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- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies
-

ADDITIONAL MATERIALS

AGENDA ITEM NO. 40

SANBAG Board of Directors Meeting

Wednesday, March 7, 2012

Location:

**Santa Fe Depot
SANBAG Lobby, First Floor
1170 W. Third Street
San Bernardino, CA**

40. Resolution No. 12-008, Issuance of the 2012 Sales Tax Revenue Bond and Designating the Underwriter and Printer

1. Approve Resolution authorizing the issuance and sale of not to exceed \$125,000,000 aggregate principal amount of San Bernardino County Transportation Authority sales tax revenue bonds (limited tax bonds), the execution and delivery of an indenture, supplemental indenture, escrow agreement, amendment to state transactions and use tax agreement, purchase contract, official statement and continuing disclosure agreement and the taking of all other actions necessary in connection therewith;
2. Designate Barclays Capital, as Senior Manager, and Bank of America, Goldman Sachs, Citi and De La Rosa & Co. as Co-Managers for bond underwriting services; and
3. Designate Financial Printer Resource, Inc. for printing services.

Additional materials include:

- ***Preliminary Official Statement for the Sales Tax Revenue Bond 2012 Series A***
- ***Proposed form of Continuing Disclosure Certificate***
- ***Indenture Relating to Sales Tax Revenue Bond 2012 Series A***
- ***Bond Purchase Contract***

**Preliminary Official
Statement
for the
Sales Tax Revenue
Bond 2012 Series A**

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2012

NEW ISSUE—BOOK-ENTRY ONLY

**Ratings:
See “RATINGS” herein**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on the Series 2012 Bonds. See “Tax Matters” herein.

[\$[000,000,000]
SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
Sales Tax Revenue Bonds
(Limited Tax Bonds)
2012 Series A

Dated: Date of Delivery

Due: March 1 as shown on the inside cover

The San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A in the aggregate principal amount of \$[000,000,000] (the “Series 2012 Bonds”) are being issued by the San Bernardino County Transportation Authority (the “Authority”) pursuant to an Indenture dated as of March 1, 2012 (the “2012 Indenture”), as supplemented by a First Supplemental Indenture, dated as of March 1, 2012 (the “First Supplemental Indenture”) (the 2012 Indenture and the First Supplemental Indenture are referred to as the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Proceeds of the Series 2012 Bonds will be applied: (i) to provide a portion of the funds needed to defease all of the outstanding principal amount of the Authority’s Sales Tax Revenue Notes (Limited Tax Bonds), 2009 Series A (the “2009 Notes”), (ii) to finance a portion of the costs associated with certain transportation projects authorized in the Expenditure Plan (as defined herein), and (iii) to pay costs of issuance of the Series 2012 Bonds, all as more particularly described herein. See “PLAN OF FINANCE.”

The Series 2012 Bonds will be registered in the name of Cede & Co, as holder of the Series 2012 Bonds and nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers will not receive certificates representing their interest in the Series 2012 Bonds purchased. The principal and interest on the Series 2012 Bonds are payable by wire transfer to DTC which, in turn, will remit such principal or interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Series 2012 Bonds, as more fully discussed herein.

The Series 2012 Bonds will bear interest at the rates set forth in the inside cover page. Interest is payable on March 1 and September 1 of each year, commencing September 1, 2012. The Series 2012 Bonds are being issued as fully registered bonds without coupons in the denominations of \$5,000 and any integral multiple thereof.

The Series 2012 Bonds are subject to mandatory sinking fund redemption by the Authority prior to maturity as described in this Official Statement. The Series 2012 Bonds also are subject to optional redemption or purchase by the Authority prior to maturity as described in this Official Statement.

The Series 2012 Bonds are limited obligations of the Authority secured in part by a pledge of the Sales Tax Revenues received from the extension of the Sales Tax, collection of which commenced April 1, 2010, and certain funds held by the Trustee. Sales Tax Revenues consist of sales tax revenues derived from a one-half of one percent (0.5%) retail transactions and use tax originally authorized by a majority of the electorate of the County of San Bernardino (the “County”) voting on the Measure I ballot measure in November 1989 which took effect on April 1, 1990 (the “Sales Tax”), less certain administrative fees paid to the California State Board of Equalization in connection with the collection and disbursement of the Sales Tax (the “Sales Tax Revenues”). On November 2, 2004 more than 2/3rds of the electorate of the County approved a continuation of the Sales Tax that was set to expire on March 31, 2010, until March 31, 2040. The Series 2012 Bonds are only secured by a pledge of Sales Tax Revenues collected on and after April 1, 2010. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS” herein.

THE SERIES 2012 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY, BOTH AS TO PRINCIPAL AND INTEREST, FROM REVENUES, PRIMARILY CONSISTING OF SALES TAX REVENUES COLLECTED ON AND AFTER APRIL 1, 2010 AND CERTAIN FUNDS HELD BY THE TRUSTEE UNDER THE INDENTURE AND THE AUTHORITY IS NOT OBLIGATED TO PAY THE SERIES 2012 BONDS EXCEPT FROM SUCH REVENUES AND SUCH FUNDS AND PROCEEDS. THE SERIES 2012 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE. THE GENERAL FUND OF THE AUTHORITY IS NOT LIABLE, AND THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED IN THE INDENTURE) OF THE AUTHORITY IS NOT PLEDGED, FOR THE PAYMENT OF THE SERIES 2012 BONDS OR THEIR INTEREST OR ANY PREMIUM DUE THEREON. THE SERIES 2012 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE

PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE SALES TAX REVENUES AND FUNDS HELD UNDER THE INDENTURE.

This cover page contains certain information for general reference only. It is not a summary of the security or terms of this issue. Potential investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Series 2012 Bonds.

The Series 2012 Bonds will be offered when, as and if received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by its Disclosure Counsel, Nossaman LLP, and by San Bernardino County Counsel, Counsel for the Authority, and for the Underwriters by their counsel, Sidley Austin LLP, San Francisco, California. . It is anticipated that the Series 2012 Bonds in definitive form will be available for delivery through the facilities of DTC on or about March __, 2012.

BARCLAYS CAPITAL

Bank of America

Citi

De La Rosa & Co.

Goldman Sachs

Dated: March __, 2012

[\$[000,000,000]
SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
Sales Tax Revenue Bonds
(Limited Tax Bonds)
2012 Series A

Maturity Schedule

Maturity Date <u>(March 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP No.†</u>
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†CUSIP numbers are provided for convenience and reference only. Neither the Authority nor the Underwriters take any responsibility for the accuracy of such numbers.

No broker, dealer, salesman or any other person has been authorized by the San Bernardino County Transportation Authority (the "Authority") or the Underwriters to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. The information set forth herein has been obtained from the Authority and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation by the Underwriters. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2012 Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2012 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do 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 Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the Authority since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. No assurance is given that actual results will meet the forecasts of the Authority in any way, regardless of the level of optimism communicated in the information.

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. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCURS, OTHER THAN AS DESCRIBED UNDER THE CAPTION “CONTINUING DISCLOSURE” HEREIN.

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

Board of Directors

Larry McCallon, <i>President</i> Mayor City of Highland	Janice Rutherford, <i>Vice President</i> Supervisor County of San Bernardino	
Carl Thomas Mayor City of Adelanto	Rhodes "Dusty" Rigsby Mayor City of Loma Linda	Ray Musser Mayor City of Upland
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Mike Leonard Council Member City of Hesperia		

Administrative Staff

Executive Director
[_____]

Chief Financial Officer
William Stawarski

Director of Freeway Construction
Garry Cohoe

Legal Counsel
Penny Alexander-Kelley, Assistant County Counsel

SPECIAL SERVICES

Financial Advisor

Montague DeRose and Associates, LLC
Westlake Village, California

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Disclosure Counsel

Nossaman LLP
Los Angeles, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

[\$[000,000,000]

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY Sales Tax Revenue Bonds (Limited Tax Bonds) 2012 Series A

INTRODUCTION

General

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering by the San Bernardino County Transportation Authority (the “Authority”) of \$[000,000,000] aggregate principal amount of San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A (the “Series 2012 Bonds”). The Series 2012 Bonds are being issued pursuant to the Indenture dated as of March 1, 2012 (the “2012 Indenture”), as supplemented by a First Supplemental Indenture dated as of March 1, 2012 (the “First Supplemental Indenture”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The 2012 Indenture, as so supplemented and as further supplemented and amended is hereinafter referred to as the “Indenture.” All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX C - “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,” or, if not defined therein, in the Indenture.

Authority for Issuance

The Series 2012 Bonds are being issued by the Authority under and pursuant to the authority granted under Division 19 of the Public Utilities Code of the State of California (the “Act”).

Purpose and Application of Proceeds

The Series 2012 Bonds are being issued in order to (i) provide a portion of the funds needed to defease all of the outstanding principal amount of the Authority’s Sales Tax Revenue Notes (Limited Tax Bonds), 2009 Series A (the “2009 Notes”), (ii) finance a portion of the costs associated with certain transportation projects as described in and authorized under the Authority’s Expenditure Plan (as defined herein), and (iii) pay the costs of issuance of the Series 2012 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Security

Sales Tax Revenues. The Series 2012 Bonds are limited obligations of the Authority secured in part by a pledge of the Sales Tax Revenues collected on or after April 1, 2010. Sales Tax Revenues consist of sales tax revenues derived from a one-half of one percent (0.5%) retail transactions and use tax (the “Sales Tax”), imposed in accordance with the Act and the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251 *et seq.*), less certain administrative fees paid to the California State Board of Equalization (the “Board of

Equalization”) in connection with the collection and disbursement of the Sales Tax on and after April 1, 2010 (the “Sales Tax Revenues”).

The Sales Tax was approved by the majority of the electorate of the incorporated and unincorporated portions of the County of San Bernardino (the “County”) voting on the original Measure I ballot measure on November 7, 1989 (“Ordinance No. 89-1”) which imposed the Sales Tax in the County for a twenty-year period. On January 3, 1990, the Authority adopted an ordinance that amended certain provisions of the 1989 Ordinance. The Sales Tax was scheduled to expire on March 31, 2010. On November 2, 2004, more than two-thirds of the electorate of the County approved a continuation of the Sales Tax (the “Ordinance”) which provided for an extension of the Sales Tax through March 31, 2040 and appended a new capital expenditure plan (the “Expenditure Plan”) for the revenue to be derived from the extension. The Series 2012 Bonds are secured in part by Sales Tax Revenues collected pursuant to the Ordinance commencing April 1, 2010.

Pursuant to the Indenture, the Authority may issue additional limited tax bonds secured by a lien and charge upon the Sales Tax Revenues on a parity with the Series 2012 Bonds, such bonds, together with the Series 2012 Bonds, are hereinafter referred to as the “Bonds.” See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS — Additional Bonds and Other Obligations” below. Upon the delivery of the Series 2012 Bonds and the defeasance of the 2009 Notes there will be no existing obligations secured by a lien and charge upon the Sales Tax Revenues on a parity with the Series 2012 Bonds.

No Bond Reserve Fund For Series 2012 Bonds. No Bond Reserve Fund for the Series 2012 Bonds will be established.

No Acceleration Provision or Increase in Interest Rate Upon Default

The Indenture does not contain a provision allowing for the acceleration of the Series 2012 Bonds or an increase in the interest rate on the Series 2012 Bonds, in the event of a default in the payment of principal and interest on the Series 2012 Bonds when due. In the event of a default by the Authority, the Holders of at least a majority of the aggregate amount of the Series 2012 Bonds will have the right to request the Trustee to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Limited Obligations

THE SERIES 2012 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY, BOTH AS TO PRINCIPAL AND INTEREST, FROM REVENUES, PRIMARILY CONSISTING OF SALES TAX REVENUES COLLECTED ON OR AFTER APRIL 1, 2010 AND CERTAIN FUNDS HELD BY THE TRUSTEE UNDER THE INDENTURE AND THE AUTHORITY IS NOT OBLIGATED TO PAY THE SERIES 2012 BONDS EXCEPT FROM SUCH REVENUES AND SUCH FUNDS AND PROCEEDS. THE SERIES 2012 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF ANY

POLITICAL SUBDIVISION OF THE STATE. THE GENERAL FUND OF THE AUTHORITY IS NOT LIABLE, AND THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED IN THE INDENTURE) OF THE AUTHORITY IS NOT PLEDGED, FOR THE PAYMENT OF THE SERIES 2012 BONDS OR THEIR INTEREST OR ANY PREMIUM DUE THEREON. THE SERIES 2012 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE SALES TAX REVENUES AND FUNDS HELD UNDER THE INDENTURE.

References

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document, copies of which are available for inspection at the offices of the Authority and the Trustee.

THE AUTHORITY

The Act creating the Authority also authorized the San Bernardino County Board of Supervisors to designate the San Bernardino Associated Governments (“SANBAG”), in its capacity as the San Bernardino County Transportation Commission, to serve as the Authority. SANBAG is an agency created by the County and the twenty-four cities located within the County pursuant to the terms of a joint powers agreement. SANBAG’s functions include serving as the forum for consideration, study and recommendation on countywide, sub-regional and regional problems, providing an institutional vehicle for regional comprehensive planning and serving as the reviewing agency for certain federal and state grant programs.

Since SANBAG was first established in 1973, its duties have expanded considerably. With passage of Assembly Bill 1246 in 1976 (California Public Utilities Code Section 130054), SANBAG was designated as the San Bernardino County Transportation Commission, with primary responsibility for the preparation of the State Transportation Improvement Plan for State highways, coordination of transit service and highway planning and allocation of transportation grant funds. In 1986, SANBAG assumed the duties of the Service Authority for Freeway Emergencies, which is responsible for the implementation and operation of a motorist aid call-box system on State freeways and highways in the County. In 1987, SANBAG was designated to serve as the Authority pursuant to California Public Utilities Code Section 180050.

In its capacity as the Authority, SANBAG is responsible for carrying out the provisions of the Ordinance, including contracting with the California State Board of Equalization to administer the collection and allocation of Sales Tax Revenues. The Authority must also develop and approve the program of projects in the Expenditure Plan. The Authority oversees the construction, maintenance, improvement and operation of local streets, roads and highways, as well as State highways and freeways. The Authority also provides funding for the operation of public transit systems within the County.

The SANBAG staff serves as the staff to the Authority. Key staff members are identified below.

[_____], *Executive Director*. _____ was named Executive Director of SANBAG on February 1, 2012 and is responsible for its daily operations. Prior to being named Executive Director, [insert bio].

WILLIAM STAWARSKI, *Chief Financial Officer*. William Stawarski was appointed in April 2008 as the Chief Financial Officer of SANBAG. Mr. Stawarski is responsible for the overall financial activity of the agency including financial reporting, project and grant accounting, budgeting, financial systems, and cash and debt management. Mr. Stawarski previously worked as the Director of Finance for the City of Covina and the Covina Redevelopment Agency. Prior to the City of Covina, he worked for several other cities and agencies and has been involved in a number of different types of financing structures for infrastructure improvements, parking facilities and community centers. Mr. Stawarski received a bachelor of science in business degree with a major in accounting from the University of Minnesota.

GARRY COHOE, *Director of Freeway Construction*. Garry Cohoe was appointed in February 2008, as the Director of Freeway Construction of SANBAG. Mr. Cohoe is responsible for the project development and construction of freeway, interchange and railroad grade separation projects within the San Bernardino Valley. Mr. Cohoe previously served as the City Engineer of Chino Hills for four years. Prior to the City of Chino Hills, he worked for Caltrans' Riverside/San Bernardino County office. During his career at Caltrans he was the Deputy District Director of Program/Project Management, and Deputy District Director of Design. In these positions he was responsible for a multi-million dollar highway capital improvement program.

THE SERIES 2012 BONDS

General

The Series 2012 Bonds will mature on the dates set forth in the inside cover page (the "Maturity Dates"). The Series 2012 Bonds will bear interest at the rates set forth in the inside cover page. Interest with respect to the Series 2012 Bonds accrues from the date of delivery. Interest will be paid on March 1 and September 1 of each year, commencing [September 1, 2012]. Interest will be computed on the basis of a 360-day year comprised of twelve 30 day months. The Series 2012 Bonds will be issued in fully registered form without coupons in authorized denominations of \$5,000 or integral multiples thereof and will initially be registered in the name of Cede & Co, as nominee of The Depository Trust Company ("DTC"), the initial Securities Depository for the Series 2012 Bonds. Under the Indenture, the Authority may appoint a successor Securities Depository.

The Series 2012 Bonds will be issued initially pursuant to a book-entry only system (the "Book-Entry System"). While the Series 2012 Bonds are in the Book-Entry System, the information under this caption, "THE SERIES 2012 BONDS" is subject in its entirety to the provisions described in APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

The term “Owner” as used herein shall refer to DTC as the registered owner of the Series 2012 Bonds. Payments to the beneficial owners of the Series 2012 Bonds are to be made as described in APPENDIX D - “BOOK-ENTRY ONLY SYSTEM.”

Redemption of the Series 2012 Bonds

Optional Redemption of the Series 2012 Bonds. The Series 2012 Bonds maturing on or after March 1, 20__ are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available funds, as a whole or in part, on any date on or after March 1, 20__, at a Redemption Price equal to 100% of the principal amount of 2012 Bonds called for redemption, plus accrued-but unpaid interest to the date fixed for redemption.

Mandatory Redemption of Series 2012 Bonds. The Series 2012 Bonds maturing on March 1, 20__ and March 1, 20__ are Term Bonds and are subject to mandatory redemption prior to maturity, in part, by lot, from Mandatory Sinking Account Payments for such Series 2012 Bonds, on each date a Mandatory Sinking Account Payment for such Series 2012 Bonds is due, in the principal amount equal to the Mandatory Sinking Account Payment due on such date and at a Redemption Price equal to 100% the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Account Payments for Series 2012 Bonds that are Term Bonds maturing on March 1, 20__ shall be due in such amounts and on such dates as follows:

Series 2012 Bonds			
<i>Redemption Date (March 1)</i>	<i>Mandatory Sinking Account Payment</i>	<i>Redemption Date (March 1)</i>	<i>Mandatory Sinking Account Payment</i>

† Final Maturity

Mandatory Sinking Account Payments for Series 2012 Bonds that are Term Bonds maturing on March 1, 20__ shall be due in such amounts and on such dates as follows:

Series 2012 Bonds			
<i>Redemption Date (March 1)</i>	<i>Mandatory Sinking Account Payment</i>	<i>Redemption Date (March 1)</i>	<i>Mandatory Sinking Account Payment</i>

† Final Maturity

General Redemption Provisions

Selection of Bonds for Redemption.

The Authority will designate which maturities of any Series 2012 Bonds are to be called for optional redemption pursuant to the Indenture. If less than all Series 2012 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee will select the Series 2012 Bonds of such maturity date to be redeemed by lot and shall promptly notify the Authority in writing of the numbers of the Series 2012 Bonds so selected for redemption. For purposes of such selection, Series 2012 Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event Series 2012 Bonds that are Term Bonds are designated for redemption, the Authority will designate the Mandatory Sinking Account Payments under the Indenture, or portions thereof, that are to be reduced as allocated to such redemption.

