Right to Sue

No Owner of any Note will 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 the Indenture, the Law or any other applicable law with respect to such Note, unless: (1) such Owner will have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than 25% in aggregate principal amount of the Notes then Outstanding will have made written request upon the Trustee to exercise the powers granted to it in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee will have refused or omitted to comply with such request for a period of 60 days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee; and (5) the Trustee will not have received contrary directions from the Owners of a majority in aggregate principal amount of the Notes then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Notes of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Notes will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Notes, or to enforce any right under the Indenture, the Law or other applicable law with respect to the Notes, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of the Outstanding Notes, subject to the provisions of the Indenture.
Absolute Obligation of the Commission

Nothing in the Indenture, or in the Notes, contained will affect or impair the obligation of the Commission, which is absolute and unconditional, to pay the principal of and interest on the Notes to the respective Owners of the Notes at their respective dates of maturity, but only out of the Revenues and other assets in the Indenture pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Notes.

Termination of Proceedings

In case any proceedings taken by the Trustee or any one or more Noteholders on account of any Event of Default will have been discontinued or abandoned for any reason or will have been determined adversely to the Trustee or the Noteholders, then in every such case the Commission, the Trustee and the Noteholders, subject to any determination in such proceedings, will be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Commission, the Trustee and the Noteholders will continue as though no such proceedings had been taken.

Remedies Not Exclusive

No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Notes is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default

No delay or omission of the Trustee or of any Owner of the Notes to exercise any right or power arising upon the occurrence of any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Notes may be exercised from time to time and as often as may be deemed expedient.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendments Permitted

The Indenture and the rights and obligations of the Commission, the Owners of the Notes 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 with the written consent of the Owners of a majority in aggregate principal amount of the Notes (or, if such Supplemental Indenture is only applicable to a Series of Notes, such Series of Notes) then Outstanding will have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Notes of any particular maturity remain Outstanding, the consent of the Owners of such Notes will not be required and such Notes will not be deemed to be Outstanding for the purpose of any calculation of Notes Outstanding when determining if an amendment is permitted.

The Indenture and the rights and obligations of the Commission and of the Owners of the Notes and of the Trustee may also be modified or amended at any time by a Supplemental Indenture entered into by the Commission and the Trustee which will become binding when the written consents of each provider of a letter of credit or a policy of bond insurance for the Notes will have been filed with the
Trustee, provided that at such time the payment of all the principal of and interest on all Outstanding Notes will be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which will be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance or letters of credit, in one of the two highest Rating Categories of Moody’s and Standard & Poor’s.

No such modification or amendment will: (a) extend the fixed maturity of any Note, or reduce the amount of principal thereof, or extend the time of payment provided for any Note, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Note so affected, or (b) reduce the aforesaid percentage of principal the consent of the Owners 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 the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of the Notes of the lien created by the Indenture on such Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Owners of all of the Notes then Outstanding. It will not be necessary for the consent of the Noteholders to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof.

(1) The Indenture and the rights and obligations of the Commission, of the Trustee and of the Owners of the Notes 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 Noteholders 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 the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Notes (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Commission;

(2) to make provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture 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 will not materially and adversely affect the interests of the Owners of the Notes;

(4) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Parity Debt with such interest rate, payment, maturity and other terms as the Commission may deem desirable; subject to the provisions of the Indenture;

(5) to provide for the issuance of Notes in book-entry form, provided that no such provision will materially and adversely affect the interests of the Owners of the Notes;

(6) to make modifications or adjustments necessary, appropriate or desirable to accommodate Support Facilities, provided that no such provision will materially and adversely affect the interests of the Owners of the Notes;

(7) if the Commission agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Notes from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;
(8) to provide for the issuance of an additional Series of Notes pursuant to provisions of the Indenture;

(9) to amend the Indenture to provide for the issuance of an additional Series of Notes upon demonstration of pro forma debt service coverage or historical debt service coverage, provided that no such provision will materially and adversely affect the interests of Owners of the Notes; and

(10) for any other purpose that does not materially and adversely affect the interests of the Owners of the Notes, including, without limitation, to provide for changes requested by Moody’s or Standard & Poor’s in order to obtain or maintain a credit rating for any Series of Notes.

The provisions described above do not prevent any Noteholder from accepting any amendment as to the particular Notes held by him, provided that due notation thereof is made on such Notes.

DEFEASANCE

Discharge of Indenture

Notes 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 principal of and interest on such Outstanding Notes, as and when the same 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 to pay such Outstanding Notes; or (c) by delivering to the Trustee, for cancellation by it, such Outstanding Notes.

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

Discharge of Liability on Notes

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 to pay any Outstanding Note, then all liability of the Commission in respect of such Note will cease, terminate and be completely discharged, provided that the Owner thereof will thereafter be entitled to the payment of the principal of and interest on the Notes, and the Commission will remain liable for such payment, but only out of such money or securities deposited as aforesaid for their payment, subject, however, to the continuing duties of the Trustee under the Indenture including, without limitation, the provisions relating to the exchange of Notes and the investment of moneys in funds and accounts.
The Commission may at any time surrender to the Trustee for cancellation by it any Notes previously issued and delivered, which the Commission may have acquired in any manner whatsoever, and such Notes, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay any Notes, 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 the Indenture and will be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Notes and all unpaid interest thereon to maturity; or

(b) Defeasance Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee (upon which opinion the Trustee may conclusively rely), provide money sufficient to pay the principal of and all unpaid interest to maturity, on the Notes to be paid, as such principal and interest become due; provided, however, that no such opinion will be required and a Certificate of the Commission will suffice in lieu thereof if the Defeasance Securities to be deposited will mature within 90 days of the date of such deposit and if the Commission will have delivered to the Trustee a Certificate to the effect that the Commission will provide such additional funds as are necessary to pay all unpaid interest to maturity on the Notes to be paid should such Defeasance Securities be insufficient;

provided, in each case, that the Trustee, escrow agent or other fiduciary will have been irrevocably instructed (by the terms of the Indenture or by Request of the Commission) to apply such money to the payment of such principal and interest with respect to such Notes.

Payment of Notes After Discharge of Indenture

Any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Notes and remaining unclaimed for two years after the principal of all of the Notes has become due and payable, if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Notes became due and payable, will, upon Request of the Commission, be repaid to the Commission free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease. All moneys held by or on behalf of the Trustee for the payment of principal of or interest on Notes will be held in trust for the account of the Owners thereof, and the Trustee will not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than the Commission) for any interest earned on, moneys so held. Any interest earned thereon will belong to the Commission and will be deposited monthly by the Trustee into the Revenue Fund.

SUMMARY OF THE AMENDED AND RESTATED ISSUING AND PAYING AGENT AGREEMENT

The following is a summary of certain provisions of the Issuing and Paying Agent Agreement which are not described elsewhere in this Offering Memorandum. This summary does not purport to be a definitive or comprehensive summary of all the provisions of such document. This summary is qualified in its entirety by reference to the full text of the Issuing and Paying Agent Agreement.
Supply of Notes

The Commission agrees from time to time to furnish the Issuing and Paying Agent with an adequate supply of Notes of each Series, as further described in the Issuing and Paying Agent Agreement. Pending receipt of an Issuance Request, the Issuing and Paying Agent agrees to hold the Notes in safekeeping for the account of the Commission in accordance with the customary practice of the Issuing and Paying Agent.

The Commission may deliver Notes of any Series, including the Series B Notes, in the form of a Master Note, representing all Notes of such Series to be issued from time to time, each maturing no later than the date which is five days prior to the expiration date of the applicable Support Facility. Each Master Note may be replaced by a new Master Note having a later maturity date so long as the maturity date thereof does not extend beyond the fifth day prior to the expiration date of the applicable Support Facility, as the same may be extended from time to time. Each Master Note will evidence indebtedness of the Commission as set forth in the Advices. Each Advice will comply with the limitations on Notes set forth in the Issuing and Paying Agent Agreement.