Notice of Redemption. The Trustee will send each notice of redemption by first class mail not less than 20 nor more than 90 days prior to the redemption date to DTC; provided, however, that such notice may be mailed not less than 10 days prior to the redemption date if such shorter notice period is permitted under the then-current guidelines of DTC or if the Series 2012 Bonds are no longer held pursuant to a book-entry registration system. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Series 2012 Bonds will be governed by arrangements among them, and the Authority and the Trustee will not have any responsibility or obligation to send a notice of redemption except to DTC. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto.

Failure of DTC to receive any notice of redemption or any defect therein will not affect the sufficiency of any proceedings for redemption.

Conditional Notice of Redemption; Rescission. With respect to any notice of optional redemption of Bonds, unless, upon the giving of such notice, such Bonds shall be deemed to have been paid pursuant to the terms of the Indenture, such notice is to state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts shall not have been so received said notice will be of no force and effect and the Authority will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

In addition, the Authority may, at its option, on or prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption by Written Request of the Authority to the Trustee, and the Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given pursuant to the Indenture.

Any optional redemption of the Series 2012 Bonds and notice thereof will be rescinded and cancelled pursuant to the provisions of the Indenture if for any reason on the date fixed for

redemption moneys are not available in the Redemption Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal, interest and premium due on the Series 2012 Bonds called for redemption.

Section 12.01. Purchase in Lieu of Redemption. The Authority reserves the right at all times to purchase any of the Series 2012 Bonds on the open market. In lieu of mandatory redemption, the Authority may surrender to the Trustee for cancellation Series 2012 Bonds purchased on the open market, and such Series 2012 Bonds shall be cancelled by the Trustee. If any Series 2012 Bonds are so cancelled, the Authority may designate the Mandatory Sinking Account Payments or portions thereof so purchased that are to be reduced as a result of such cancellation.

Effect of Redemption. Notice of redemption having been duly given pursuant to the Indenture and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Series 2012 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice the Series 2012 Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice, together with interest accrued thereon to the date fixed for redemption. Interest on such Series 2012 Bonds so called for redemption shall cease to accrue, and said Series 2012 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of such Series 2012 Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and interest accrued to the date fixed for redemption from funds held by the Trustee for such payment.

All Series 2012 Bonds redeemed pursuant to the provisions described herein shall be cancelled upon surrender.

DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements on the Series 2012 Bonds.

Fiscal Year Ending June 30	Principal Amount ⁽¹⁾	Interest Amount	Annual Debt Service
Total			

⁽¹⁾ Includes Mandatory Sinking Account Payments.

PLAN OF FINANCE

General

Proceeds of the Series 2012 Bonds will be applied to (i) provide a portion of the funds needed to defease all of the outstanding principal amount of the 2009 Notes, (ii) finance a portion of the costs associated with certain transportation projects authorized in the Expenditure Plan, and (iii) pay the costs of issuance of the Series 2012 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. The transportation projects referred to above are referred to as the “Project” in the Indenture and consist of capital outlay expenditures for transportation purposes, including, without limitation, the carrying out of transportation projects described in the Expenditure Plan, the construction, maintenance, improvement and operation of local streets, roads, and highways, state highways and freeways, and public transit systems including rail, and related purposes permitted by the Ordinance, including planning, environmental reviews, engineering and design costs and related right-of-way acquisition. See “THE MEASURE I PROGRAM” herein.

Defeasance of 2009 Notes

The 2009 Notes were issued pursuant to an Indenture dated as of May 1, 2009, as supplemented by a First Supplemental Indenture, dated as of May 1, 2009 (collectively referred to as the “Prior Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Prior Trustee”). All of the outstanding principal amount of the 2009 Notes matures on May 1, 2012. All of the interest due and payable on the 2009 Notes from the date of their issuance until their maturity date was deposited with the Trustee under the Prior Indenture from a portion of the proceeds of the sale of the 2009 Notes. The Authority and the Trustee will enter into that certain Escrow Agreement dated as of March 1, 2012 (the “Escrow Agreement”) which will, among other matters, establish an escrow account (the “Escrow Account”). The Trustee will deposit in the Escrow Account a portion of the proceeds from the sale of the Series 2012 Bonds as well as other amounts currently on deposit with the Prior Trustee under the Prior Indenture and a contribution from available funds held by the Authority ; amounts held in the Escrow Account will be sufficient to defease all of the outstanding principal amount of the 2009 Notes on the date of their maturity. Pursuant to the Escrow Agreement the Trustee will invest all amounts held in the Escrow Account in United States Treasury Securities, State and Local Government Series.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the funds are as follows:

Sources of Funds:

Par Amount of Series 2012 Bonds	\$[000,000,000].00
Net Original Issue Premium/Discount	<u>\$-----</u>
Amounts Held by the Prior Trustee	
Contribution from the Authority	
Total Sources	\$_____

Uses of Funds:

Deposit to Project Fund	\$_____
Deposit to Escrow Account	\$_____
Costs of Issuance ⁽¹⁾	<u>\$-----</u>
Total Uses:	\$_____

⁽¹⁾ Includes underwriters' discount, rating agency fees, trustee fees, printing costs, bond counsel, disclosure counsel and financial advisor fees and expenses and other miscellaneous expenses.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS

Limited Obligations

THE SERIES 2012 BONDS WILL BE LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE SOLELY, BOTH AS TO PRINCIPAL AND INTEREST, FROM REVENUES, PRIMARILY CONSISTING OF SALES TAX REVENUES COLLECTED ON AND AFTER APRIL 1, 2010, AND CERTAIN FUNDS HELD BY THE TRUSTEE UNDER THE INDENTURE, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THE SERIES 2012 BONDS EXCEPT FROM SUCH REVENUES AND SUCH FUNDS AND PROCEEDS. THE SERIES 2012 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE. THE GENERAL FUND OF THE AUTHORITY IS NOT LIABLE, AND THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED IN THE INDENTURE) OF THE AUTHORITY IS NOT PLEDGED, FOR THE PAYMENT OF THE SERIES 2012 BONDS OR THEIR INTEREST OR ANY PREMIUM DUE THEREON. THE SERIES 2012 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE SALES TAX REVENUES AND FUNDS HELD UNDER THE INDENTURE.

Pledge of Sales Tax Revenues and Certain Funds and Accounts Held by Trustee

The Authority has pledged to the Trustee under the Indenture: (i) all Revenues (including all Sales Tax Revenues collected on or after April 1, 2010), and (ii) all amounts, including proceeds of the Series 2012 Bonds, held on deposit in the funds and accounts established in the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. The collateral identified above will immediately be subject to this pledge, and this pledge shall constitute a first lien on and security interest in such collateral which will immediately attach to the collateral and be effective, binding and enforceable against the Authority and all others asserting the rights therein, to the extent set forth, and in accordance with, the Indenture, irrespective of whether those parties have notice of the pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Revenues and all amounts held on deposit in the funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund) will be irrevocable until all of the Bonds, including the Series 2012 Bonds, and all Parity Obligations and amounts owed in connection with the Bonds and Parity Obligations are no longer Outstanding.

Sales Tax Revenues consist of the amounts collected on account of the retail transactions and use tax imposed in the County pursuant to the Act and the Ordinance on and after April 1, 2010, after deducting amounts payable by the Authority to the California State Board of Equalization for costs and expenses for its services in connection with the retail transactions and use tax collected pursuant to the Act.

Revenues consist of Sales Tax Revenues and all regularly-scheduled amounts (but not termination payments) owed or paid to the Authority by any counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the Authority to such counterparty under such Interest Rate Swap Agreement. The Authority is not entering into any Interest Rate Swap Agreements in connection with the issuance of the Series 2012 Bonds.

The Authority has assigned and caused all amounts available for distribution to the Authority on and after April 2, 2010, on account of the Sales Tax, after deducting amounts payable by the Authority to the State Board of Equalization for costs and expenses for its services in connection with the Sales Tax, to be transmitted by the State Board of Equalization to the Trustee to be held in trust for the benefit of the holders of Bonds and applied in accordance with the Indenture.

The Project Fund is held by the Trustee and the Project Fund, investments held therein and the investment earnings thereon are pledged to the repayment of the Series 2012 Bonds.

The Authority shall not be required to advance any moneys derived from any source other than Revenues for the payment of principal or interest on the Series 2012 Bonds or for any other purpose of the Indenture.

For a more detailed description of the Sales Tax Revenues and projected receipts of Sales Tax Revenues, see “THE SALES TAX” herein.

Revenue Fund; Allocation of Sales Tax Revenues

The Authority has assigned and caused all amounts available for distribution to the Authority on and after April 1, 2012, on account of the Sales Tax, after deducting amounts payable by the Authority to the State Board of Equalization for costs and expenses for its services in connection with the Sales Tax, to be transmitted by the State Board of Equalization to the Trustee, to be held in trust for the benefit of the holders of the Bonds. The Trustee shall deposit all Sales Tax Revenues, when and as received by the Trustee, in a trust fund, designated as the Revenue Fund (the “Revenue Fund”). All other Revenues shall also be deposited in the Revenue Fund.

In addition to the Revenue Fund, the Indenture establishes (i) an Interest Fund, (ii) a Principal Fund, (iii) a Bond Reserve Fund, (iv) a Subordinate Obligations Fund, and (v) a Fees and Expenses Fund. So long as any Bonds are Outstanding, or any Parity Obligations, Subordinate Obligations, or other amounts payable pursuant to the Indenture remain unpaid, the Indenture requires that, following receipt of Sales Tax Revenues in each month, or upon the occurrence of certain events, the Trustee transfer amounts from the Revenue Fund to one or more such funds. Because interest on the 2009 Notes was capitalized until their maturity date and the Authority intended to pay the principal of the 2009 Notes due on their maturity date from proceeds of Bonds, the Prior Indenture did not require the Trustee to set aside amounts from the Sales Tax Revenues collected on and after April 1, 2010 in the Principal Fund or Interest Fund prior to the maturity date of the 2009 Notes for the payment of the principal of or interest on the 2009 Notes or the Series 2012 Bonds. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Allocation of Sales Tax Revenues,” “– Establishment and Application of Funds and Accounts” and “PLAN OF FINANCE.”

For a description of the priority of allocations of the moneys in the Revenue Fund, see APPENDIX C- “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Allocation of Sales Tax Revenues.” All amounts held in funds established pursuant to the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Account, if any, and any Purchase Fund) are pledged to the repayment of the Bonds, including the Series 2012 Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues” and “– Establishment and Application of Funds and Accounts.”

So long as any Bonds remain Outstanding and Parity Obligations, Subordinate Obligations, and all other amounts payable under the Indenture remain unpaid, in each month following receipt and deposit of the Sales Tax Revenues in the Revenue Fund, the Trustee is required to set aside the moneys in the Revenue Fund in the following respective funds, amounts and order of priority (provided that deficiencies in any previously required deposit may be made up prior to the deposit to a fund subsequent in priority and further provided that set asides or transfers required with respect to outstanding Parity Obligations shall be made on a parity basis each month, as provided in the Indenture):

1. Interest Fund. The Indenture requires the Trustee to make monthly deposits in the Interest Fund in an amount equal to (a) one-sixth of the aggregate semiannual amount of interest becoming due and payable on the Outstanding Current Interest Bonds (other than Bonds constituting Variable Rate Indebtedness) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six (6) months); plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Authority, or if the Authority does not specify an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month will be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six (6) months upon all of the Bonds issued hereunder and then Outstanding, and on March 1 and September 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having Interest Payment Dates other than March 1 and September 1) will be transferred to the Authority (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates); subject to such adjustments as are provided pursuant to the provisions of the Indenture. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Allocation of Sales Tax Revenues.”

2. Principal Fund; Sinking Accounts. The Indenture also requires the Trustee to make monthly deposits in the Principal Fund in an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six (6) months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve (12) months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due

dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.

In the event that the Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts will be made on a proportionate basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

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

3. Bond Reserve Fund. The Indenture also requires the Trustee to make deposits to any of the Bond Reserve Funds established pursuant to the provisions of the Indenture as soon as possible in each month in which any deficiency in any Bond Reserve Fund occurs, until the balance in such Bond Reserve Fund is at least equal to the applicable Bond Reserve Requirement. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Allocation of Sales Tax Revenues.” No Bond Reserve Fund will be established in connection with the issuance of the Series 2012 Bonds.

4. Subordinate Obligations Fund. The Indenture also requires the Trustee to establish a Subordinate Obligations Fund. The Trustee shall deposit in the Subordinate Obligations Fund any Sales Tax Revenues remaining in the Revenue Fund after the transfers described in (1), (2) and (3) above and will transfer such Sales Tax Revenues to the Subordinate Trustee. After the Subordinate Trustee has made the required deposit of

Sales Tax Revenues under any Subordinate Indenture, the Subordinate Trustee shall transfer any remaining Revenues back to the Revenue Fund.

5. Fees and Expenses Fund. The Indenture also requires the Trustee to establish a Fees and Expenses Fund. At the direction of the Authority, after the transfers described in (1), (2), (3) and (4) above have been made, the Trustee will deposit as soon as practicable in each month in the Fees and Expenses Fund amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Authority in connection with the Bonds or any Parity Obligation and amounts necessary for payment of fees, expenses, and similar charges owing in such month or the following month by the Authority in connection with Subordinate Obligations.

See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Allocation of Sales Tax Revenues” for a more complete discussion.

After making the foregoing allocations, all Sales Tax Revenues will be transferred to the Authority and may be applied by the Authority for all lawful purposes of the Authority.

No Bond Reserve Fund for the Series 2012 Bonds

Pursuant to the Indenture, no Bond Reserve Fund will be established for the Series 2012 Bonds.

Additional Bonds and Other Obligations

The only outstanding obligations secured by Sales Tax Revenues are the Series 2012 Bonds. The Authority may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of Sales Tax Revenues on a parity with the Bonds and the regularly scheduled payments on any Interest Rate Swap Agreements, subject to compliance with the terms and provisions set forth in the Indenture. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Issuance of Additional Bonds and Other Obligations.”

Issuance of Additional Series of Bonds. The Authority may by Supplemental Indenture establish one or more Series of Bonds payable from Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with the Series 2012 Bonds, but only upon compliance by the Authority with certain provisions of the Indenture. Some applicable provisions of the Indenture are described below:

- (a) No Event of Default shall have occurred and then be continuing.
- (b) If the Supplemental Indenture providing for the issuance of such Series of additional Bonds requires either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of Bonds of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such

Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the supplemental indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit may be made from the proceeds of the sale of Bonds of such Series or from other funds of the Authority or from both such sources or in the form of a Reserve Facility as described under APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions” and “Establishment and Application of Funds and Accounts - Funding and Application of Bond Reserve Funds.”

(c) The Authority shall have placed on file with the Trustee a Certificate of the Authority, certifying that the amount of Sales Tax Revenues collected during the Fiscal Year for which audited financial statements are available preceding the date on which such additional Series of Bonds will become outstanding was equal to at least 2 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued. For purposes of calculating Maximum Annual Debt Service, principal and interest payments on Obligations are excluded to the extent such payments are to be paid from Revenues then held on deposit by the Trustee or from other amounts on deposit, including Investment Securities and interest to be payable thereon, with the Trustee or other fiduciary in escrow specifically therefor and interest payments are excluded to the extent that such interest payments are to be paid from the proceeds of Obligations, including Investment Securities and interest to be payable thereon, held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest.

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

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture summarized above under paragraph (c) of the caption “Issuance of Additional Series of Bonds;” in order to effect a favorable reorganization of its debt as determined by the Authority.

Parity Obligations. As defined in the Indenture, “Parity Obligations” means any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money or Interest Rate Swap Agreement (excluding, in each case, fees and expenses and termination payments on Interest Rate Swap Agreements which fees and expenses and termination payments shall be secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues which secures the Bonds, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the provisions of the Indenture described herein and having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The Authority may issue or incur additional Parity Obligations which will have, when issued, an equal lien and charge upon the Sales Tax Revenues, provided that the conditions to the issuance of such Parity Obligations set forth in the Indenture are satisfied, including satisfaction of the

coverage test described in subsection (c) above under the caption “Issuance of Additional Series of Bonds,” unless such Parity Obligations are being issued for refunding purposes, in which case the coverage test shall not apply.

Subordinate Obligations

Except to the extent restricted by the Indenture, the Authority may issue or incur obligations (“Subordinate Obligations”) payable out of Sales Tax Revenues on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Bonds and Parity Obligations, as the same become due and payable and at the times and in the manner as required by the Indenture or as required by the instrument pursuant to which such Parity Obligations were issued or incurred, as applicable. The Authority currently has no outstanding Subordinate Obligations and currently has no plans to issue any Subordinate Obligations.

THE SALES TAX

Authorization, Application and Collection of the Sales Tax

The Act, among other things, authorized the Authority to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County in accordance with California’s Transaction and Use Tax Law (section 7251 *et seq.* of the California Revenue and Taxation Code) upon authorization by a majority of the electors voting on the issue. In accordance with the Act, Measure I was approved by 59.8% of the voters on November 7, 1989, enacting Ordinance No. 89-1 which imposed a retail transactions and use tax in the County. Ordinance No. 89-1 imposed a tax of one-half of one percent (1/2%) on the gross receipts of retailers from the sale of tangible personal property sold in the County and also imposed a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain limited exceptions described below. Ordinance 89-1 imposed the Sales Tax for a period from April 1, 1990 to March 31, 2010. The Authority adopted Ordinance No. 04-01 on June 2, 2004 which provided for the continued imposition of the Sales Tax at the rate of one-half of one percent (1/2%) for a period from April 1, 2010 to March 31, 2040. On November 2, 2004, the renewal of Measure I contained in Ordinance No. 04-01 was approved by over 80% of the voters.

The one-half of one percent Sales Tax imposed by the Authority in the County is in addition to the 7.25% sales tax levied statewide by the State; several cities in the County, including the City of San Bernardino, levy a local one-half of one percent sales tax as well. The Sales Tax is generally imposed upon the same transactions and items subject to the sales tax levied statewide by the State, with generally the same exceptions. Effective July 15, 1991, the types of transactions subject to the sales and use tax were broadened to include several additional items, such as candy, newspapers, periodicals and jet fuel. A voter initiative approved in 1992 eliminated taxation for candy, gum, bottled water and confectionery. For a description of how the Sales Tax is subject to change by voter initiative, see “RISK FACTORS – The Sales Tax” and “– Proposition 218.”

In general, the statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property. The use tax is imposed on the storage, use or other consumption in California of property purchased from a retailer for such storage, use or other consumption. Since the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of California for use within the State.

Many categories of transactions are exempt under the sales and use tax law. For example, most food products are exempt; however, this exemption does not apply to liquor or to restaurant meals. "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; however, the "occasional sales" exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the County which are shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee at such point, are exempt from the tax.

Pledged Sales Tax Revenues

Collection of the Sales Tax is administered by the California State Board of Equalization which imposes a charge for administration. Based on legislation (AB 102, Chapter 75, Statutes of 1993), such charges are based on actual cost rather than the previous fixed percentage. As described below, the State Board of Equalization, after deducting the costs of administering the Sales Tax, remits the remaining Sales Tax Revenues directly to the Trustee.