Completion, Authentication and Delivery of Notes

An Issuance Request will be given by an Authorized Representative by telephone, promptly confirmed in writing (which writing may be transmitted by telecopier). Upon receipt of an Issuance Request as described in the Issuing and Paying Agent Agreement, the Issuing and Paying Agent agrees to withdraw the necessary Note(s) from safekeeping and, in accordance with such Issuance Request, agrees to:

(i) complete each Note as to principal amount (which principal amount will be $100,000 or an integral multiple of $1,000 in excess thereof), date of issue, maturity date (which will not exceed 270 days from the date of issuance), interest rate and amount of interest thereon and to register such Note directed by the applicable Dealer;

(ii) manually authenticate each Note by any officer or employee duly authorized and designated for such purpose;

(iii) deliver the Note(s) to the applicable Dealer or its agent, which delivery will be against receipt for payment as provided in the Issuing and Paying Agent Agreement or as otherwise provided in such Issuance Request (if such Issuance Request does not provide for such receipt, the applicable Dealer will nevertheless pay the purchase price for the Note(s)); and

(iv) retain one nonnegotiable copy of each Note for its records and promptly forward one nonnegotiable copy of each Note to the Commission, the Trustee and the applicable Administrative Agent.

An Issuance Request delivered by telephone must be received by the Issuing and Paying Agent by 12:00 Noon New York City time, if the Note(s) are to be delivered the same day. Telephone transmission of an Issuance Request will be confirmed in writing (which writing may be transmitted by telecopier) the same day.

The Commission understands that although the Issuing and Paying Agent has been instructed and has agreed to deliver the Notes against payment, delivery of the Notes will, in accordance with the custom prevailing in the commercial paper market, be made before receipt of payment in immediately available funds. Therefore, once the Issuing and Paying Agent has delivered a Note to the applicable Dealer, or its
agent, the Commission agrees to bear the risk that the applicable Dealer or its agent will fail to remit payment for the Note to the Issuing and Paying Agent. It is understood that each delivery of Notes under the Issuing and Paying Agent Agreement will be subject to the rules of the New York Clearing House in effect at the time of such delivery and, in accordance therewith, Notes are to be delivered by 2:00 p.m., New York City time.

Notwithstanding any other provision of the Issuing and Paying Agent Agreement or the Indenture to the contrary, no Notes of any Series will be authenticated or delivered if:

(i) such delivery would result in the aggregate principal amount of Notes of such Series Outstanding being in excess of the lesser of the principal amount of such Series authorized pursuant to the Indenture and the amount available to be drawn by the Issuing and Paying Agent under the applicable Support Facility for payment of principal of such Series of Notes; or

(ii) if the Support Facility relating to Notes of such Series provides interest coverage, such delivery would result in an aggregate amount of interest to accrue on the Outstanding Notes of such Series to maturity to be in excess of the amount available to be drawn by the Issuing and Paying Agent under the applicable Support Facility for the payment of interest on such Series of Notes; or

(iii) such delivery would result in the delivery of Notes of such Series bearing interest at a rate in excess of the maximum rate then permitted by Law, which as of November 1, 2005 is twelve percent (12%) per annum; or

(iv) the maturity date specified in the Issuance Request for Notes of such Series extends beyond 270 days from the respective dates of authentication and issuance of such Series of Notes or beyond the 5 days prior to the Support Facility Expiration Date or beyond 30 years from the date of initial issuance of such Series of Notes (as provided in the Tax Certificate delivered in connection with such Series of Notes) or beyond the Tax Expiration Date; or

(v) a Notice of No Issuance or a Notice of Termination, each in such form as is set forth in the applicable Support Agreement, will have been delivered to the Issuing and Paying Agent by the applicable Administrative Agent and such Notice will not have been withdrawn or revoked by such Administrative Agent; or

(vi) the Issuing and Paying Agent will have actual knowledge that an Event of Default under the Indenture will have occurred and is continuing; or

(viii) the Issuing and Paying Agent will have received notice that the Opinion of Bond Counsel delivered regarding the exclusion of interest on the Notes of such Series from the gross income of the Holders thereof for federal income tax purposes has been or is being withdrawn, which notice will be delivered by such Bond Counsel to the Commission and the Issuing and Paying Agent.

If the Issuing and Paying Agent is unable to comply with an Issuance Request because of any of the above conditions, the Issuing and Paying Agent will immediately notify the Commission and the applicable Dealer of the circumstances prohibiting the issuance of Notes of such Series.