As security for the payment of all amounts owing on the Series 2012 Bonds, the Authority has irrevocably pledged to the Trustee under the Indenture: (i) all Revenues (including all Sales Tax Revenues collected on or after April 1, 2010), and (ii) all amounts, including proceeds of the Series 2012 Bonds, held on deposit in the funds and accounts established in the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), subject to the provision of the Indenture permitting the applicable thereof for the purposes and on the terms and conditions set forth in the Indenture. The collateral identified above will immediately be subject to this pledge, and this pledge shall constitute a first lien on and security interest in such collateral which will immediately attach to the collateral and be effective, binding and enforceable against the Authority and all others asserting the rights therein, to the extent set forth, and in accordance with, the Indenture irrespective of whether those parties have notice of the pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Revenues and all amounts held on deposit in the funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund) will be irrevocable until all of the Series 2012 Bonds and amounts owed in connection with the Series 2012 Bonds are no longer Outstanding.

In the event any amounts are due under the Indenture, the Trustee then applies such Sales Tax Revenues to the Interest Fund, Principal Fund and Bond Reserve Fund, if any, in accordance with the Indenture, and transfers the remaining unapplied revenues to the Authority for use for any lawful purpose.

Historical Sales Tax Receipts

The Sales Tax went into effect on April 1, 1990, and the first collections were remitted to the Authority in mid-May, 1990. Since the introduction of the Sales Tax in April 1990 (and computed as of June 30, 2011), the Authority has received approximately \$1,936,700,446 in sales tax receipts (“Sales Tax Receipts”), which amount has not been adjusted for administrative costs and sub area allocations; \$187,337,154 has been collected for the period commencing on April 1, 2010 and ending on December 31, 2011. For clarification, Sales Tax Revenues are defined under the Indenture as amounts collected on account of the Sales Tax imposed in the County pursuant to the Act and the Ordinance on and after April 1, 2010, after deducting amounts payable by the Authority to the State Board of Equalization for costs and expenses for its services in connection with the Sales Tax collected pursuant to the Act.

The following table shows the Sales Tax Receipts reported by the Authority during the ten fiscal years ended June 30, 2001 through June 30, 2011.

San Bernardino County Transportation Authority Sales Tax Receipts Fiscal Years Ended June 30, 2001 - 2011

<u>Fiscal Year Ended June 30</u>	<u>Sales Tax Receipts</u>	<u>Annual Percentage Increase (Decrease)</u>
2001	\$ 89,986,982	--
2002	94,524,807	5%
2003	104,063,009	10.1%
2004	111,575,283	7.2%
2005	131,902,744	18.2%
2006	148,073,689	12.3%
2007	147,929,491	(0.1%)
2008	140,547,350	(5%)
2009	114,901,053	(18.2%)
2010	106,073,764	(7.7%)
2011	\$117,927,079	11.2%

Source: The Authority, 2011 Comprehensive Annual Financial Report.

As of December 31, 2011, \$64,575,275 of Sales Tax Receipts have been collected for the first two quarters of the Fiscal Year ending on June 30, 2012, which amount is 12% higher than

the amount of Sales Tax Receipts collected for the same two quarters in 2010. The Authority currently estimates collecting an aggregate of approximately \$121.4 million of Sales Tax Receipts for the entire Fiscal Year ending June 30, 2012, which amount is 3% higher than the amount reported for the prior Fiscal Year ending June 30, 2011. This increase is consistent with what was experienced at the state and national level with regard to Sales Tax Revenues for the fourth quarter of Fiscal Year 2011. This estimate is based on current actual receipts and the quarterly Sales Tax reports provided by a consultant retained by the Authority for such purpose. The estimated Sales Tax Revenues for Fiscal Year ending June 30, 2012 are anticipated to equal at least _____ times Maximum Annual Debt Service on the Series 2012 Bonds assuming such Maximum Annual Debt Service amounts as shown in the table “DEBT SERVICE SCHEDULE” herein with respect to the Series 2012 Bonds in the amount of \$_____.

Following declines in Sales Tax Revenue which began in Fiscal Year 2007, the first increase in Sales Tax Revenue occurred in Fiscal Year 2011 (year ended June 30, 2011). Sales Tax Revenues grew 11.2 percent over the prior Fiscal Year (year ended June 30, 2010). Although there can be no assurances that Sales Tax Revenues will continue to increase, this trend of modest growth has continued into the first quarter of Fiscal Year 2012.

For a summary of historical taxable retail sales within the County, see the table entitled “County of San Bernardino, Taxable Transactions by Sector” in APPENDIX B of this Official Statement.

SAN BERNARDINO COUNTY TRANSPORTATION EXPENDITURE PLAN

General Description

On November 7, 1989, the voters of the County approved the San Bernardino County Transportation Expenditure Plan contained in Ordinance No. 89-1 of the Authority. Ordinance No. 89-1 provided for the imposition of the Sales Tax for transportation purposes, including but not limited to the administration of the Authority, the construction, maintenance, improvement and operation of local streets, roads and highways, and State highways and freeways and public transit systems. These purposes include expenditures for planning, environmental reviews, engineering and design costs and related right-of-way acquisition. They also include, but are not limited to, debt service on bonds and expenses in connection with the issuance of bonds. The Sales Tax was imposed over a 20-year period from April 1, 1990 through March 31, 2010.

On January 3, 1990, the Authority adopted Ordinance No. 90-1 which amended certain provisions of Ordinance No. 89-1.

On June 2, 2004, the Authority adopted Ordinance No. 04-01 which provided for the renewal of the Sales Tax, to be imposed over a 30-year period from April 1, 2010 through March 31, 2040. On November 2, 2004, the voters of the County approved the San Bernardino County Transportation Expenditure Plan contained in Ordinance No. 04-01 of the Authority by over 80% (the "Expenditure Plan"), which included the following:

- Widening/improving I-10, I-15, I-210, I-215, SR-60, SR-62, SR-18 and US-395;
- Improving freeway interchanges countywide;
- Improving local streets and roads;
- Expanding transit for seniors and disabled riders; and
- Expanding Metrolink commuter rail.

Ordinance No. 04-01, referred to herein as the "Ordinance," defines the parameters of the Expenditure Plan. The Expenditure Plan is supplemented by the Authority's "Plan of Finance."

The Authority accounts for Sales Tax Revenues separately for each such subarea. Revenues generated from each specified subarea within the County will be expended on projects of direct benefit to that subarea. Allocation of the Sales Tax Revenue to each subarea will be subordinate to the payment of principal on the Series 2012 Bonds.

Expenditure Plan

The following is a description of the requirements and new parameters of the Expenditure Plan.

After deduction of all required Board of Equalization fees and authorized costs (including payment of debt service on the Series 2012 Bonds), revenues generated from each specified subarea within the County will be expended on projects of direct benefit to that subarea.

Revenues will be accounted for separately for each subarea and then allocated to specified project categories. Decisions on how revenues are expended within the subareas will be made by the Authority's Board of Directors, based upon recommendation of local representatives.

Subarea Identification. The San Bernardino Valley Subarea includes the cities of Chino, Chino Hills, Colton, Fontana, Grand Terrace, Highland, Loma Linda, Montclair, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Upland and Yucaipa and unincorporated areas in the east and west portions of the San Bernardino valley urbanized area. The Mountain-Desert Area includes the following subareas: (1) the North Desert Subarea, which includes the City of Barstow and surrounding unincorporated areas; (2) the Colorado River Subarea, which includes the City of Needles and the surrounding unincorporated areas of the East Desert; (3) the Morongo Basin Subarea, which includes the City of Twentynine Palms, Town of Yucca Valley and surrounding unincorporated areas; (4) the Mountain Subarea, which includes the City of Big Bear Lake and surrounding unincorporated areas of the San Bernardino Mountains; and (5) the Victor Valley Subarea, which includes the Cities of Adelanto, Hesperia and Victorville; the Town of Apple Valley; and surrounding unincorporated areas including Wrightwood. A map of the subareas can be found on the following page.

Cajon Pass Expenditure Plan. Three percent of the revenue generated in the San Bernardino Valley Subarea and the Victor Valley Subarea will be reserved in advance of other allocations specified in the Expenditure Plan in an account for funding of the I-15/I-215 Interchange in Devore, I-15 widening through Cajon Pass and truck lane development. Cajon Pass serves as the major transportation corridor connecting the two urbanized areas within San Bernardino County and is in need of the identified improvements, which are critical components to intra-county travel for residents of both the Victor Valley and San Bernardino Valley.

[Insert map of subareas]

San Bernardino Valley Subarea Expenditure Plan. Revenue collected in the Valley Subarea will be allocated among the project categories according to the percentages listed in the following table:

Project	Description of Project	% of Revenue
Freeway Program	Eligible projects include: I-10 widening from I-15 to Riverside County Line, I-15 widening from Riverside County Line to I-215, I-215 widening from Riverside County Line to I-10, I-215 widening from SR-210 to I-15, SR-210 widening from I-215 to I-10, and carpool lane connectors	29%
Freeway Interchange Program	Eligible projects include various interchanges on I-10, I-15, SR-60, I-215, and SR-210. The SANBAG Nexus Study contains the list of freeway interchanges in the Valley that are eligible for these funds	11%
Major Street Program ⁽¹⁾	The SANBAG Nexus Study and CMP requirements have established projects that are eligible for funding under this program. Both rail/highway grade separations and arterial roadway improvements on the regional Nexus Study Network are eligible. The regional network is identified in the Nexus Study.	20%
Local Street Program	Local street projects are defined as local street and road construction, repair, maintenance and other eligible local transportation priorities. Expenditure of funds shall be based on a Five Year Plan adopted annually by the governing body of each jurisdiction. Funds are passed by the Authority directly through to the local jurisdictions.	20%
Metrolink/Rail Program	Eligible expenditures include, in part, purchase of additional Metrolink commuter rail passenger cars and locomotives, construction of additional track capacity, construction of additional parking spaces at Metrolink stations, new passenger rail service between San Bernardino and Redlands, and extension of the Gold Line light rail to Montclair.	8%
Express Bus/Bus Rapid Transit Program ⁽¹⁾	Funds in this category shall be expended for the development, implementation, and operation of express bus and bus rapid transit (BRT) service, to be jointly developed by the Authority and transit service agencies serving the Valley Subarea.	2%
Senior and Disabled Transit Program	This is a continuation of the subsidy to transit operators to reduce fares for senior and disabled citizens and provides an additional 2% for the formation of a Consolidated Transportation Services Agency.	8%

Project	Description of Project	% of Revenue
Traffic Management Systems Program	Eligible projects include signal synchronization, systems to improve traffic flow, commuter assistance programs, freeway service patrol, and projects which contribute to environmental enhancement associated with transportation facilities.	2%

⁽¹⁾ Upon initial collection of revenue, the Major Street Program will receive 20% of revenue collected in the Valley. Effective ten years following initial collection of revenue, the Major Street Program allocation shall be reduced to no more than 17% but to not less than 12% upon approval by the Authority Board of Directors and the Express Bus/Bus Rapid Transit Service allocation shall be increased by a like amount.

Mountain-Desert Expenditure Plan. Revenue collected in the Mountain Desert Subareas will be allocated among the project categories according to the percentages listed in the following table:

Project	Description of Project	% of Revenue
Local Street Program	Local street projects are defined as street and road construction, repair, maintenance and other eligible transportation priorities established by local jurisdictions. Expenditure of funds shall be based on a Five Year Plan adopted annually by the governing body of each jurisdiction. Funds are passed by the Authority directly through to the local jurisdictions.	68%
Major Local Highway Program	Major Local Highway Projects are defined as major streets and highways serving as primary routes of travel within the subarea, which may include State highways and freeways, where appropriate. Major Local Highway Projects funds can be utilized to leverage other state and federal funds for transportation projects and to perform advance planning/project reports.	25%
Senior and Disabled Transit Program ⁽¹⁾	In the North Desert, Colorado River, Morongo Basin, and Mountain Subareas, local representatives may provide additional funding beyond 5% upon a finding that such increase is required to address unmet transit needs of senior and disabled transit services. All increases above the 5% initial revenue collected for Senior and Disabled Transit Service shall come from the general Local Street Projects category of the subarea.	5%
Project Development and Traffic Management Systems	Projects may include costs associated with corridor studies and project study reports, projects to improve traffic flow and maximize use of transportation facilities, congestion management, commuter assistance programs, and projects which contribute to environmental enhancement associated with highway facilities. If after five years of revenue collection and every five years	2%

thereafter, the local representatives and the Mountain/Desert Committee make a finding that Project Development and Traffic Management System funds are not required for improvements of benefit to the subarea, then revenue in the Project Management and Traffic Management System category may be returned to the general Local Street Projects category.

⁽¹⁾ In the Victor Valley Subarea, the percentage for Senior and Disabled Transit Service shall increase by 0.5% in 2015 with additional increases of 0.5% every five years thereafter to a maximum of 7.5%.

Future Financing Plans

The Authority anticipates issuing additional Bonds, in addition to the Series 2012 Bonds, to fund transportation projects authorized under the Expenditure Plan. Based on its current 10-year project delivery plan, the Authority contemplates issuing additional Bonds sometime in Fiscal Year 2014 to finance between \$150 million and \$195 million of transportation projects. The principal amount of additional Bonds or other financing instruments to be subsequently issued by the Authority and the timing of any such issuance or issuances will be determined by the Authority based on a variety of factors including the costs and timing of design and construction of the transportation projects to be financed and the resources then available. The issuance of additional Bonds is subject to the requirements of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Additional Bonds and Parity Obligations”.

AUTHORITY INVESTMENT PORTFOLIO

Funds of the Authority are invested pursuant to an investment policy adopted by the Board, which permits the Authority to invest in some (but not all) of the types of securities authorized by State law for the investment of funds of local agencies (California Government Code Section 53600 et seq.) The securities in which the Authority currently is authorized to invest include United States treasury notes, bonds and bills, bonds, notes, bills, warrants and obligations issued by certain agencies of the United States, certain bankers acceptances, certain corporate commercial paper of prime quality, certificates of deposit, certain medium term corporate notes, certain shares of beneficial interest in diversified management companies (mutual funds), the State’s local agency investment fund, the San Bernardino County local agency investment fund, certain collateralized repurchase agreements, and other securities authorized under State law as appropriate for public fund investments and not specifically prohibited by the investment policy. The investment policy (which is subject to change in the future) does not allow investment in reverse repurchase agreements, financial futures, option contracts, mortgage interest strips, inverse floaters or securities lending or any investment that fails to meet the credit or portfolio limits of the investment policy at the time of investment.

Funds held by the Trustee under the Indenture are invested in Investment Securities (as defined in Appendix C) by the Trustee in accordance with instructions from the Authority. The instructions from the Authority currently restrict those investments to investments permitted by the investment policy adopted by the Board described above (except that the Trustee is permitted

to invest a greater percentage of funds in mutual funds and a single mutual fund than the investment policy would otherwise permit).

The Authority's primary investment strategy is to purchase investments with the intent to hold them to maturity. However, the Authority may sell an investment prior to maturity to avoid losses to the Authority resulting from further erosion of the market value of such investment or to meet operation or project liquidity needs.

The value of the various investments in the portfolio will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Further, such values may vary based on credit quality, ratings, or other factors. Therefore, there can be no assurance that the values of the various investments in the portfolio will not vary significantly from the values described below. Further, the values specified in the following tables were based upon estimates of market values provided to the Authority by a third party as of December 31, 2011. Accordingly, there can be no assurance that if these securities had been sold on December 31, 2011, the portfolio would have received the values specified. In addition, under certain provisions of the Indenture, funds and accounts held under the Indenture must be invested in certain specified Investment Securities that include investment agreements and other investments not described above.

As of December 31, 2011, the average maturity of the Authority's portfolio was 336 days, with an average yield of approximately .70%.

AUTHORITY INVESTMENT PORTFOLIO INFORMATION AS OF DECEMBER 31, 2011⁽¹⁾

<u>Investments</u>	<u>Percent of Portfolio</u>	<u>Par Value</u>	<u>Market Value</u>
Cash or Cash Equivalents	2.10%	\$5,494,901	\$5,494,901
State of California Local Agency Investment Fund	10.49%	\$27,590,595	\$27,590,595
San Bernardino County Pool (inclusive of Transportation Development Act funds)	52.64%	\$138,482,554	\$138,482,554
U.S. Treasuries	11.28%	\$29,685,000	\$30,078,625
U.S. Agencies	11.30%	\$29,725,000	\$30,179,843
Corporate Medium Term Notes	2.06%	\$5,425,000	\$5,471,525
Collateralized Deposits	10.13%	\$26,653,871	\$26,653,871
TOTAL SECURITIES	100%	\$263,056,921	\$263,951,913

⁽¹⁾ Unaudited
Source: The Authority.

RISK FACTORS

Economy of the County, the State and the Country Following Economic Downturn

The Series 2012 Bonds are secured in part by a 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. The economy of the County, along with the rest of the country, recently experienced a recession as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop in residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums, an increase in notices of default on mortgage loans secured by homes and

condominiums and an increase in foreclosures resulting from such defaults. A decrease in the flow of imports through the ports of Los Angeles and Long Beach resulted in a fall off in industrial operations and less need for space to be occupied by manufacturing plants and warehouses, which in turn has caused vacancy rates for commercial real estate to rise and base rental rates to fall. Demand for office space in the County also declined, although new buildings are continuing to be constructed in order to attract new business residents to the area with competitive prices. This recession ended in July 2009 and the national, state and local economies have exhibited signs of stabilization and slow growth. After two years of quarterly declines in Sales Tax Receipts, Sales Tax Receipts for the most recent fiscal year, FY 2010-11, increased by 11.2%. The current domestic and international financial crisis and economic recession has had, and is expected to continue to have, significant repercussions upon the national and global economies, including a scarcity of credit, lack of confidence in the financial sector, extreme volatility in the financial markets and interest rates, reduced business activity, increased unemployment, increased consumer bankruptcies and increased business failures, bankruptcies and layoffs. For information relating to historic and current economic conditions within the County and the State which indicate a slowdown in the current economy of the County and the State, see “SECURITY AND SOURCES OF PAYMENT—The Sales Tax” and APPENDIX B - “COUNTY DEMOGRAPHIC AND ECONOMIC INFORMATION.”

The Authority has significant holdings in a broad range of investments. Market fluctuations have affected and will continue to affect materially the value of those investments and those fluctuations may be and historically have been material. The market disruption has exacerbated the market fluctuations, but as a result of stable investments in government securities, the Authority’s portfolio has not suffered any major losses with respect to the principal amount of funds invested. The Authority has experienced a reduction in interest income on such investments as a result of current market conditions.

The Sales Tax

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the Sales Tax are imposed. Any such change or limitation could have a material adverse impact on the Sales Tax Revenues collected. For a further description of the Sales Tax, see “THE SALES TAX.”

The increasing use of the internet to conduct electronic commerce may adversely impact Sales Tax Revenues. To the extent that transactions otherwise subject to the retail transactions and use tax imposed by the Ordinance avoid the direct collection by merchants of sales and use tax because they constitute sales over the internet that are not subject to such tax, the Sales Tax Revenues may be negatively impacted. The Authority can provide no assurances that Internet sales will not adversely impact the amount of pledged Sales Tax Revenues available to meet obligations of the Series 2012 Bonds.

State and Local Sales Taxes

In addition to sales taxes levied on the County level, the State also currently imposes an 7.25% sales tax. Combined with the Sales Tax, this State sales tax results in transactions in the County being taxed at an effective rate of 7.75%. There could be additional increases in the State sales tax which could have an adverse effect on consumption resulting in a reduction in the Sales Tax Revenues.

There could also be additional increases in the sales tax levied in the County which could have an adverse effect on consumption resulting in a reduction in the Sales Tax Revenues.

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 XIII C and XIII D to the California Constitution. Article XIII C 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 Authority. The Sales Tax received the approval of more than the majority of the voters for the imposition of the Sales Tax and of more than two-thirds of the voters for the continuation of the Sales Tax as required by Article XIII C. However, Article XIII C 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 Authority, 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 2012 Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts.

Further Initiatives

Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, which may affect the Authority’s ability to levy and collect the Sales Tax.

No Acceleration or Increase in Interest Rate Upon Default

The Indenture does not contain a provision allowing for the acceleration of the Series 2012 Bonds or an increase in the interest rate on the Series 2012 Bonds, in the event of a default in the payment of principal and interest on the Series 2012 Bonds when due. In the event of a default by the Authority, the Holders of at least a majority of the aggregate amount of the Series 2012 Bonds will have the right to request the Trustee to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Loss of Tax Exemption

As discussed under “TAX MATTERS,” interest on the Series 2012 Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2012 Bonds, as a result of acts or omissions of the Authority subsequent to the issuance of the Series 2012 Bonds. Should interest become includable in federal gross income, the Series 2012 Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity.

Impact of Bankruptcy of the Authority

The Authority may be qualified to file a petition under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”) under certain circumstances. The Authority has no plans to do so. However, if the Authority were to do so, under Chapter 9, the pledge of the Sales Tax Revenues is fully enforceable only if a bankruptcy court determines that the Sales Tax Revenues are “Special Revenues” under Chapter 9 and that the pledge is valid and binding under Chapter 9. The Sales Tax Revenues may not constitute “Special Revenues” under Chapter 9 because, among other reasons, the Sales Tax was not levied for a particular project and is available for the general purposes of the Authority. If a bankruptcy court were to hold the pledge of the Sales Tax Revenues to be unenforceable under Chapter 9, then the owners of the Bonds (including the Series 2012 Bonds) would no longer be entitled to any special priority to the Sales Tax Revenues and may be treated as general unsecured creditors of the Authority as to the Sales Tax Revenues.

Furthermore, since the obligations of the Authority under the Indenture, including its obligation to pay principal of and interest on the Series 2012 Bonds, are limited obligations and are payable solely from Sales Tax Revenues and certain other amounts held by the Trustee under the Indenture, if the Authority filed a petition for bankruptcy under Chapter 9, the owners of the Bonds (including the Series 2012 Bonds) would have no recourse to any assets or revenues of the Authority other than Sales Tax Revenues and such other amounts.

Effect of Internet Commerce

Purchasers of goods from out-of-state retailers over the internet, or by mail or phone order, are subject to California use tax. Collection of use tax revenues is difficult, due to both a lack of information as to these sales and legal impediments. For example, federal law precludes states from requiring businesses not “engaged in business” in the purchaser’s state to collect the use tax from the purchases. The State Board of Equalization has previously estimated that the State has suffered significant revenue losses from uncollected use tax from purchasers of goods from out-of-state retailers over the internet, or by mail or phone order. There can be no assurances that such purchases of goods will not increase, and thereby reduce the amount of Sales Tax Revenues available for payment of the Series 2012 Bonds.

On December 6, 2010, the State of Equalization issued a report (the “BOE Report”) which contained an estimate of the amount of uncollected sales and use taxes revenues associated with internet and mail order sales since 2008. The BOE Report noted that estimated internet sales and use increased over that period, with a commensurate increase in uncollected sales taxes. The BOE Report also noted certain legislation designed to increase use tax payments by businesses (commencing in fiscal year 2009-10) as well as the addition of a line on the State’s

income tax form to encourage consumers to pay their use tax obligations. The BOE Report estimated that (based on the assumptions set forth on the BOE Report) State and local sales and use tax revenue losses attributable to internet and mail order sales were approximately \$9083 million in fiscal year 2009-10 and projected that such losses will be approximately \$1.265 billion in fiscal year 2012-13. The amount of Sales Tax receipts set forth under the Table “THE SALES TAX – Historical Sales Tax Receipts are equal to the actual Special Sales Tax Revenues received in fiscal year 2010-11, and therefore reflect any losses which might have resulted from internet and mail order sales in that year. The Authority’s estimate of Sales Tax Revenues for Fiscal Year 2012 set forth under the caption “THE SALES TAX . . . Historical Sales Tax Receipts” does not include any projected increased Special Sales Tax Revenues resulting from the implementation of the law requiring out-of-state Internet retailers to collect existing sales or use taxes described above.

Legislation enacted as part of the 2011 Budget Act changed the definition of “nexus” for internet retailers so as to expand the state’s ability to collect sales and use tax from sales of goods over the internet; this measure was expected to increase revenues by about \$200 million in fiscal year 2011-12. After a major internet retailer, Amazon Inc., started a process to overturn this law by placing a referendum on the June 2012 statewide ballot, a compromise was reached which was signed into law by the governor on September 23, 2011 (“AB 155”). Under AB 155, the implementation of the expanded sales and use tax on internet sales would be delayed until no earlier than September 15, 2012, or a later date if Congress passes national legislation on this subject. Amazon is reported to have committed to open new distribution centers in California and has abandoned the referendum process.

FINANCIAL STATEMENTS

The financial statements of the Authority for the Fiscal Year ended June 30 2011, included in APPENDIX A of this Official Statement have been audited by Vavrinek, Trine, Day & Co. LLP, independent auditors, as stated in their report therein. Vavrinek, Trine, Day & Co. LLP was not requested to consent to the inclusion of its report in APPENDIX A, nor has it undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek, Trine, Day & Co. LLP with respect to any event subsequent to the date of its report. For more recent financial information with respect to the collection of Sales Tax Revenues, see “SALES TAXES – Historical Sales Tax Revenues.”

LITIGATION

There is not now pending or, to the knowledge of the Authority, threatened, any litigation restraining or enjoining the issuance or delivery of the Series 2012 Bonds or questioning or affecting the validity of the Series 2012 Bonds or the proceedings and authority under which they are to be issued or the levy, collection and pledge of Sales Tax Revenues. Neither the creation, organization or existence of the Authority, nor the title of the present members of the Authority to their respective offices, is being contested.

The only pending or threatened litigation matters or other contingent liabilities which could adversely affect the financial condition of the Authority are described in the following

paragraphs. It is important to note that none of the cases described below challenge the issuance or the validity of the Series 2012 Bonds, the levy, collection and pledge of Sales Tax Revenues or the creation, organization or existence of the Authority.

San Bernardino County and the San Bernardino County Flood Control District (the “District”) have filed a suit for indemnity, contribution and declaratory relief against the Authority. This litigation stems from a dispute regarding the 20th Street Storm Drain facility related to the construction of the 210 freeway that has arisen in a quiet title action and a separate inverse condemnation action that Colonies Partners (a residential developer) brought against the District and/or the County which was settled for \$102,000,000. The Authority will contest the case vigorously. At this time, because the case is in its early stages, the Authority cannot predict the likely outcome or potential liability, if any. The amount claimed by the County and District has not yet been determined.

The District is also suing the Authority, Caltrans and the City of Rialto regarding what is called the Cactus Basin Channel. This litigation stems from a dispute regarding certain flood control improvement facilities that were constructed for the new 210 freeway project in the City of Rialto. The District alleges that these improvements have resulted in an overburdening of certain basins owned and operated by the District. The District is claiming damages based on alleged damages to these basins and payments allegedly made to third parties as a result of the flooding. The District alleges various causes of action, including inverse condemnation, nuisance, dangerous condition and express and equitable indemnity. The Authority will contest the case vigorously. At this time, because the case is in its early stages, the Authority cannot predict the likely outcome or potential liability, if any.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2012 Bonds is less than the amount to be paid at maturity of such Series 2012 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2012 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2012 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2012 Bonds is the first price at which a substantial amount of such maturity of the Series 2012 Bonds is sold to the public

(excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2012 Bonds accrues daily over the term to maturity of such Series 2012 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2012 Bonds to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such Series 2012 Bonds. Beneficial owners of the Series 2012 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2012 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2012 Bonds is sold to the public.

Series 2012 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (“Premium Series 2012 Bonds”) will be treated as having amortizable premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Series 2012 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Series 2009 Note, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Series 2012 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2012 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2012 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2012 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2012 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2012 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2012 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds may otherwise affect a beneficial owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the beneficial owner or the beneficial owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2012 Bonds to be subject, directly or indirectly, to federal income taxation or to be 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, on September 12, 2011, the Obama Administration announced a legislative proposal entitled the American Jobs Act of 2011. For tax years beginning on or after January 1, 2013, the American Jobs Act of 2011 generally would limit the exclusion from gross income of interest on obligations like the Series 2008 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2012 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the beneficial owners regarding the tax-exempt status of the Series 2012 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2012 Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Series 2012 Bonds and may cause the Authority or the beneficial owners to incur significant expense.

LEGAL MATTERS

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by San Bernardino County Counsel, Counsel for the Authority and by Nossaman LLP as Disclosure Counsel and for the Underwriters by Sidley Austin LLP, San Francisco, California, as Underwriters' Counsel.

RATINGS

Standard and Poor's Ratings Group, a division of the McGraw Hill Companies, Inc. ("S&P"), has assigned a rating of "_____" to the Series 2012 Bonds, Moody's Investor Service ("Moody's") has assigned a rating of "_____" to the Series 2012 Bonds and Fitch Ratings, Inc. ("Fitch") has assigned a rating of "_____" to the Series 2012 Bonds. These ratings reflect only the views of S&P, Moody's and Fitch, respectively, and do not constitute a recommendation to buy, sell or hold the Series 2012 Bonds. An explanation of these ratings and any outlook associated with these ratings should be obtained from the respective rating agency.

The Authority has furnished to S&P, Moody's and Fitch certain information respecting the Series 2012 Bonds and the Authority including information not included herein. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. The ratings are subject to revision or withdrawal at any time by S&P, Moody's and Fitch, and there is no assurance that the ratings will continue for any period of time or that it will not be lowered, suspended or withdrawn. The Authority undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any reduction, suspension or withdrawal of the ratings, or other actions by a rating agency relating to its rating, may have an adverse effect on the market price for, or marketability of, the Series 2012 Bonds.

UNDERWRITING

Barclays Capital, as representative of the underwriters of the Series 2012 Bonds listed on the cover hereof (the "Representative"), has agreed, subject to certain conditions, to purchase the Series 2012 Bonds at a price of \$_____ (representing \$[000,000,000].00 aggregate principal amount of Series 2012 Bonds, plus a net original issue premium/discount of \$_____, less an Underwriters' discount of \$_____). The Bond Purchase Contract provides that the Underwriters will purchase all the Series 2012 Bonds if any are purchased.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the owners and beneficial owners of the Series 2012 Bonds to provide certain financial information and operating data relating to the Authority by not later than 270 days following the end of the Authority's Fiscal Year (presently June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ended June 30, 2012, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Dissemination Agent on behalf of the Authority with each Nationally Recognized Municipal Securities Information Repository (the "NRMSIRs"). The notices of material events will be filed by the Dissemination Agent on behalf of the Authority with the Municipal Securities Rulemaking Board and with the NRMSIRs. The filing of the Annual Report and notices of material event notices shall be made in accordance with the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board which is currently the only NRMSIR or in another manner approved under the Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth under the caption APPENDIX F – "PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). In the past,

the Authority did not provide notice in a timely manner of the downgrade by the rating agencies of the insurers who provided bond insurance for the Prior Bonds and the impact of the downgrades on the ratings of the Prior Bonds. The Authority is currently in compliance with the Rule. The Authority intends to maintain compliance with the Rule for as long as the Authority is bound by any continuing disclosure obligations.

FINANCIAL ADVISOR

The Authority has retained Montague DeRose and Associates, LLC, Westlake Village, California, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Series 2012 Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Compensation paid to the Financial Advisor in connection with the issuance of the Series 2012 Bonds is contingent upon the issuance of the Series 2012 Bonds.

MISCELLANEOUS

The references herein to the Act and the Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete or definitive. For full and complete statements of such provisions reference is made to the Act or said documents, as the case may be. Copies of the Indenture are available for inspection at the Authority and following delivery of the Series 2012 Bonds will be on file at the offices of the Trustee in Los Angeles, California.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Holders of any of the Series 2012 Bonds.

APPENDIX A

**AUTHORITY AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30 2011**

APPENDIX B
COUNTY OF SAN BERNARDINO, CALIFORNIA
DEMOGRAPHIC AND ECONOMIC INFORMATION

The general information in this section concerning the County is provided as supplementary information only. The worsening of the economy at the county, state and national levels may not be reflected in the data discussed below, as more up-to-date information has not been made available to the Authority.

The County of San Bernardino

The County is located in Southern California and was established by an act of the State Legislature on April 23, 1853, which formed the County from the eastern part of Los Angeles County. The County encompasses an area of over 20,000 square miles and includes twenty-four incorporated cities. The County is the largest county in the State in terms of geographical area and, like all California regions, may be subject to unpredictable seismic activity.

The County is a charter county divided into five supervisory districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors (the “Board”) who serve staggered four-year terms. The Chairman is elected by and from the members of the Board. Gregory C. Devereaux serves as the Chief Executive Officer.

County administration includes a number of appointed officials, including ones appointed by or jointly appointed by a combination of the Board of Supervisors, the County Administrative Officer and the Assistant County Administrator for the Human Services Systems. Certain other officials are appointed by various other officials, including the Assistant County Administrative Officer, the Assistant County Administrator for the Human Services System, and the Assistant County Administrator for Economic Development and Public Services. There are six officials elected by county-wide vote to four-year terms: the Assessor, Auditor/Controller-Recorder, District Attorney, Superintendent of Schools, Sheriff-Coroner, and Treasurer-Tax Collector/Public Administrator. Many boards, commissions and committees assist the Board of Supervisors and County officials.

The County provides a wide range of services to its residents in the areas of police protection, medical and health care, senior citizen assistance, consumer affairs, public libraries, courts support programs, airports, parks, and public assistance programs. Other services such as fire protection, lighting, road maintenance, and flood control are provided by special districts that are governed by the Board of Supervisors. Some municipal services are provided by the County on a contractual basis to incorporated cities within their boundaries. This allows cities to contract for municipal services without incurring the cost of creating their own city departments and facilities.

Geography

The County is bordered on the west by Los Angeles County, on the east by the State of Arizona and the State of Nevada, on the north by Inyo County and Kern County, and on the south by Orange and Riverside Counties. Composed essentially of three geographic regions—valley, mountain and desert—elevation in the County ranges from a high of 11,502 feet above sea level to a low of 181 feet above sea level.

Population

The following table sets forth the population of the County and the State for the years 2004 through 2011, based on the most recently published data that has been made available.

TABLE 1
COUNTY OF SAN BERNARDINO
Population 2007-2011
As of July 1

Year	County	County Annual Percentage Change	State of California	State Annual Percentage Change
2007	2,002,651	-	36,552,529	-
2008	2,016,526	0.69	36,856,222	0.83
2009	2,022,319	0.29	37,077,204	0.6
2010	2,038,771	0.81	37,318,481	0.65
2011 ⁽¹⁾	2,059,630	1.02	37,578,616	0.7

Source: State Department of Finance, Demographic Research Unit.

⁽¹⁾ Preliminary data.

The following table lists the respective populations of the five largest cities and the unincorporated area in the County based on the most recently published data that has been made available.

TABLE 2
COUNTY OF SAN BERNARDINO
Population of Five Largest Cities and Unincorporated Area
As of January 1, 2011

City	Population
San Bernardino	211,076
Fontana	198,456
Rancho Cucamonga	168,181
Ontario	165,392
Victorville	117,219
Unincorporated Area	<u>294,229</u>
Total	<u>1,154,553</u>

Source: State Department of Finance, Demographic Research Unit.

Personal and Household Income

The following table sets forth per capita personal income and median household income in the County and the State for years 2005 through 2010.

TABLE 3A
COUNTY OF SAN BERNARDINO
Per Capita Personal Income
2005-2010

<u>Year</u>	<u>County</u>	<u>State of California</u>
2005	\$ 27,481	\$ 38,767
2006	28,614	41,567
2007	29,752	43,240
2008	30,190	43,853
2009	29,609	42,395
2010	(1)	42,578

Source: County of San Bernardino and U.S. Census Bureau.

(1) County data for 2010 not available.

TABLE 3B
COUNTY OF SAN BERNARDINO
Median Household Income
2005-2010⁽¹⁾

<u>Year</u>	<u>County</u>	<u>State of California</u>
2005	\$ 46,242	\$ 53,629
2006	48,451	56,645
2007	50,740	59,948
2008	52,029	61,021
2009	50,221	58,931
2010	50,046	57,708

Source: U.S. Census Bureau

(1) Data for 2010 not available.

School Enrollment

There are 38 public school districts in the County serving 417,591 students in grades K through 12, as of the 2011-2012 school year. In addition, there are nine colleges and universities, including six community colleges, in the County. The following table sets forth the colleges and universities located in the County.

TABLE 4
COUNTY OF SAN BERNARDINO
College and University Enrollment
School Year 2011-2012⁽¹⁾

Public and Private Institutions	Total Number Enrolled	City
Universities:		
California State University - San Bernardino	16,400	San Bernardino
Loma Linda University	4,266	Loma Linda
University of Redlands	4,431	Redlands
Community Colleges:		
Chaffey College	19,469	Rancho Cucamonga
San Bernardino Valley College	13,822	San Bernardino
Victor Valley College	12,892	Victorville
Crafton Hills College	6,108	Yucaipa
Barstow Community College	2,757	Barstow
Copper Mountain College	2,091	Joshua Tree

Sources: County of San Bernardino; National Center for Education Statistics.

(1) Data reflects Fall 2011 enrollment.

Employment

The following table sets forth labor force, employment and unemployment figures for the years 2006 through 2011.