In the event an Advance or a Bank Loan relating to any Series of Notes is outstanding, the Issuing and Paying Agent may authenticate and deliver a principal amount of Notes of such Series exceeding the
applicable Available Amount if: upon receipt of the proceeds of such Notes, the Issuing and Paying Agent will have sufficient funds immediately available to reimburse the applicable Administrative Agent for an Advance or a Bank Loan equal to such principal amount; provided, if such reimbursement is with respect to a Bank Loan, such Notes will be issued only with the prior written consent of each applicable Bank. Upon receipt of the proceeds of such Notes, the Issuing and Paying Agent will immediately notify the applicable Administrative Agent that the Issuing and Paying Agent is holding such proceeds in trust for, and will be immediately wiring the same to, such Administrative Agent.

Notwithstanding any other provision in the Indenture or the Issuing and Paying Agent Agreement to the contrary, so long as a Series of Notes will have been delivered through a book-entry only system pursuant to the Indenture, the Issuing and Paying Agent will deliver such Series of Notes in accordance with the terms of the applicable Letter of Representations delivered in connection with such Series of Notes.

Establishment and Application of Note Funds and Accounts; Demand for Payment Under Support Facilities

Concurrently with the execution and delivery of the Issuing and Paying Agent Agreement and for the purposes of the Issuing and Paying Agent Agreement, the Indenture and the applicable Support Agreement providing liquidity for a Series of Notes, the Issuing and Paying Agent will establish and maintain a separate fund, which will be designated the “_________ Note Fund” (inserting therein the Series designation of such Note Fund), including the “_________ Note Principal Account” (inserting therein the Series designation of such Note Principal Account) and the “_________ Note Interest Account” (inserting therein the Series designation of such Note Interest Account) therein, each in accordance with the provisions set forth in the Indenture and in accordance with the provisions set forth in the Issuing and Paying Agent Agreement.

(a) On each day on which the Issuing and Paying Agent receives a transfer of funds from the Trustee with respect to interest due or to become due on a Series of Notes, the Issuing and Paying Agent will deposit all such amounts in the Note Interest Account for the applicable Series.

(b) On each day on which the Issuing and Paying Agent receives a transfer of funds from the Trustee with respect to principal due or to become due on a Series of Notes, the Issuing and Paying Agent will deposit all such amounts in the Note Principal Account for the applicable Series.

(c) On each day on which a Dealer or its agent takes delivery of Notes, the Dealer or its agent will pay the purchase price for such Notes in immediately available funds to the Issuing and Paying Agent who will deposit all amounts received from the Dealer with respect to the principal of such Notes in the Note Principal Account for the applicable Series or, if such Notes are being issued pursuant to the provision of the Issuing and Paying Agent Agreement allowing Notes to be issued in excess of the applicable Available Amount if the proceeds of such Notes will be sufficient to reimburse all applicable Advances and Bank Loans, in the Support Facility Fund for the applicable Series.

(d) On any date on which Notes of a Series are maturing, the Issuing and Paying Agent will determine the amount available to pay such Notes by receiving proceeds from the applicable Dealer by 12:00 Noon, New York City time, with respect to all Notes of such Series to be authenticated and delivered on such date pursuant to an Issuance Request. If no Issuance Request is received by 12:00 Noon, New York City time, the Issuing and Paying Agent will assume no such proceeds will be delivered. In the event that the aggregate amount of such proceeds and the amounts on deposit in the Note Principal Account for the applicable Series and the Note Interest Account for the applicable Series on the date of maturity of any Note of such Series will be insufficient to pay the principal of or interest
due on such Note, the Issuing and Paying Agent will submit a Notice of Borrowing, in such form as is set forth as an exhibit to the Support Agreement for the applicable Series, to the Administrative Agent by 12:30 p.m., New York City time, in order to draw on the Support Facility for the applicable Series in such amount as is necessary to pay the principal of and, if the applicable Support Facility provides interest coverage, interest due on such maturing Note of such Series, and will deposit the amount of such draw corresponding to principal in the Note Principal Account for the applicable Series and will deposit the amount, if any, of such draw corresponding to interest in the Note Interest Account for the applicable Series. If the applicable Support Facility does not provide interest coverage, the Issuing and Paying Agent will notify the Commission, either in writing or by telephone and promptly confirmed in writing, by 12:30 p.m., New York City time, of the amount of any deficiency in the Note Interest Account for the applicable Series, and the Commission will provide to the Issuing and Paying Agent, but only from Sales Tax Revenues, funds in the amount of such deficiency by 2:30 p.m., New York City time. The Issuing and Paying Agent will deposit such funds in the Note Interest Account for the applicable Series.