TABLE 5
COUNTY OF SAN BERNARDINO
Employment and Unemployment of Resident Labor Force
Wage and Salary Workers by Industry
Annual Averages 2006-2011⁽¹⁾
(in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011⁽⁵⁾</u>
Civilian Labor Force ⁽²⁾	862.1	863.9	862.7	858.3	855.7	859.6
Employment	820.7	815.6	794.2	747.1	733.8	756.9
Unemployment	41.58	48.2	68.6	111.2	121.9	102.6
Unemployment Rate						
County	4.8%	5.6%	7.9%	13.0%	14.2%	11.9%
State of California	4.9%	5.3%	7.2%	11.3%	12.4%	10.9%
Wage and Salary Employment ⁽³⁾						
Agriculture	3.1	3.5	2.8	2.0	2.1	-
Natural Resources, Mining, and Construction	47.5	44.2	36.7	27.8	0.6	-
Manufacturing	66.4	64.2	58.5	49.3	46.7	-
Transportation, Warehousing, and Public Utilities	46.8	48.0	49.0	46.8	47.0	-
Wholesale Trade	33.6	35.7	33.7	29.9	29.7	-
Retail Trade	87.3	87.8	83.7	76.3	76.4	-
Information	7.6	7.6	7.2	7.5	5.7	-
Finance Activities	28.1	27.2	24.4	22.8	21.7	-
Professional & Business Services	79.7	82.1	79.4	73.0	70.9	-
Educational & Health Services	68.6	70.1	73.3	74.7	75.2	-
Leisure & Hospitality	56.2	58.8	58.2	54.9	53.5	-
Other Services	22.0	21.5	21.4	19.0	19.5	-
Government	117.7	116.5	119.3	118.0	116.5	-
TOTAL ⁽⁴⁾	<u>664.6</u>	<u>667.1</u>	<u>647.7</u>	<u>602.1</u>	<u>565.5</u>	-

Source: State of California Economic Development Department, Labor Market Information Division.

(1) Data for 2006-2008 reflects March 2008 Benchmark; data for 2009-2011 reflects March 2010 Benchmark.

(2) Based on place of residence.

(3) Based on place of work.

(4) Totals may not be exact due to independent rounding.

(5) Employment data as of December 2011; industry data not available for 2011.

Major Employers

The following table sets forth a list of the top public and private sector employers in the County, their product or service, and the number of their employees.

TABLE 6
COUNTY OF SAN BERNARDINO
Major Public and Private Sector Employers
As of June 30, 2010

<u>Company</u>	<u>Product/Service</u>	<u>Approximate Employees</u>
County of San Bernardino	County Government	189,000
Loma Linda University Adventist Health Services	Health Care	12,851
U.S. Marine Corp Air/Ground Combat Center	Military	12,486
Wal-Mart Stores	Retailer	12,263
U.S. Army, Fort Irwin & National Training Center	Military	10,000
Loma Linda University	University	7,500
Stater Brothers	Grocery Retailer	6,902
Kaiser Permanente	Health Care	6,092
San Bernardino City Unified School District	School District	5,926,722
United Parcel Service	Delivery Service	5,304

Source: County of San Bernardino Comprehensive Annual Financial Report for Fiscal Year 2011.

Construction Activity

The following table sets forth building permit valuations and the number of new dwelling units authorized in the County for the years 2006 through 2010, as well as preliminary data for January through November 2011.

TABLE 7
COUNTY OF SAN BERNARDINO
Residential Construction Activity
2006-2011
(in thousands)

	<u>Building Permit Valuations</u>		<u>Number of Permits</u>	
	<u>Residential</u>	<u>Non-Residential</u>	<u>Single Family</u>	<u>Multi-Family</u>
2006	\$ 2,757,955	\$ 1,321,880	\$ 12,599	\$ 1,273
2007	1,547,506	1,366,224	6,239	1,765
2008	572,453	738,814	1,981	1,201
2009	439,596	332,819	1,441	1,054
2010	357,215	252,998	1,198	649
2011	336,903	361,863	1,056	407

Source: Construction Industry Research Board.

⁽¹⁾ As of December 2011, data for 2011 is only available through the month of November.

Commercial Activity

Table 8A below sets forth information regarding taxable sales in San Bernardino County for calendar years 2005 through 2008. Table 8B below sets forth the taxable sales in the County for calendar years 2009-2010. Due to a revision in the business categories used by the Board of Equalization, the data for calendar years 2007, 2008, 2009 and 2010 are not directly comparable to the data for prior years, with calendar years 2009 and 2010 requiring substantial change in presentation. Information regarding Taxable Sales Transactions for 2010 is only available through the 3rd Quarter (September 30, 2010).

TABLE 8A
COUNTY OF SAN BERNARDINO
Taxable Sales Transactions
2005-2008
(in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Apparel stores	\$ 884,406	\$946,972	\$987,164	\$996,679
General merchandise	3,227,529	3,325,193	3,293,664	3,085,914
Specialty stores ⁽²⁾	2,649,488	2,799,447	(2)	(2)
Foods stores	1,133,194	1,215,887	1,273,368	1,144,604
Eating and drinking places	2,082,344	2,227,021	2,297,322	2,270,868
Home furnishings and appliances	791,607	873,460	895,732	873,137
Building materials	2,186,175	2,198,433	1,791,105	1,325,525
Automotive	4,596,933	4,478,127	4,383,392	3,107,831
Service Stations	2,719,484	3,147,504	3,268,798	3,524,873
Other Retail Stores ⁽²⁾	849,246	918,116	3,145,279	2,736,355
Total Retail Outlets	<u>21,120,406</u>	<u>22,130,160</u>	<u>21,335,824</u>	<u>19,065,786</u>
Business and personal services	924,099	918,373	856,561	754,542
All other outlets	7,700,363	8,261,372	8,258,346	7,957,374
Total All Outlets	<u>\$29,744,868</u>	<u>\$31,309,905</u>	<u>\$30,450,731</u>	<u>\$27,777,703</u>

Source: California State Board of Equalization, Taxable Sales in California Reports 2005-2008 .

(1) In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change process, industry data for 2007 and beyond is not comparable with data from prior years.

(2) After 2006, industry data for Specialty Stores is included in Other Retail Stores.

TABLE 8B
COUNTY OF SAN BERNARDINO
Taxable Sales Transactions
2009-2010
(in thousands)

<u>Type of Business</u>	<u>2009</u>	<u>2010⁽¹⁾</u>
Retail and Food Services		
Motor Vehicle and Parts Dealers	\$ 2,356,548	\$ 1,962,674
Furniture and Home Furnishings		
Stores	507,681	366,262
Electronics and Appliance Stores	456,253	313,906
Building Materials and Garden		
Equipment and Supplies	1,109,777	886,221
Food and Beverage stores	1,108,248	833,804
Health and Personal Care Stores	412,973	302,633
Gasoline Stations	2,612,062	2,275,642
Clothing and Clothing Accessories		
Stores	1,143,894	870,031
Sporting Goods, Hobby, Book and		
Music Stores	501,643	352,678
General Merchandise Stores	2,594,195	1,847,684
Miscellaneous Store Retailers	1,222,691	900,226
Nonstore Retailers	119,835	89,383
Food Services and Drinking Places	2,184,337	1,657,950
Total Retail and Food Services	<u>16,330,138</u>	<u>12,659,095</u>
All Other Outlets	<u>7,322,296</u>	<u>5,473,846</u>
Total All Outlets	<u>\$23,652,433</u>	<u>\$18,132,941</u>

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

(1) Through 3rd Quarter 2010; data for 2011 not available.

Agriculture

The following table sets forth farm production valuation in the County for the years 2006 through 2010.

TABLE 9
COUNTY OF SAN BERNARDINO
Gross Value of Farm Production
2006-2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Fruit and Nut	\$ 18,190,700	\$ 13,789,400	\$ 13,895,700	\$ 14,129,200	\$ 21,645,850
Crops					
Field Crops	16,656,000	17,909,700	24,744,600	18,493,000	17,199,150
Vegetable Crops	21,625,600	25,978,400	25,467,000	28,718,100	23,383,300
Nursery Products	43,796,900	47,505,800	35,263,000	26,147,000	28,659,900
Livestock and	<u>335,518,000</u>	<u>466,984,900</u>	<u>448,063,800</u>	<u>267,892,200</u>	<u>336,690,300</u>
Poultry					
Total	<u>\$435,787,200</u>	<u>\$572,168,200</u>	<u>\$547,434,100</u>	<u>\$355,379,500</u>	<u>\$427,578,500</u>

Source: San Bernardino County, Department of Agriculture/Weights and Measures Crop and Livestock Reports 2006-2010.

Industry

The County is home to manufacturing firms producing such items as steel, concrete, glass, foods, paper, plastic and scientific product lines. The County and the surrounding area have become home to certain large, mega-warehouses and logistics centers. Most of these companies utilize facilities in the County as a regional distribution center to serve the Southern California market and beyond.

The County is also the location for several regional firms that have expanded or located their respective operations. With a regional market reach of over 20 million people, relatively lower costs, and available land, businesses such as Wells Fargo National Association and Mercury Insurance have recently opened large offices within the County. Additionally, a high-end retail center, Victoria Gardens, opened in 2004 in the City of Rancho Cucamonga.

Recreation and Tourism

The County includes many of Southern California's most popular recreation areas, including Joshua Tree National Park, Arrowhead National Landmark, Lake Arrowhead Resort, and Big Bear Lake. The mountains, lakes and resorts in the County offer swimming, boating, fishing, hiking, skiing and other winter sports. The County has a geography that includes mountains, forests, deserts and valleys. It also has easy access to the coastal areas of Southern California. The County hosts the Auto Club Speedway of Southern California, which is one of the premier NASCAR venues on the West Coast of the United States.

Transportation

The County has access to excellent roads, rail and air transportation. The County is serviced by four interstate freeways (I-10, I-15, I-210, I-215) and State Highway 60, all of which provide easy access to the rest of Southern California and a connection to the entire continental United States.

Air

The LA/Ontario International Airport is served by a varied mix of air carriers including Aeromexico, Great Lakes Airlines, United Express, American Airlines, Delta Airlines, Southwest Airlines, Continental Airlines, United Airlines, Alaska/Horizon and US Airways. In addition, the LA/Ontario International Airport ranks among the top 35 air cargo airports in the world. The County and the surrounding area is also served by the San Bernardino International Airport, six regional airports and the Southern California Logistics Airport, which has a fully staffed customs and trade zone designation. UPS also selected the City of Ontario and the LA/Ontario International Airport area as a base for its hub facility on the west coast of the United States.

Rail

BNSF Railroad Company, which currently operates a 500,000-annual lift intermodal facility in the City of San Bernardino, provides transcontinental intermodal rail freight service. These freight facilities connect the County's rail and freeway corridors. Within the County, merchandise can be imported or exported through the Port of Long Beach and the Port of Los Angeles and then transported, via truck and rail freight service, to inland distribution centers. Subsequently, products are shipped from these inland distribution centers by rail and truck to other markets in North America. Further, new intermodal facilities are also planned or proposed for the High Desert region of the County to serve future distribution needs. Many containerized truck cargo carriers have selected the County and the surrounding area as their base of operations. Additionally, there are as many as eighty individual and independent trucking carriers that call this area home. Internal and external access and centrally-located transportation corridors provide cargo and freight carriers with much needed infrastructure support for shipment and receipt of goods.

Additionally, Amtrak provides passenger service to, among other destinations, downtown Los Angeles, the Cities of San Diego and San Francisco, the States of Oregon and Washington and to destinations throughout the continental United States as well. METROLINK also provides commuter train service to downtown Los Angeles and Orange County.

Ports

The County is in close proximity to both the Ports of Long Beach and Los Angeles via a centralized rail and freeway system. The ports of Los Angeles and Long Beach handle more than 60 percent of all container traffic on the West Coast. There has been an increased demand by both local and national warehouse users to occupy industrial space within the County in part as a result of the County's proximity to these international trade centers.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION HEREIN CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE BENEFICIAL OWNERS SHOULD CONFIRM THE FOLLOWING INFORMATION WITH DTC OR THE DTC PARTICIPANTS (AS DEFINED HEREIN). ALL DEFINED TERMS USED AND NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS ASSIGNED TO SUCH TERMS IN THE FRONT PORTION OF THIS OFFICIAL STATEMENT.

Initially, DTC will act as Securities Depository for the Series 2012 Bonds. The Series 2012 Bonds initially will be issued solely in book-entry form to be held under DTC's book-entry system, registered in the name of Cede & Co. (DTC's partnership nominee). Initially, one fully-registered Note certificate will be issued for each Series of the Series 2012 Bonds, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest 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 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Standard and Poor's has assigned DTC a rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The

ownership interest of each actual purchaser of each Series 2012 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Series 2012 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds such as redemptions, tenders, defaults, and proposed amendments to the legal documents. For example, Beneficial Owners of the Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds 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.

As long as the book-entry system is used for the Series 2012 Bonds, redemption notices will be sent to Cede & Co. If less than all of the Series 2012 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

As long as the book-entry system is used for the Series 2012 Bonds, principal, purchase price, premium, if any, and interest payments on the Series 2012 Bonds will be made to DTC. DTC’s practice is to credit Direct Participants’ accounts on the payable date in accordance with their respective holdings shown on DTC’s records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, purchase price, premium, if any, and interest to DTC is the responsibility of the Board or the Trustee, and disbursement of such payments to the Participants or the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2012 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

As long as the book-entry system is used for the Series 2012 Bonds, a Beneficial Owner, through a Direct Participant or an Indirect Participant acting on behalf of such Beneficial Owner, will give notice to the Trustee to elect to have its Series 2012 Bonds purchased, through its Participant, and will effect delivery of such Series 2012 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2012 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2012 Bonds in connection with an optional or a mandatory tender will be deemed satisfied when the ownership rights in the Series 2012 Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as Securities Depository with respect to the Series 2012 Bonds at any time by giving notice to the Board and the Trustee. In addition, the Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). Under either of such circumstances, in the event that a successor Securities Depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered.

The Board, the Trustee and the Underwriters will have no responsibility or obligation to any Securities Depository, any Participants in the book-entry system, or the Beneficial Owners with respect to (a) the accuracy of any records maintained by the Securities Depository or any Participant, (b) the payment by the Securities Depository or by any Participant of any amount due to any Participant or Beneficial Owner, respectively, in respect of the principal amount or redemption or purchase price of, or interest on, any Series 2012 Bonds, (c) the delivery of any notice by the Securities Depository or any Participant, (d) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2012 Bonds, or (e) any other action taken by the Securities Depository or any Participant.

In the event of the discontinuance of the book-entry system for the Series 2012 Bonds, Series 2012 Bond certificates will be printed and delivered and the following provisions of the Series 2012 Bonds Indenture will apply: (a) principal of the Series 2012 Bonds will be payable upon surrender of the Series 2012 Bonds at the principal office of the Trustee, (b) Series 2012 Bonds may be transferred or exchanged for other Series 2012 Bonds of authorized denominations at the designated office of the Registrar, without cost to the owner thereof except for any tax or other governmental charge, and (c) Series 2012 Bonds will be issued in denominations as described above under the caption "THE SERIES 2012 BONDS - General."

According to DTC, the foregoing information with respect to DTC has been provided to the Authority for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated as of March _____, 2012, is executed and delivered by the San Bernardino County Transportation Authority (the “Authority”) in connection with the issuance of \$[000,000,000] aggregate principal amount of San Bernardino County Transportation Authority Sales Tax Revenue Bonds, 2012 Series A (Limited Tax Bonds) (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of March 1, 2012 (the “2012 Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of March 1, 2012 (the “First Supplemental Indenture” and, together with the 2012 Indenture, the “Indenture”). Pursuant to the Indenture, the Authority covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the designee of the Authority to act as the Disclosure Representative.

“Dissemination Agent” shall mean an entity selected and retained by the Authority, or any successor thereto selected by the Authority. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate and any other event legally required to be reported pursuant to the Rule.

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the

Securities and Exchange Commission as of the date of this Agreement are currently set forth at the following website: <http://www.sec.gov/info/municipal/nrmsir.htm>.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall provide to each Repository, or shall cause the Dissemination Agent to provide to each Repository, not later than 270 days after the end of the Authority’s fiscal year, commencing with the fiscal year ending June 30, 2012, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent. The Authority shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Authority hereunder. The Dissemination Agent may conclusively rely upon such certification of the Authority.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the Authority), to the extent appropriate information is available to it, file a report with the Authority certifying that the

Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, the filing of the Annual Report due after the Annual Report for fiscal year ending June 30, 2012 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update (as of the most recently ended fiscal year of the Authority) for the table entitled "San Bernardino County Transportation Authority Sales Tax Revenues" set forth in the Official Statement under the caption "THE SALES TAX – Historical Sales Tax Revenues."

(c) A summary of all Bonds and Parity Obligations Outstanding as of the most recently ended fiscal year of the Authority.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Authority is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Authority shall provide (or cause to be provided) notice to the MSRB of the occurrence of any of the following events numbered 1-9 with respect to Bonds and in a timely manner but not later than ten business days after the occurrence of the event, notice. The notice shall be in an electric format and contain such identifying information as is prescribed by the MSRB.

(1) Principal and interest payment delinquencies;

(2) Unscheduled draws on debt service reserves reflecting financial difficulties;

(3) Unscheduled draws on credit enhancements reflecting financial difficulties; (a)

- (4) Substitution of credit or liquidity providers, or their failure to perform; (a)
- (5) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or issuance of adverse tax opinions;
- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes; or
- (9) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(b) The Authority shall provide (or cause to be provided) to the MSRB notice of the occurrence of any of following events numbered 10-16 with respect to Bonds, if material and in a timely manner but not later than ten business days after the occurrence of the event. Such notice shall be in an electric format and contain such identifying information as is prescribed by the MSRB.

- (10) Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of Bonds or other material events affecting the tax status of Bonds;
- (11) Modifications to rights of Bondholders;
- (12) Bond calls; (b)
- (13) Release, substitution, or sale of property securing repayment of Bonds;
- (14) Non-payment related defaults;
- (15) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination

of a definitive agreement relating to any such actions, other than pursuant to its terms; or

- (16) Appointment of a successor or additional trustee or the change of name of a trustee.

Note:

- (a) *The Authority has not obtained or provided, and does not expect to obtain or provide, any credit enhancements or credit or liquidity providers for the Bonds.*
- (b) *Any scheduled redemption of Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Specified Event within the meaning of the Rule.*

(c) The Authority acknowledges that it must make a determination whether a Specified Event listed in subsection (b) is material under applicable federal securities laws in order to determine whether a filing is required under subsection (b).

SECTION 6. Termination of Reporting Obligation. The obligations of the Authority and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(f) hereof.

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Authority.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Authority and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take

such actions, as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance. This is the first continuing disclosure undertaking by the Authority.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in connection with the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Distract, the Bondholders, or any other party. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SAN BERNARDINO COUNTY
TRANSPORTATION AUTHORITY

By: _____

Receipt Acknowledged By:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
AS DISSEMINATION AGENT,

By: _____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Bernardino County Transportation Authority
Name of Bond Issue: \$[000,000,000] San Bernardino County Transportation Authority Sales Tax Revenue Bonds, 2012 Series A (Limited Tax Bonds),
Date of Issuance: March _____, 2012

NOTICE IS HEREBY GIVEN that the San Bernardino County Transportation Authority (the "Authority") has not provided an Annual Report with respect to the above-named Bonds as required by that certain Indenture, dated as of March 1, 2012, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Trustee") and that certain First Supplemental Indenture, dated as of March 1, 2012, between the Authority and the Trustee. The Authority anticipates that the Annual Report will be filed by The Bank of New York Mellon Trust Company, N.A.