The Issuing and Paying Agent: (i) will hold the funds in each Note Fund, for the benefit of the Holders of the applicable Series of Notes and the applicable Bank for such Series; (ii) will set such funds aside exclusively for the payment of the principal of and interest on the Series of Notes for which the draw on the Support Facility for such Series was made; and (iii) will apply such amounts to the payment of such principal of and interest on such Series of Notes, upon presentation thereof for payment, in accordance with the terms of the Indenture and the Issuing and Paying Agent Agreement. The Issuing and Paying Agent will not have a lien on any Note Fund for the payment of any fees or expenses or other obligations owing to the Issuing and Paying Agent under the Issuing and Paying Agent Agreement.

Establishment of Support Facility Funds

Concurrently with the execution and delivery of the Issuing and Paying Agent Agreement and for the purposes of the Issuing and Paying Agent Agreement, the Indenture and each Support Agreement providing liquidity for each Series of Notes, the Issuing and Paying Agent will establish a “____________ Support Facility Fund” (inserting therein the Series designation of such Support Facility Fund), in accordance with the provisions set forth in the Issuing and Paying Agent Agreement. The Issuing and Paying Agent will have exclusive control and sole right of withdrawal with respect to the Support Facility Funds.

On each date on which Notes of a Series are to be authenticated and delivered to the applicable Dealer pursuant to the provision of the Issuing and Paying Agent Agreement allowing Notes to be issued in excess of the applicable Available Amount if the proceeds of such Notes will be sufficient to reimburse all applicable Advances and Bank Loans, such Dealer or its agent will pay the purchase price for such Notes in immediately available funds to the Issuing and Paying Agent who will deposit all amounts received from such Dealer with respect to such Series of Notes in the Support Facility Fund for the applicable Series.

The Issuing and Paying Agent will hold the funds in each Support Facility Fund uninvested, for the benefit of the applicable Bank, will set such funds aside exclusively to reimburse the applicable Bank for an Advance or a Bank Loan, and will upon receipt immediately apply such funds to reimburse such Bank for an Advance or a Bank Loan, in accordance with the terms of the Issuing and Paying Agent Agreement and the applicable Support Agreement. The Issuing and Paying Agent will promptly notify the Commission and the Trustee of such reimbursement made to such Bank.
Payment of Matured Notes

By 2:30 p.m., New York City time, on the date that any Notes are scheduled to mature, the Commission agrees that the Commission will have provided, or caused to be provided, to the Issuing and Paying Agent, sufficient funds from which to pay the maturing Notes and the interest thereon which will be paid from the funds provided pursuant to the Issuing and Paying Agent Agreement and as set forth in the Indenture. When any matured Note is presented to the Issuing and Paying Agent for payment by the holder thereof, payment will be made from funds held pursuant to the provisions set forth in the Indenture and in accordance with the terms thereof and of the Issuing and Paying Agent Agreement.

Cancellation of Notes

The Issuing and Paying Agent agrees promptly to cancel the Note(s) presented for payment and return such Notes to the Commission, or the Issuing and Paying Agent may, in its sole discretion, in lieu of such cancellation and delivery, destroy such Notes and deliver a certificate evidencing such destruction to the Commission. Promptly upon the written request of the Commission, the Issuing and Paying Agent agrees to cancel and return to the Commission all unissued Notes in the possession of the Issuing and Paying Agent at the time of such request.

Compliance with Indenture

The Issuing and Paying Agent agrees to accept, undertake and perform all of the duties and obligations set forth and imposed upon the Issuing and Paying Agent under the Issuing and Paying Agent Agreement and under the Indenture and, in addition, the Issuing and Paying Agent agrees:

(a) to hold all sums held by the Issuing and Paying Agent for the payment of the principal of or interest on the Notes in trust for the benefit of the Holders of the Notes until such sums will be paid to such Holders or otherwise disposed of as provided in the Indenture;

(b) to invest all sums, if any, held by the Issuing and Paying Agent for the payment of the principal of or interest on the Notes in Investment Securities (as such term is defined in the Indenture) in accordance with the instructions of the Commission and the provisions set forth in the Indenture;

(c) to transmit to the Trustee, by telex, teletypewriter or other electronic means of communication by 5:00 p.m., New York City time, on the day received, the contents of an Issuance Request, and to transmit to the Trustee, by telex, teletypewriter or other electronic means of communication by 5:00 p.m., New York City time, on the date delivered, a copy of any Notice of Borrowing delivered to any Administrative Agent;

(d) to provide to each Administrative Agent a monthly report, due on the fifth Business Day of each month, which report will set forth such information regarding the authentication and delivery of Notes of the applicable Series during the prior month, as each Administrative Agent and Issuing and Paying Agent will have agreed upon; and

(e) to keep such books and records, including, without limitation a complete record of all Issuance Requests, as will be consistent with prudent industry practice and to make such books and records available for inspection by the Commission, the Trustee and each Administrative Agent, such books and records to be available on each Business Day during reasonable business hours and, if so requested, to send copies of such books and records to the Commission, the Trustee or Administrative Agent, as applicable.
Amendments

The Issuing and Paying Agent Agreement may be modified or amended from time to time and at any time, provided that such modification or amendment is in writing, is executed by the Commission and the Issuing and Paying Agent, and is approved in writing by each Administrative Agent, and provided further that no modification or amendment will materially and adversely affect the rights of the Noteholders of Notes Outstanding on the effective date of such amendment.

Termination

The Issuing and Paying Agent Agreement may be terminated at any time by either the Commission or the Issuing and Paying Agent on the same terms and conditions as are provided for removal or resignation of the Trustee under the Indenture, which terms and conditions are set forth in the Indenture. No termination of the Issuing and Paying Agent Agreement may take effect prior to: (i) the appointment by the Commission of a successor issuing and paying agent; and (ii) the assumption by such successor of the duties of the Issuing and Paying Agent under the Issuing and Paying Agent Agreement and the Indenture; and (iii) the transfer of each Support Facility then in effect to such successor.

Successor in Interest to Issuing and Paying Agent

Any company into which the Issuing and Paying Agent 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 will be a party or any company to which the Issuing and Paying Agent may sell or transfer all or substantially all of its issuing and paying agent business, provided such company will meet the requirements set forth in the Indenture, will be the successor to such Issuing and Paying Agent without the execution or filing of any paper or any further act, anything in the Issuing and Paying Agent Agreement to the contrary notwithstanding.
Ladies and Gentlemen:

We have acted as bond counsel to the San Diego County Regional Transportation Commission (the “Issuer”) in connection with authorization of issuances of up to $100,000,000 aggregate principal amount of commercial paper notes designated the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series B (the “Notes”). The Notes are authorized to be issued pursuant to an Amended and Restated Subordinate Indenture, dated as of November 1, 2005, as amended and supplemented by the First Supplement to the Amended and Restated Subordinate Indenture, dated as of March 27, 2008, and the Second Supplement to the Amended and Restated Subordinate Indenture, dated as of October 1, 2010 (together, the “Indenture”), each between the Commission and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, an Amended and Restated Issuing and Paying Agent Agreement, dated as of November 1, 2005, and the First Supplement to the Amended and Restated Issuing and Paying Agent Agreement, dated as of March 27, 2008 (together, the “Issuing and Paying Agent Agreement”), between the Issuer and U.S. Bank Trust National Association, as issuing and paying agent (the “Issuing and Paying Agent”), the Master Tax Certificate of the Issuer, dated the date hereof (the “Tax Certificate”), an opinion of counsel to the Issuer, certificates of the Issuer, the Trustee, the Issuing and Paying Agent and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof and before or after the Notes are issued. We have not undertaken to determine, or to inform any
person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy (as of the date hereof and as of the date of issuance from time to time of the Notes) of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Issuing and Paying Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes, possibly retroactive to the date on which the first Notes were issued. We call attention to the fact that the rights and obligations under the Notes, the Indenture, the Issuing and Paying Agent Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against county transportation commissions in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Offering Memorandum or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Indenture and the Issuing and Paying Agent Agreement have each been duly executed and delivered by the Issuer and constitute valid and binding obligations of the Issuer.
2. The Notes, when duly issued in the form authorized by and otherwise in compliance with the Indenture and the Issuing and Paying Agent Agreement, executed by a duly authorized official of the Issuer and authenticated by the Issuing and Paying Agent against payment therefor, will constitute the valid and binding obligations of the Issuer.