Dated:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., on behalf of the Authority

By: _____
Its: _____

cc: San Bernardino County Transportation Authority

**Proposed Form of
Continuing Disclosure
Certificate**

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated as of March ____, 2012, is executed and delivered by the San Bernardino County Transportation Authority (the “Authority”) in connection with the issuance of \$[000,000,000] aggregate principal amount of San Bernardino County Transportation Authority Sales Tax Revenue Bonds, 2012 Series A (Limited Tax Bonds) (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of March 1, 2012 (the “2012 Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of March 1, 2012 (the “First Supplemental Indenture” and, together with the 2012 Indenture, the “Indenture”). Pursuant to the Indenture, the Authority covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the designee of the Authority to act as the Disclosure Representative.

“Dissemination Agent” shall mean an entity selected and retained by the Authority, or any successor thereto selected by the Authority. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate and any other event legally required to be reported pursuant to the Rule.

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Securities and Exchange Commission as of the date of this Agreement are currently set forth at the following website: <http://www.sec.gov/info/municipal/nrmsir.htm>.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall provide to each Repository, or shall cause the Dissemination Agent to provide to each Repository, not later than 270 days after the end of the Authority’s fiscal year, commencing with the fiscal year ending June 30, 2012, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent. The Authority shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Authority hereunder. The Dissemination Agent may conclusively rely upon such certification of the Authority.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the

Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the Authority), to the extent appropriate information is available to it, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, the filing of the Annual Report due after the Annual Report for fiscal year ending June 30, 2012 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update (as of the most recently ended fiscal year of the Authority) for the table entitled "San Bernardino County Transportation Authority Sales Tax Revenues" set forth in the Official Statement under the caption "THE SALES TAX – Historical Sales Tax Revenues."

(c) A summary of all Bonds and Parity Obligations Outstanding as of the most recently ended fiscal year of the Authority.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Authority is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Authority shall provide (or cause to be provided) notice to the MSRB of the occurrence of any of the following events numbered 1-9 with respect to Bonds and in a timely manner but not later than ten business days after the occurrence of the event, notice. The notice shall be in an electric format and contain such identifying information as is prescribed by the MSRB.

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties; (a)
- (4) Substitution of credit or liquidity providers, or their failure to perform; (a)
- (5) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or issuance of adverse tax opinions;
- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes; or
- (9) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(b) The Authority shall provide (or cause to be provided) to the MSRB notice of the occurrence of any of following events numbered 10-16 with respect to Bonds, if material and in a timely manner but not later than ten business days after the occurrence of the event. Such notice shall be in an electric format and contain such identifying information as is prescribed by the MSRB.

- (10) Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of Bonds or other material events affecting the tax status of Bonds;
- (11) Modifications to rights of Bondholders;
- (12) Bond calls; (b)
- (13) Release, substitution, or sale of property securing repayment of Bonds;
- (14) Non-payment related defaults;
- (15) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
- (16) Appointment of a successor or additional trustee or the change of name of a trustee.

Note:

- (a) *The Authority has not obtained or provided, and does not expect to obtain or provide, any credit enhancements or credit or liquidity providers for the Bonds.*
- (b) *Any scheduled redemption of Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Specified Event within the meaning of the Rule.*

(c) The Authority acknowledges that it must make a determination whether a Specified Event listed in subsection (b) is material under applicable federal securities laws in order to determine whether a filing is required under subsection (b).

SECTION 6. Termination of Reporting Obligation. The obligations of the Authority and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(f) hereof.

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Authority.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Authority and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions, as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance. This is the first continuing disclosure undertaking by the Authority.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in connection with the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Distract, the Bondholders, or any other party. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SAN BERNARDINO COUNTY
TRANSPORTATION AUTHORITY

By: _____

Receipt Acknowledged By:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
AS DISSEMINATION AGENT,

By: _____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Bernardino County Transportation Authority

Name of Bond Issue: \$[000,000,000] San Bernardino County Transportation Authority
Sales Tax Revenue Bonds, 2012 Series A (Limited Tax Bonds),

Date of Issuance: March _____, 2012

NOTICE IS HEREBY GIVEN that the San Bernardino County Transportation Authority (the "Authority") has not provided an Annual Report with respect to the above-named Bonds as required by that certain Indenture, dated as of March 1, 2012, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Trustee") and that certain First Supplemental Indenture, dated as of March 1, 2012, between the Authority and the Trustee. The Authority anticipates that the Annual Report will be filed by The Bank of New York Mellon Trust Company, N.A.

Dated:

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., on behalf of the Authority

By:

Its:

cc: San Bernardino County Transportation Authority

**Indenture Relating to
Sales Tax Revenue
Bond 2012 Series A**

INDENTURE

between

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of March 1, 2012

Relating to

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS
(LIMITED TAX BONDS)

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INDENTURE

This INDENTURE, dated as of March 1, 2012 (as more fully defined in Section 1.02, the “Indenture”), between the SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY, a public instrumentality duly established and existing under the laws of the State of California (the “Authority”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”);

WITNESSETH:

WHEREAS, the San Bernardino County Transportation Authority (the “Authority”) is a public instrumentality duly established and existing pursuant to the Local Transportation Authority and Improvement Act (the “Act”), being Division 19 of the Public Utilities Code of the State of California (Section 180000 et seq.) and is authorized pursuant to the Act to, among other things, and with voter approval, levy a retail transactions and use tax in accordance with the provisions of Chapter 5 of the Act (Section 180200 et seq.) and Part 1.6 (commencing with Section 7251) of Division 2 of the California Revenue and Taxation Code (the “Sales Tax Law”);

WHEREAS, the Authority adopted Ordinance No. 89-1, named the “Transportation Expenditure Plan and Retail Transactions and Use Tax Ordinance” (as further amended and supplemented, “Ordinance No. 89-1”), on August 2, 1989, pursuant to the provisions of the Act, which Ordinance No. 89-1 provided for the imposition of a retail transactions and use tax (as extended, the “Sales Tax”) applicable in the incorporated and unincorporated territory of the County of San Bernardino (the “County”) in accordance with Chapter 5 of the Act and the Sales Tax Law at the rate of one-half of one percent (1/2%) for a period not to exceed twenty (20) years;

WHEREAS, by its terms, Ordinance No. 89-1 became effective at the close of the polls on November 7, 1989, the day of the election at which the proposition imposing the Sales Tax was approved by a majority vote of the electors voting on the measure, and the collection of the Sales Tax commenced on April 1, 1990;

WHEREAS, the Authority adopted Ordinance No. 04-01, named “An Ordinance Providing for the Continuation of a One-Half of One Percent Retail Transactions and Use Tax by the San Bernardino County Transportation Authority for Local Transportation Purposes and the Transportation Expenditure Plan” (the “Ordinance”) on June 2, 2004, pursuant to the provisions of the Act, which Ordinance provides for the continued imposition of the Sales Tax applicable in the incorporated and unincorporated territory of the County in accordance with the provisions of Chapter 5 of the Act and the Sales Tax Law at the rate of one-half of one percent (1/2%) for a period not to exceed thirty (30) years beginning April 1, 2010;

WHEREAS, the Ordinance became effective at the close of the polls on November 2, 2004, the day of the election at which the proposition providing for the continued imposition of the Sales Tax was approved by more than two-thirds of the electors voting on the measure;

WHEREAS, the Authority is authorized by the Act and the Ordinance to issue from time

to time limited tax bonds authorized by voters concurrently with the approval of the Sales Tax, secured and payable in whole or in part from revenues of the Sales Tax (“Sales Tax Revenues”) in an aggregate principal amount at any one time outstanding of not to exceed the estimated proceeds of the Sales Tax, as determined by the San Bernardino County Transportation Authority Expenditure Plan adopted as part of the Ordinance (including any subsequent amendments thereto, the “Expenditure Plan”), for capital outlay expenditures for transportation purposes as set forth in the Ordinance, including to carry out the transportation projects described in the Expenditure Plan;

WHEREAS, the Authority has previously issued its Sales Tax Revenue Notes (Limited Tax Bonds), 2009 Series A (the “Prior Notes”), pursuant to an Indenture, dated as of May 1, 2009, and a First Supplemental Indenture, dated as of May 1, 2009 (together, the “Prior Indenture”), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee;

WHEREAS, the Prior Notes are currently outstanding in the aggregate principal amount of \$250,000,000;

WHEREAS, the Authority has authorized the issuance of one or more additional series or subseries of bonds a portion of the proceeds of which will be applied, pursuant to an Escrow Agreement, dated as of March 1, 2012 (“the Escrow Agreement”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent, to pay principal and interest due upon maturity of the outstanding Prior Notes, thereby effecting the discharge of the Prior Indenture pursuant to its terms;

WHEREAS, the Authority has determined to enter into this Indenture in order to provide for the authentication and delivery of certain limited tax bonds (the “Bonds”), to establish and declare the terms and conditions upon which the Bonds and other obligations secured by the retail transactions and use tax shall be issued and secured and to secure the payment of the principal thereof, premium (if any), and interest on the Bonds and obligations secured by revenues of the Sales Tax collected pursuant to the Ordinance on and after April 1, 2010 (as more fully defined in Section 1.02, the “Sales Tax Revenues”) on a parity with the Bonds (as more fully defined in Section 1.02, “Parity Obligations”);

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

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

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued, authenticated and delivered hereunder, to secure the payment of Parity Obligations in accordance with terms hereof and to provide the terms and conditions under which all property, rights and

interests hereby assigned and pledged are to be dealt with and disposed of, and to secure performance and observance of the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and of the material covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority does hereby agree and covenant with the Trustee for the benefit of the respective owners, from time to time, of the Bonds, or any part thereof, and for the benefit of the holders of Parity Obligations, in accordance with terms hereof, as follows:

ARTICLE I

EQUALITY OF SECURITY; DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

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

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

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

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

“**Act**” means the Local Transportation Authority and Improvement Act, Division 19 (Section 180000 et seq.) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

“**Alternate Credit Enhancement**” means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or

guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitution for any Credit Enhancement then in effect.

“Alternate Liquidity Facility” means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

“Annual Debt Service” means, for any Fiscal Year, the aggregate amount (without duplication) of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

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

“Auditor-Controller of the Authority” means the Chief Financial Officer of the Authority.

“Authority” means the San Bernardino County Transportation Authority, a public instrumentality of the State, duly established and existing under the laws of the State, and any successor thereto.

“Authorized Representative” means the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Accounting and Human Resources Manager, or any other person designated to act on behalf of the Authority by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Authority by an Authorized Representative.

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

“Board” means the Board of Directors of the Authority.

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

“Bond Register” has the meaning given to such term in Section 2.07.

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

“Bond Reserve Requirement” with respect to one or more Series of Bonds for which the Authority shall have established a Bond Reserve Fund shall have the meaning specified in the Supplemental Indenture or Supplemental Indentures establishing the terms and provisions of such Series of Bonds.

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

“Bonds” means the San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) and San Bernardino County Transportation Authority Sales Tax Revenue Notes (Limited Tax Bonds) authorized by, and at any time Outstanding pursuant to, this Indenture.

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

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

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

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

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

“Corporate Trust Office” or corporate trust office means the corporate trust office of the Trustee at 700 South Flower Street, Suite 500, Los Angeles, CA, 90017, Attention: Corporate Trust, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted, or such other or additional offices as may be designated by the Trustee from time to time.

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

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

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

“Counterparty” means an entity which has entered into an Interest Rate Swap Agreement with the Authority.

“County” means the County of San Bernardino, California.

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

“Credit Provider” means, with respect to a Series of Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the

financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

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

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

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

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

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

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

(E) with respect to any Obligations bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a fixed rate of interest to maturity or for a specific term with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such

Interest Rate Swap Agreement for such term; provided that if, pursuant to a Certificate of the Authority filed with the Trustee, the sum of (i) interest payable on such Obligations, plus (ii) amounts payable by the Authority under such Interest Rate Swap Agreement, less (iii) amounts receivable by the Authority under such Interest Rate Swap Agreement, is expected to be greater than the interest payable on the Obligations to which such Interest Rate Swap Agreement relates (i.e., if such Interest Rate Swap Agreement is an “off-market” Interest Rate Swap Agreement), then, in such instance, such excess amounts expected to be payable by the Authority under such Interest Rate Swap Agreement or in connection with such Obligations shall be included in the calculation of Debt Service;

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

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

(H) principal and interest payments on Obligations shall be excluded to the extent such payments are to be paid from Revenues then held on deposit by the Trustee or from other amounts on deposit, including Investment Securities and interest to be payable thereon, with the Trustee or other fiduciary in escrow specifically therefor and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Obligations, including Investment Securities and interest to be payable thereon, held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest or from pledged Subsidy Payments the Authority expects to receive.

“Defeasance Securities” means: (i) direct, non-callable obligations of the United States Treasury, (ii) direct non-callable and non-prepayable obligations which are unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest, (iii) non-callable, non-prepayable coupons from the above securities which are stripped pursuant to United States Treasury programs, (iv) non-callable and non-prepayable refunded bonds that are obligations of the United States of America; (v) Resolution Funding Corporation (REFCORP) bonds and strips; (vi) non-callable, and non-prepayable fixed rate Israel Notes guaranteed as to principal and interest by the United States of America through the United Agency for International Development (provided that, such notes mature at least four business

days before funds are needed for refunded bond debt service payments); (vii) United States State and Local Government Series securities (SLGS); (viii) the following non-callable, non-prepayable obligations of federal government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, Farm Credit System, Washington Metropolitan Area Transit Authority, United States Import-Export Bank, United States Department of Housing and Urban Development, Farmers Home Administration, General Services Administration and United States Maritime Administration; and (ix) any pre-refunded municipal security that is non-callable or has been irrevocably called for redemption, carries a fixed interest rate and matures or is to be redeemed on a date certain and is secured by an escrow containing securities listed in (i) through (viii) above.

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

“DTC” means The Depository Trust Company, New York, New York, or any successor thereto.

“Electronic Means” means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

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

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

“Expenditure Plan” means the San Bernardino County Transportation Authority Expenditure Plan adopted as part of the Ordinance, including any future amendments thereto.

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

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

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

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

“**Indenture**” means this Indenture, dated as of March 1, 2012, between the Trustee and the Authority, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions hereof.

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

“**Insurer**” means any provider of Insurance with respect to a Series of Bonds.

“**Interest Fund**” means the fund by that name established pursuant to Section 5.02.

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

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

“**Investment Securities**” means the following:

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

(2) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (1);

(3) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

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

(5) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that, except with respect to direct obligations of the State, 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 both Moody's and Standard & Poor's;

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

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

(8) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee and its affiliates), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, (b) continuously and fully secured by such securities and obligations as are described

above in clauses (1) through (5), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking, or (c) be issued by an institution the senior debt obligations of which are rated “AA” or higher by Standard & Poor’s or “Aa” or higher by Moody’s;

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

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

(11) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars (\$100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (1), (2), (3) or (4) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to 102% of the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 102% of the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(12) any cash sweep or similar account arrangement of or available to the Trustee, and which may include funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services, the investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities; provided that as used in this clause (12) and clause (13) investments will be deemed to satisfy the requirements of clause (11) if they meet the requirements set forth in clause (11) ending with the words “clauses (1), (2), (3) or (4) above” and without regard to the remainder of such clause (11);

(13) any investment agreement with a financial institution or insurance company or whose obligations are guaranteed by 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 both Moody’s and Standard & Poor’s; or (b) is fully secured by obligations described in items (1), (2), (3) or (4) of the definition of Investment Securities which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens;

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

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

(16) bankers’ acceptances issued by domestic or foreign banks, which may include the Trustee and its affiliates, that are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by both Moody’s and Standard & Poor’s, which purchases may not exceed two hundred seventy (270) days maturity;

(17) the pooled investment fund of the County of San Bernardino, California, which is administered in accordance with the investment policy of said County as established by the Treasurer/Tax Collector thereof, as permitted by Section 53601 of the

Government Code of the State, copies of which policy are available upon written request to said Treasurer/Tax Collector;

(18) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to this Indenture;

(19) general obligation bonds of the State;

(20) financial futures or financial option contracts 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 Fitch, Moody's and Standard & Poor's; and

(21) Defeasance Securities.

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

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

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

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

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

“Mandatory Sinking Account Payment” means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Indenture establishing the terms and provisions of such Series of Bonds to be deposited by the Authority in a Sinking Account for the payment of Term Bonds of such Series and maturity.

“Maturity Date” means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

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

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

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

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

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

“One Month USD LIBOR Rate” means the rate for deposits in U.S. dollars for a one-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the date of determination of such rate, except that, if such rate does not appear on such page on such date, the One Month USD LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 a.m., London time, on such date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the Trustee (provided, however, that the Trustee may appoint an agent to identify such Reference Banks). The Trustee or its agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks

in New York City, selected by the Trustee or its agent, at approximately 11:00 a.m., New York City time, on such date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a one-month maturity. If none of the banks in New York City selected by the Trustee or its agent is then quoting rates for such loans, then the One Month LIBOR Rate for the ensuing interest period will mean the One Month LIBOR Rate most recently in effect.

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

“Ordinance” means the Ordinance No. 04-01, adopted by the Authority on June 2, 2004, and any amendments or extensions thereto, together with any future ordinance that is adopted pursuant to the Act from time to time and that is designated as an “Ordinance” hereunder pursuant to a Supplemental Indenture, as such future ordinance may be amended or extended pursuant to the Act from time to time.

“Ordinance No. 89-1” means the Ordinance No. 89-1, adopted by the Authority on August 2, 1989, as subsequently amended, supplemented and extended.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.10) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.11; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Authority and the pledge of Revenues and all covenants, agreements and other obligations of the Authority to the Holders shall continue to exist and shall run to the benefit of such Credit Provider and such Credit Provider shall be subrogated to the rights of such Holders.

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

“Participating Underwriter” means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange

Commission, under the Securities Exchange Act of 1934, as the same may be amended from time to time.

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

“**Principal Fund**” means the fund by that name established pursuant to Section 5.02.

“**Principal Office**” means, with respect to the Trustee, the corporate trust office of the Trustee at 700 South Flower Street, Suite 500, Los Angeles, CA, 90017, Attention: Corporate Trust, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted, or such other or additional offices as may be designated by the Trustee from time to time, and means, with respect to a Credit Provider or a Liquidity Provider, the office designated as such in writing by such party in a notice delivered to the Trustee and the Authority.

“**Prior Notes**” means the San Bernardino Sales Tax Revenue Notes (Limited Tax Bonds), 2009 Series A, authorized by and issued pursuant to the Prior Indenture in order to finance transportation projects described in the Expenditure Plan.

“**Prior Indenture**” means the Indenture, dated as of May 1, 2009, between the Authority and the Prior Trustee, as it has been supplemented and amended from time to time pursuant to its terms.

“**Prior Trustee**” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Prior Indenture.

“**Project**” means capital outlay expenditures for transportation purposes, including, without limitation, the carrying out of transportation projects described in the Expenditure Plan, the construction, maintenance, improvement and operation of local streets, roads, and highways, state highways and freeways, and public transit systems including rail, and related purposes permitted by the Ordinance, including planning, environmental reviews, engineering and design costs and related right-of-way acquisition and also including, without limitation, administrative, engineering, inspection, legal, fiscal agent, financial consultant and other fees, bond and other reserve funds, working capital, bond or note interest estimated to accrue during the construction period and for a period of not to exceed three years thereafter, and expenses for all proceedings for the authorization, issuance and sale of Bonds.