3. Interest on the Notes, when issued in accordance with the Indenture, the Issuing and Paying Agent Agreement and the Tax Certificate, will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per [Signature]

OHS WEST:2613423093
From: Dustin Harger [mailto:drmharger@yahoo.com]
Sent: Tuesday, August 14, 2012 5:14 PM
To: Lero, Tessa
Cc: Lero, Tessa
Subject: Please give a copy to all board members of Sandag thank you

This is concerning the corridor 805 North and South bound express lanes project. Cal-Trans did a sound analysis on our property before the building of all the homes in Chula Vista and the around the time NAFTA was started. The result was decibel level above 71. At that time Cal-Trans stated to me that they have put us on the list of number five of getting a sound reduction system installed for my property. At this time i believe the noise level is greatly higher then 71db. Then Cal-Trans invited us to a meeting for the project of widening the 805 between highway 54 and Bonita road, which really didn't even affect our property, offering us an ineffective sound wall. The wall was only 10 feet high only helping sound reduction in a little area of our back yard and only the lower level of our home. 4 of 5 family members sleep and use mostly the upper level. This wall also impacted the free accessibility of my complete yard then Cal-Trans demanded complete accessibility to our complete property the duration of the wall existence. Then Cal-Trans representatives stated they could not put a sound wall on our balcony with the sound wall that our only option was to wait and they would install a sound wall on top of the retaining wall on Cal-Trans property with this current project. Now Cal-Trans is say it is not going the happen but my neighbors are getting sound walls installed, which are not greatly impacted as we are. As per a conversation with Jerome Stocks on August 3rd, 2012, I was informed the widening of the outer two lanes on 805 is not going to happen at any time. Whereas Cal Trans told me they were going to build a retaining wall with a sound barrier on top behind me with this current project. We believe your failure to create a sound barrier has diminished our quality of life opposite of your statement describing this project as "Sound walls and retaining walls, bridges will be constructed at various locations long the freeway to maintain the quality of life in neighboring communities" The decision to purchase the 125 diverting the responsibility from us in the South Bay to reduce the noise on the 805. In addition the 905 is being expanded to allow more vehicles access to the 805 which is increasing the problem and noise level. If Cal-Trans would update the tests on my property to prove the severity of the noise on the 805 here, the increase of vehicles especially semis, I will give them total access. We believe Cal-Trans and SAN Dag are aware of how the noise impacts us.

1. Thirteen years ago when a sound analysis was done we were rated at #5 to get a sound wall.
2. We were offered a wall that was sub-standard with a project that had nothing to do with our property.
3. Cal-Trans stated 2 years ago they would put a retaining wall with a sound barrier on their property.
   A. We believe we should of had a noise reduction system already installed. I've waited on this to be done for thirteen years and I feel I've waited long enough.
   B. This is what we're afraid of. Cal-Trans is going to use the excuse that they offered us an unsatisfactory noise barrier to not build a satisfactory one.
   C. We believe Cal-Trans is putting up sound barriers on our neighbors property so they could justify not putting one along the 805 in back of our property because of the $55,000 per property rule. They may also justify not putting a sound barrier up because of not widening the freeway on the future, taking away funds away from the priority putting in sound barriers on 805 and diverting monies to so called Cal-Trans and San Dag priorities. We are also afraid there will just be no funding in the future.

Please take care of not just your legal obligations but your moral obligations in the South Bay area as well.
You are all invited to spend the night at my house to experience what we do first hand.

Jame Harger
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Chula Vista, CA
91910
(619) 410-7040