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

“**Proportionate Basis**,” when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which

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

“**Purchase Fund**” means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“**Rating Agency**” means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody’s and Standard & Poor’s then maintaining a rating on such Series of Bonds at the request of the Authority.

“**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.

“**Rating Confirmation**” means written evidence from each rating agency then rating any Series of Bonds to the effect that, following the event which requires the Rating Confirmation, the then current rating for such Series of Bonds will not be lowered or withdrawn solely as a result of the occurrence of such event.

“**Rebate Fund**” means that fund by that name established pursuant to Section 5.09.

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

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

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

“**Redemption Fund**” means the fund by that name established pursuant to Section 5.08.

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

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

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

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

“Reserve Facility Provider” means any issuer of a Reserve Facility.

“Revenue Fund” means the Revenue Fund established pursuant to Section 5.01.

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

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

“Sales Tax” means the retail transactions and use tax applicable in the incorporated and unincorporated territory of the County and imposed pursuant to the provisions of the Act, Ordinance No. 89-1, the Ordinance, and Chapter 5 of the Sales Tax Law, at the rate of one-half of one percent (1/2%) to and including a date not to exceed March 31, 2040.

“Sales Tax Revenues” means the amounts collected on account of the retail transactions and use tax imposed in the County pursuant to the Act and the Ordinance on and after April 1, 2010, after deducting amounts payable by the Authority to the State Board of Equalization for costs and expenses for its services in connection with the retail transactions and use taxes collected pursuant to the Act.

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

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

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

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

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

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

“State” means the State of California.

“State Board of Equalization” means the California State Board of Equalization.

“Subarea” means those subareas identified and defined in the Expenditure Plan, including (i) the North Desert Subarea, (ii) the Colorado River Subarea, (iii) the Morongo Basin Subarea, (iv) the Mountain Subarea, and (v) the Victor Valley Subarea.

“Subordinate Obligations” means any obligations of the Authority issued or incurred in accordance with Section 3.05(D).

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

“Subsidy Payments” means payments to be made by the United States Treasury to the Trustee, for credit to the accounts held by the Trustee on behalf of the Authority, with respect to the interest due on a Series of Bonds that qualify for one or more direct subsidy payments or other form of credits or payments pursuant to the Code, including, without limitation, pursuant to Section 54AA or Section 6431 of the Code or any successor to either such provision.

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

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

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

“**Tax Expiration Date**” means March 31, 2040, or such later date to which the levy of the retail transactions and use tax is extended in accordance with the Act.

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

“**Trustee**” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee as provided in Section 8.01.

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

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

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

counsel, accountants, financial advisors, investment bankers or independent consultants may certify to different matters, respectively.

ARTICLE II

THE BONDS

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

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

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

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

SECTION 2.04 **Execution of Bonds.** The Bonds shall be executed in the name and on behalf of the Authority by the facsimile or manual signature of the Chairperson of the Board or any Vice Chairperson of the Board and shall be countersigned by the facsimile or manual signature of the Auditor-Controller of the Authority, and shall have the official seal of the Authority attached or affixed thereon in manual or facsimile form. Unless otherwise provided in any Supplemental Indenture, the Bonds shall then be delivered to the Trustee for

authentication by the Trustee. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and also any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bond shall be the proper officers of the Authority although at the nominal date of such Bond any such person shall not have been such officer of the Authority.

Except as may be otherwise be provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form recited in the Supplemental Indenture creating such Series of Bonds, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of authentication when manually executed by the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.05 **Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of Section 2.07, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee.

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

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

SECTION 2.07 **Bond Register.** Unless otherwise provided in a Supplemental Indenture delivered in connection with a Series of Bonds, the Trustee will keep or cause to be kept, at its Corporate Trust Office sufficient books for the registration and transfer of each Series of Bonds (the “Bond Register”), which shall at all times be open to inspection during normal

business hours by the Authority and each Credit Provider upon reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

ISSUANCE OF BONDS

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

SECTION 3.02 Issuance of Additional Bonds. Subsequent to the issuance of the 2012 Bonds, the Authority may by Supplemental Indenture establish one or more additional Series of Bonds, payable from Sales Tax Revenues and secured by the pledge made under this Indenture equally and ratably with the 2012 Bonds, and the Authority may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Authority, but only, with respect to each additional Series of Bonds issued subsequent to the 2012 Bonds issued hereunder, upon compliance by the Authority with the provisions of this Section 3.02, Section 3.03 and any additional requirements set forth in said Supplemental Indenture and subject to the specific conditions set forth below, each of which is hereby made a condition precedent to the issuance of any such additional Series of Bonds.

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

(B) Subject to the provisions of Section 5.05, in the event a Supplemental Indenture providing for the issuance of such Series shall require either (i) the establishment of a Bond

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

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

(D) The Authority shall place on file with the Trustee a Certificate of the Authority certifying that the amount of Sales Tax Revenues collected during any twelve (12) consecutive calendar months specified by the Authority within the most recent eighteen (18) calendar months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 2.0 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.

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

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

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

SECTION 3.03 Proceedings for Issuance of Additional Bonds. Subsequent to the issuance of the 2012 Bonds, before any additional Series of Bonds shall be issued and delivered, the Authority shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied).

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

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

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

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

SECTION 3.04 Issuance of Refunding Bonds.

(A) Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of Sections 3.02(D) or 3.03(C) in order to effect a favorable reorganization of its debt as determined by the Authority. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

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

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

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

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

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

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

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

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

(2) A Certificate of the Authority certifying that the requirements of Sections 3.02(A), (B), and (C) hereof are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the Authority; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Authority may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds; and provided further that no provision of this Indenture shall be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.

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

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

SECTION 3.05 Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations. Subsequent to the issuance of the 2012 Bonds, the Authority will not, so long as any Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Sales Tax Revenues except as set forth below.

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

(B) Refunding Bonds authorized pursuant to Section 3.04.

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

REDEMPTION, TENDER AND PURCHASE OF BONDS

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

SECTION 4.02 **Notice of Redemption.** Unless otherwise specified in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, each notice of redemption shall be mailed by the Trustee, not less than twenty (20) nor more than ninety (90) days prior to the redemption date, to each Holder and each of the Repositories; provided, however, that such notice may be mailed not less than ten (10) days prior to the redemption date if such shorter notice period is permitted under the then-current guidelines of the Securities Depository or if the Bonds of such Series are no longer held pursuant to a book-entry registration system. A copy of such notice shall also be provided to each of the Notice Parties with respect to Series of Bonds to which such notice relates. Notice of redemption to the Holders, the Repositories and the applicable Notice Parties shall be given by first class mail. Each notice of redemption shall state the date of such notice, the date of issue of the Series of Bonds to which such notice relates, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity, if any, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the

address or addresses of the Trustee specified in the redemption notice. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such CUSIP numbers.

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

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

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

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

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

payment and such funds are hereby pledged to such payment. All Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof.

ARTICLE V

SALES TAX REVENUES

SECTION 5.01 Pledge of Revenues; Revenue Fund.

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

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

(B) As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Authority shall cause Sales Tax Revenues to be transmitted by the State Board of Equalization directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, all Sales Tax Revenues, when and as received by the Trustee. The Sales Tax Revenues and all other amounts deposited into the Revenue Fund pursuant to this Section 5.01(B), shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and the Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Indenture. Investment income on amounts held by the Trustee hereunder (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, a Letter of Credit Account or a Purchase Fund, are provided in a Supplemental Indenture), shall also be deposited in the Revenue Fund. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Holders of the Bonds and the holders of Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Indenture.

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

SECTION 5.02 Allocation of Sales Tax Revenues.

(A) So long as any Bonds are Outstanding and Parity Obligations, Subordinate Obligations, and all other amounts payable hereunder remain unpaid, the Trustee shall set aside in each month following receipt of the Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee pursuant to Section 3.05 (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations); provided further that payments on Interest Rate Swap Agreements that are payable on a parity with the Bonds shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements in accordance with Section 5.10:

(1) Interest Fund. Following receipt of the Sales Tax Revenues in each month, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six (6) months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) is on deposit in such fund; provided that from the date of delivery of a Series of Current Interest Bonds until the first Interest Payment Date with respect to such Series of Bonds the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said Interest Payment Date with respect to such Series of Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Authority, or if the Authority shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus one hundred (100) basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual

amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six (6) months upon all of the Bonds issued hereunder and then Outstanding, and on March 1 and September 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having Interest Payment Dates other than March 1 and September 1) shall be transferred to the Authority (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates). All Swap Revenues received with respect to Interest Rate Swap Agreements that are Parity Obligations shall be deposited in the Interest Fund and credited to the above required deposits.

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

In the event that the Sales Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in

such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

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

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

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

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

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

(C) If, five (5) days prior to any principal payment date, Interest Payment Date or mandatory redemption date, the amounts on deposit in the Revenue Fund, the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent not required to satisfy the Bond Reserve Requirement, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Authority hereby covenants and agrees to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

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

SECTION 5.04 Application of Principal Fund.

(A) All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided herein, or for

reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit.

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

SECTION 5.05 Establishment, Funding and Application of Bond Reserve

Funds. The Authority may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Authority shall be available to secure one or more Series of Bonds as the Authority shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund or, if the Supplemental Indenture establishing any Bond Reserve Fund also establishes a pooled Bond Reserve Requirement that is applicable to an initial Series of Bonds together with any one or more subsequently-issued eligible Series of Bonds with the same pooled Reserve Requirement, in subsequent Supplemental Indentures. Any Bond Reserve Fund established by the Authority shall be held by the Trustee and shall comply with the requirements set forth in this Section 5.05.

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

(B) In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Bond Reserve Fund (which shall be transferred by the Trustee to the Authority) or in substitution of any Reserve Facility comprising part of a Bond Reserve Requirement for any Bonds, the Authority may, at any time and from time to time, deliver to the

Trustee a surety bond or an insurance policy securing an amount which, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Bond Reserve Fund, is no less than the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated at the time of delivery in one of the two highest Rating Categories of both Moody's and Standard & Poor's. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained. In the event that such surety bond or insurance policy for any reason lapses or expires, the Authority shall immediately implement (i) or (iii) of the preceding paragraph or make twelve equal monthly deposits to such Bond Reserve Fund so that the Bond Reserve Fund is replenished to the required level after a year.

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

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

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

SECTION 5.06 **Application of Subordinate Obligations Fund.** All moneys in the Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Subordinate Obligations in accordance with Section 5.02(A)(4).

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

SECTION 5.08 **Application of Redemption Fund.** The Trustee shall establish, maintain and hold in trust a special fund designated as the "Redemption Fund." All moneys deposited by the Authority with the Trustee for the purpose of optionally redeeming Bonds of

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

SECTION 5.09 Rebate Fund.

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

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

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

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

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

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

SECTION 5.11 Investment in Funds and Accounts. All moneys in any of the funds and accounts held by the Trustee and established pursuant to this Indenture shall be invested, as directed by the Authority, solely in Investment Securities. All Investment Securities shall, as directed by the Authority in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in Section 6.08, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority. If and to the extent the Trustee does not receive investment instructions from the Authority with respect to the moneys in the funds and accounts held by the Trustee pursuant to this Indenture, such moneys shall be invested in Investment Securities described in clause (12) of the definition thereof, provided that as long as the Trustee is The Bank of New York Mellon Trust Company, N.A., the Authority shall identify in writing the specific fund or funds authorized for such investments, and provided

further, following investment of moneys in overnight sweep accounts, the Trustee shall promptly thereafter request investment instructions from the Authority for such moneys.

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

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds or a Request of the Authority: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund shall be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from the investment of moneys in a Costs of Issuance Fund shall be transferred to the Revenue Fund; (iv) all interest, profits and other income received from the investment of moneys in a Project Fund shall be retained in such Project Fund, unless the Authority shall direct that such earnings be transferred to the Rebate Fund; (v) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in Section 5.09, (vi) all interest, profits and other income received from the investment of moneys in any Purchase Fund shall be retained in such Purchase Fund; and (vii) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

All Investment Securities credited to any Bond Reserve Fund shall be valued (at market value) as of March 1 and September 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary herein, in making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to this Indenture (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Authority may impose its customary charge therefor. The Trustee may sell at the best price obtainable consistent with the Trustee's customary trading practices, or present for redemption,

any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance herewith.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

ARTICLE VI

COVENANTS OF THE AUTHORITY

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

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

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

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

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

SECTION 6.06 **Accounting Records and Financial Statements.**

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

(B) The Authority will furnish the Trustee, with copies to each Credit Provider and each Liquidity Provider, within two hundred seventy (270) days after the end of each Fiscal Year or as soon thereafter as they can practically be furnished, the financial statements of the Authority for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of an Authorized Representative stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Authority to cure such default. Thereafter, a copy of such financial statements will be furnished to any Holder upon written request to the Authority, which copy of the financial statements may, at the sole discretion of the Authority, be provided by means of posting such financial statements on an internet site that provides access to the Holders.

SECTION 6.07 **Collection of Sales Tax Revenues.**

(A) The Authority covenants and agrees that it has duly levied a retail transactions and use tax in accordance with the Act, pursuant to and in accordance with Ordinance No. 89-1 and the Ordinance, each duly passed and adopted by the Authority. Neither Ordinance No. 89-1 nor the Ordinance will be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues, and the Authority will continue to levy and collect such retail transactions and use tax to the full amount permitted by law. The Authority covenants that it has entered into an agreement, as it has been amended and supplemented, with the State Board of Equalization, under and pursuant to which the State Board of Equalization processes and supervises collection of said retail transactions and use tax and transmits the receipts of the Sales Tax directly to the Trustee. Said agreement will be continued in effect so long as any Bonds are Outstanding and shall not be further amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The Authority will receive and hold in trust for (and remit immediately to) the Trustee any Sales Tax Revenues paid to the Authority by the State Board of Equalization.

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

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

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

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

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

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

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

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

SECTION 6.10 **Allocations; Return to Source.** All payments of Sales Tax Revenues to the Subareas shall be subordinate to the payment of the Bonds, Parity Obligations, Subordinate Obligations and payments required to be made from the Fees and Expenses Fund. In conformance with Section VII of the Ordinance, the Authority hereby covenants and agrees that it shall account for expenditures of the proceeds of the Bonds, Parity Obligations and Subordinate Obligations by Subarea and project category within such Subarea, and, when allocating and accounting for return to source revenues for each Fiscal Year as set forth in the Ordinance and Expenditure Plan, the Authority shall deduct from the Sales Tax Revenues received from each applicable Subarea an amount bearing the same proportion to Annual Debt Service and other priority payments payable from Revenues as the amount of proceeds expended in such Subarea bears to the total proceeds of such obligations expended in all Subareas. Where amounts allocable to a Subarea are insufficient to cover the portion of the Annual Debt Service and other priority payments attributable to such Subarea for such Fiscal Year, such deficit amount will be carried forward and applied to future revenues allocable to such Subarea.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

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

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

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

(H) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the retail transactions and use tax, being Sections 180200 to 180207, inclusive, of the Public Utilities Code of the State unless the Authority has reasonably determined that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

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

(1) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses

of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under this Indenture;

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

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

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

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

SECTION 7.03 Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Provider providing such Credit Enhancement, or if such Credit Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the

Trustee or in such Holders under this Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Sales Tax Revenues and other assets pledged under this Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Provider providing such Credit Enhancement. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Indenture (including Section 7.05).

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

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

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Holders of Bonds, or to enforce

any right under this Indenture, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06 **Absolute Obligation of the Authority.** Nothing in Section 7.05 or in any other provision of this Indenture, or in the Bonds, contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

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

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

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

SECTION 7.10 **Credit Provider Directs Remedies Upon Event of Default.** Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined herein, the Credit Provider then providing Credit Enhancement for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds secured by such Credit Enhancement or granted to the Trustee for the benefit of the Holders of the Bonds secured by such Credit Enhancement,

provided that the Credit Provider's consent shall not be required as otherwise provided herein if such Credit Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Provider.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01 Appointment, Duties Immunities and Liabilities of Trustee.

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

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

(C) The Trustee may at any time resign by giving written notice of such resignation to the Authority and each Credit Provider then insuring any Series of Bonds and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(D) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any

successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority, each Credit Provider then insuring any Series of Bonds and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall give notice of the succession of such Trustee to the trusts hereunder by mail to the Bondholders at the addresses shown on the registration books maintained by the Trustee. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

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

SECTION 8.02 Accounting Records and Monthly Statements. The Trustee shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including proceeds of each Series of Bonds and moneys derived from, pledged to, or to be used to make payments on each Series of Bonds. Such records shall specify the account or fund to which each deposit and each investment (or portion thereof) held by the Trustee is allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity. The Trustee shall furnish the Authority with a

monthly statement which shall include a summary of all deposits and all investment transactions related to each Series of Bonds then Outstanding, such statement to be provided to the Authority no later than the tenth (10th) Business Day of the month following the month to which such statement relates, the first such monthly statement to be provided by the tenth (10th) Business Day of the month immediately following the month in which the 2009 Notes are delivered by the Trustee pursuant to the provisions of this Indenture.

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

SECTION 8.04 **Liability of Trustee.**

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

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

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

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

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

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

(G) No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(H) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, requisition, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(I) The Trustee shall not be responsible for:

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

(2) the application and handling by the Authority of any other fund or account designated to be held by the Authority hereunder;

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

(4) the construction, operation or maintenance of any portion of the Project by the Authority.

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

(K) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture provided by Electronic Means in accordance with its customary practices or as further provided by supplemental agreement.

(L) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond the Trustee’s control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(M) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of Bonds, except for statements provided by the Trustee expressly for inclusion therein.

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

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including, without limitation, matters relating to proposed

modifications or amendments of this Indenture, the Trustee may request a Certificate of the Authority and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by such Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Trustee may also rely conclusively on any report, statement, requisition, facsimile transmission, electronic mail or certification of any certified public accountant, investment banker, financial consultant, or other expert selected by the Authority or selected by the Trustee with due care in connection with matters required to be proven or ascertained in connection with its administration of the trusts created hereby.

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

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS INDENTURE

SECTION 9.01 **Amendments Permitted.**

(A) (1) This Indenture and the rights and obligations of the Authority, the Holders of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into when the written consent of the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this Section.

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

(B) This Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bondholders, but only to the extent permitted by Act and only for any one or more of the following purposes:

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

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

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

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

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

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

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

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

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

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

(11) if the Authority agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(12) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

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

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

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

Supplemental Indenture as provided in Section 9.01(A). The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (A) or (B) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

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

SECTION 9.03 **Endorsement of Bonds; Preparation of New Bonds.** Bonds delivered after any Supplemental Indenture becomes effective pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of his Bond for such purpose at the Corporate Trust Office or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Corporate Trust Office, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same Series, tenor and maturity.

SECTION 9.04 **Amendment of Particular Bonds.** The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

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

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

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

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

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

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

If the Bonds being discharged are Variable Rate Indebtedness, (i) the Bonds shall be redeemed at the first possible redemption date or purchase date applicable to such Bonds and to the extent the rate of interest payable on such Bonds prior to such redemption or purchase date is not known, such rate of interest shall be assumed to be the maximum rate payable thereon or (ii) the Trustee shall receive a confirmation from the Rating Agency then rating the Bonds that the defeasance will not result in the reduction or withdrawal of the then-current ratings on the Bonds.

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

Notwithstanding anything in this Section 10.02 to the contrary, if the principal of or interest on a Series of Bonds shall be paid by a Credit Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the Authority shall not be deemed to be satisfied or considered paid by the Authority by virtue of such payments, and the right, title and interest of the Authority herein and the obligations of the

Authority hereunder shall not be discharged and shall continue to exist and to run to the benefit of such Credit Provider, and such Credit Provider shall be subrogated to the rights of the Holders of the Bonds of such Series.

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

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

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

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

or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Holders thereof and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the Authority) for interest earned on, moneys so held. Any interest earned thereon shall belong to the Authority and shall be deposited upon receipt by the Trustee into the Revenue Fund.

ARTICLE XI

MISCELLANEOUS

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

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

SECTION 11.03 Limitation of Rights. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Authority, the Trustee, each Credit Provider, each Liquidity Provider, each Reserve Facility Provider, the Holders of the Bonds and the holders of any Parity Obligations, including each Counterparty, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, each Credit Provider, each Liquidity Provider, each Reserve Facility Provider, the Holders of the Bonds and the holders of any Parity Obligations, including each Counterparty. Each Credit Provider and each Liquidity Provider is an express third party beneficiary of this Indenture.

SECTION 11.04 Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

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

Rating Agencies:

Public Finance Department
Standard & Poor's Ratings Services
55 Water Street, 38th Floor
New York, New York 10041
Attention: David Hitchcock
Telephone: (212) 438-2000
Fax: (212) 438-2157
pubfin_structured@standardandpoors.com

Moody's Investors Service
One Front Street, Suite 1900
San Francisco, CA 94111
Attention: Dari Barzel, Vice President/ Senior Credit Officer
Telephone: (415) 274-1707
Fax: (212) 298-6831

Fitch Ratings
One State Street Plaza
New York, New York 10004
Telephone: (212) 908-0500
Fax: (212) 480-4421
pubfinserv@fitchratings.com

SECTION 11.09 Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section.

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

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

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor

or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.10 Disqualified Bonds. In determining whether the Holders of the requisite aggregate Bond Obligation of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds that are owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlled by, or under direct or indirect common control with, the Authority. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

SECTION 11.11 Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal, Redemption Price or purchase price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.12 Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every holder thereof.

SECTION 11.13 Limitations on Rights of Credit Providers, Liquidity Providers, Reserve Facility Providers. A Supplemental Indenture establishing the terms and provisions of a Series of Bonds may provide that any Credit Provider, Liquidity Provider or Reserve Facility Provider may exercise any right under this Indenture given to the Holders of the Bonds to which such Credit Enhancement, Liquidity Facility or Reserve Facility relates. All provisions under this Indenture authorizing the exercise of rights by a Credit Provider, a Liquidity Provider or a Reserve Facility Provider with respect to consents, approvals, directions, waivers, appointments, requests or other actions, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider, Liquidity Provider or Reserve Facility Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider, Liquidity Provider or Reserve Facility Provider under the applicable Credit Enhancement, Liquidity Facility or Reserve Facility or (ii) after the applicable Credit Enhancement, Liquidity Facility or Reserve Facility shall at any time for any reason cease to be valid and binding on the provider thereof, or shall be declared to

be null and void by final, non-appealable judgment of a court of competent jurisdiction, or after the Credit Enhancement, Liquidity Facility or Reserve Facility has been rescinded, repudiated by the provider thereof or terminated, or after a receiver, conservator or liquidator has been appointed for the provider thereof. All provisions relating to the rights of a Credit Provider, Liquidity Provider or Reserve Facility Provider shall be of no further force and effect if all amounts owing to such Credit Provider, Liquidity Provider or Reserve Facility Provider shall have been paid pursuant to the terms of the applicable Credit Enhancement, Liquidity Facility or Reserve Facility and such Credit Enhancement, Liquidity Facility or Reserve Facility shall no longer be in effect.

SECTION 11.14 Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

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

SECTION 11.15 Waiver of Personal Liability. No Board member, officer, agent or employee of the Authority or the Trustee shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such Board member, officer, agent or employee of the Authority or the Trustee from the performance of any of any official duty provided by law or by this Indenture.

SECTION 11.16 Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

SECTION 11.17 Business Day. Except as specifically set forth in this Indenture or a Supplemental Indenture, transfers which would otherwise become due on any day which is not a Business Day shall become due or shall be made on the next succeeding Business Day with the same effect as if made on such prior date.

SECTION 11.18 Effective Date of Indenture. This Indenture shall take effect upon its execution and delivery.

SECTION 11.19 Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Indenture by their officers thereunto duly authorized as of the day and year first written above.

SAN BERNARDINO COUNTY
TRANSPORTATION AUTHORITY

By: _____
Executive Director

(Seal)

ATTEST:

Clerk of the
San Bernardino County Transportation Authority

APPROVED AS TO FORM:

By: _____
Robert F. Messinger
Legal Counsel

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Trustee

By: _____
Authorized Officer

Bond Purchase Contract

\$ _____
**SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS
(LIMITED TAX BONDS)
2012 SERIES A**

PURCHASE CONTRACT

March __, 2012

Board of Directors
San Bernardino County Transportation Authority

Ladies and Gentlemen:

The undersigned, (the “Representative”), acting on behalf of itself and on behalf of the other underwriters named in the list attached hereto as Schedule I (the Representative and such other underwriters being collectively called the “Underwriters”), hereby offers to enter into this Purchase Contract (this “Purchase Contract”) with you, the San Bernardino County Transportation Authority (the “Authority”), for the purchase of the San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) 2012 Series A in the aggregate principal amount of \$_____ (the “Series 2012 Bonds”), which will be issued under the Indenture, dated as of March 1, 2012 (the “Master Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of March 1, 2012 (the “First Supplemental Indenture,” and, together with the Master Indenture, the “Indenture”), between the Authority and the Trustee. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Indenture.

The Representative is duly authorized to execute this Purchase Contract and to take any action hereunder on behalf of the Underwriters. The Authority acknowledges and agrees that (i) the purchase and sale of the Series 2012 Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the Authority and the Underwriters and the Underwriters have financial and other interests that differ from those of the Authority, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as principals and are not acting as agents or fiduciaries of the Authority, (iii) the Underwriters have not assumed any advisory or fiduciary responsibility in favor of the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether any of the Underwriters have provided other services or is currently providing other services to the Authority on other matters) and the only obligations the Underwriters have to the Authority with respect to the offering contemplated hereby expressly are set forth in this Purchase Contract, and (iv) the Authority has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

This offer is made subject to acceptance by the Authority prior to 11:59 p.m., California time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Representative upon notice delivered to the Authority at any time prior to acceptance. Upon acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Underwriters.

1. Purchase, Sale and Delivery of the Series 2012 Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase and the Authority agrees to sell to the Underwriters all (but not less than all) of the Series 2012 Bonds at a purchase price of \$_____ (reflecting the aggregate principal amount of the Series 2012 Bonds of \$_____, [plus/less] an [net] original issue [premium/discount] of \$_____, less an Underwriters' discount of \$_____).

(b) The Series 2012 Bonds are secured by a pledge of Revenues and, with certain limited exceptions, all amounts held in the funds and accounts established under the Indenture, as described therein. Revenues consist primarily of Sales Tax Revenues, defined in the Indenture as the amounts collected on account of the retail transactions and use tax applicable in the incorporated and unincorporated territory of the County and imposed pursuant to the provisions of the Act (as defined below), Ordinance No. 89-1 (as defined below), the Ordinance (as defined below) and the Sales Tax Law (as defined below), at the rate of one-half of one percent (1/2%) to and including a date not to exceed March 31, 2040 (the "Sales Tax"), imposed on and after April 1, 2010. The Series 2012 Bonds shall be substantially in the form described in, and shall be issued and secured under and pursuant to, and shall be payable and subject to redemption as provided in, the Indenture. The Series 2012 Bonds shall bear interest at the rates and mature on the dates set forth in Schedule II hereto. The initial Interest Payment Date for the Series 2012 Bonds shall be the first Business Day of September 2012.

(c) The Series 2012 Bonds are being issued to (i) provide a portion of the funds needed to defease certain bonds previously issued by the Authority (the "Prior Bonds"), (ii) finance or reimburse the Authority for its prior payment of costs of a portion of the Project, and (iii) pay certain costs of issuance of the Series 2012 Bonds. The defeasance of the Prior Bonds will occur pursuant to an escrow agreement, dated as of March 1, 2012 (the "Escrow Agreement"), by and between the Authority and the bond trustee for the Prior Bonds (the "Escrow Agent").

(d) The Authority will undertake, pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to provide certain annual financial information and notices of the occurrence of certain enumerated events. A form of the Continuing Disclosure Certificate is set forth in the Official Statement. The Indenture, the Escrow Agreement and the Continuing Disclosure Certificate shall be collectively referred to herein as the "Financing Documents."

(e) The Authority hereby ratifies, confirms and approves the use and distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement of the Authority dated March __, 2011 relating to the Series 2012 Bonds (which, together with the cover page and all appendices thereto, is referred to herein as the "Preliminary Official Statement"), in printed or

electronic form. The Authority has deemed final the Preliminary Official Statement as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”), except for such information permitted to be omitted therefrom by Rule 15c2-12. The Authority hereby acknowledges that the Preliminary Official Statement was made available to investors on the Internet at _____. The Authority hereby agrees to deliver or cause to be delivered to the Underwriters, not later than the earlier of seven (7) business days following the date hereof and three (3) business days prior to the Closing Date (as defined herein), copies of the final official statement (including any amendments or supplements to such official statement as have been approved by the Authority and the Representative) (the “Official Statement”) in sufficient quantity and format to enable the Underwriters to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. At the time of or prior to the Closing Date, the Representative shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access (“EMMA”) system. The Authority hereby authorizes the Underwriters to use the Official Statement and each of the other Financing Documents and the information contained in each of the foregoing in connection with the public offering and sale of the Series 2012 Bonds.

(f) The Underwriters agree to make a bona fide public offering of the Series 2012 Bonds at the initial offering prices set forth in the Official Statement and in Schedule II hereto, which prices may be changed from time to time by the Underwriters, in their discretion in connection with the marketing of the Series 2012 Bonds; provided that the Series 2012 Bonds may be offered and sold to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by the Underwriters, at prices lower than such public offering prices and the Underwriters may effect transactions that stabilize or maintain the market price of the Series 2012 Bonds. A “bona fide public offering” shall include an offering to institutional investors or registered companies, regardless of the number of such investors to which the Series 2012 Bonds are sold.

(g) At 8:00 a.m., California time, on March __, 2012, or at such other time or on such other date as the Authority and the Representative mutually agree upon (the “Closing Date”), the Authority will deliver or cause to be delivered to the Representative, the duly executed Series 2012 Bonds (delivered through the book-entry system of The Depository Trust Company (“DTC”) (physical delivery of Series 2012 Bonds to be made to the Trustee, as agent of DTC under the Fast Automated Securities Transfer System), and at the offices of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), 405 Howard Street, San Francisco, California 94105, or at such other place as the Authority and the Representative shall have mutually agreed upon, the other documents mentioned herein. The Representative will accept such delivery and pay the purchase price(s) of the Series 2012 Bonds as set forth in subparagraph (a) above in immediately available funds (such delivery and payment being herein referred to as the “Closing”) payable to the order of the Trustee in an amount equal to \$_____.

The Series 2012 Bonds will be registered in the name of “Cede & Co.” as nominee of DTC. It is anticipated that CUSIP identification numbers will be printed on the Series 2012 Bonds, but neither the failure to print such numbers on the Series 2012 Bonds nor any error with respect thereto shall constitute a cause for failure or refusal by the Representative to accept delivery of the Series 2012 Bonds in accordance with the terms of this Purchase Contract.

2. Representations, Warranties and Agreements of the Authority. The Authority hereby represents, warrants and agrees with the Underwriters as follows:

(a) The Authority is and will be on the Closing Date a public instrumentality duly organized and validly existing pursuant to the Local Transportation Authority and Improvement Act (Division 19 of the Public Utilities Code of the State) (the “Act”) and the laws of the State of California (the “State”).

(b) (i) The Authority has full legal right, power and authority under the Constitution of the State, the Act, the California Transactions and Use Tax Law (Section 7251 *et seq.*) of the State) (the “Sales Tax Law”), all other applicable laws of the State, the Authority’s Ordinance No. 89-1 adopted on November 7, 1989 (“Ordinance No. 89-1”) and the amendment thereto adopted on January 3, 1990 (the “Ordinance Amendment,” and collectively with Ordinance No. 89-1, the “Ordinance”), to levy and cause the collection of the Sales Tax, to adopt the resolution adopted on March __, 2012 authorizing the issuance of the Series 2012 Bonds, the delivery of the Preliminary Official Statement, and the execution and delivery of the Financing Documents, this Purchase Contract and the Official Statement (the “Bond Resolution”), to execute and deliver the Official Statement, to enter into the Financing Documents and this Purchase Contract and to sell, issue and deliver the Series 2012 Bonds to the Underwriters as provided herein; (ii) the Authority has duly authorized and has full legal right, power and authority to perform its obligations under the Ordinance, the Bond Resolution, the Financing Documents and this Purchase Contract, and, when executed and delivered by the respective parties thereto, each of the aforementioned documents and the Series 2012 Bonds will be the legal, valid and binding obligation of the Authority enforceable in accordance with its terms subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors’ rights from time to time in effect, and to carry out and consummate the transactions contemplated thereby and hereby and by the Official Statement; (iii) the Authority has complied with, or will at the Closing Date be in compliance with, in all respects material to this transaction, the Constitution, the Act, all other applicable laws of the State, the Ordinance, the terms of the Bond Resolution, the Series 2012 Bonds, the Financing Documents and this Purchase Contract.

(c) By all necessary official action, the Authority has duly adopted the Ordinance imposing the Sales Tax, which was approved by at least two-thirds of the electors in the County of San Bernardino voting on the Sales Tax on November 2, 2004.

(d) By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Financing Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Contract.

(e) The execution and delivery of the Financing Documents to be executed by the Authority, this Purchase Contract and the Official Statement, and compliance with the provisions on the Authority’s part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the

Authority is a party or is otherwise subject, and the levy and collection of the Sales Tax, the adoption of the Bond Resolution, the issuance and delivery of the Series 2012 Bonds and the execution and delivery of this Purchase Contract and the Financing Documents and compliance with the Authority's obligations therein and herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, agreement, mortgage, lease or other instrument to which the Authority is a party or to which the Authority or any of its property or assets is otherwise subject, nor will any such levy, collection, execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instruments, except as provided by the Bond Resolution and the Financing Documents.

(f) The Authority is not, in any respect material to this transaction, in breach of or default under any constitutional provision, law or administrative regulation of the State or of the United States or any agency or instrumentality of either any judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority or any of its property or assets is otherwise subject (including, without limitation, the Ordinance, the Bond Resolution and the Financing Documents), and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument.

(g) As of the date hereof, no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, government agency, public board or body of competent jurisdiction, is pending or, to the best of the Authority's knowledge, threatened against the Authority: (i) in any way affecting the existence of the Authority or in any way challenging the respective powers of the several offices or the titles of the officials of the Authority to such offices; (ii) affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of any of the Series 2012 Bonds, the application of the proceeds of the sale of the Series 2012 Bonds, the proceedings authorizing and approving the Sales Tax, the levy or collection of the Sales Tax; (iii) in any way contesting or affecting, as to the Authority, the validity or enforceability of the Act, the proceedings authorizing the Sales Tax, the Bond Resolution, the Series 2012 Bonds, the Financing Documents or this Purchase Contract; (iv) in any way contesting the powers of the Authority or its authority with respect to issuance or delivery of the Series 2012 Bonds, the adoption of the Bond Resolution, or the execution and delivery of the Financing Documents or this Purchase Contract, or contesting the power or authority to levy the Sales Tax; (v) contesting the exclusion from gross income of interest on the Series 2012 Bonds for federal income tax purposes; (vi) in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any supplement or amendment thereto; or (vii) in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby or that might materially adversely affect the ability of the Authority to perform and satisfy its obligations under this Purchase Contract, the Financing Documents or the Series 2012 Bonds; nor to the best of the Authority's knowledge is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Act, the proceedings authorizing the Sales Tax, the Bond Resolution, the Financing Documents or this Purchase Contract or the performance by the

Authority of its obligations thereunder, or the authorization, execution, delivery or performance by the Authority of the Series 2012 Bonds, the Bond Resolution, the Financing Documents or this Purchase Contract.

(h) The Authority will furnish such information, execute such instruments, and take such other action in cooperation with and at the expense of the Underwriters as the Underwriters may reasonably request in order (i) to qualify the Series 2012 Bonds for sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriters may designate and (ii) to determine the eligibility of the Series 2012 Bonds for investment under the laws of such states and other jurisdictions; and the Authority will use commercially reasonable efforts to continue such qualification in effect so long as required for distribution of the Series 2012 Bonds; provided, however, that in no event shall the Authority be required to qualify as a foreign corporation in, or submit to the general jurisdiction of, any other state or to file any general or special consent to service of process under the laws of any jurisdiction in which it is not already so subject, and will provide prompt written notice to the Representative of receipt by the Authority of any written notification with regard to the suspension of the qualification of the Series 2012 Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(i) The Series 2012 Bonds, when issued, will conform to the description thereof contained in the Preliminary Official Statement and the Official Statement under the captions “THE SERIES 2012 BONDS” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”; the proceeds of the Series 2012 Bonds, when issued, will be applied generally as described in the Preliminary Official Statement and the Official Statement under the captions “INTRODUCTION—Purpose and Application of Proceeds” and “PLAN OF FINANCE”; and the Financing Documents which are described in the Official Statement conform to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement.

(j) The Preliminary Official Statement (other than information allowed to be omitted by Rule 15c2-12), as of its date and as of the date hereof, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (excluding therefrom information relating to DTC and the book-entry system, the prices or yields of the Series 2012 Bonds as shown on the cover and information under the caption “UNDERWRITING” and the information in Appendices B and C (collectively, the “Excluded Information”) as to which no representation is made).

(k) At all times upon the delivery thereof and subsequent to the date of delivery thereof (up to and including the Closing Date), the Official Statement (excluding therefrom the Excluded Information as to which no representation is made) did not, except as amended or supplemented pursuant to the terms hereof, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) As of the date thereof and at all times subsequent thereto to and including the date which is twenty-five (25) days following the End of the Underwriting Period (as such term is

hereinafter defined) for the Series 2012 Bonds, the Official Statement (excluding therefrom the Excluded Information as to which no representation is made) did not and will not, except as amended or supplemented pursuant to the terms hereof, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) If between the date hereof and the date which is twenty-five (25) days after the End of the Underwriting Period for the Series 2012 Bonds an event occurs, of which the Authority has knowledge, which might or would cause the information contained in the Official Statement (excluding the Excluded Information as to which no representation is made), as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which such information was presented, not misleading, the Authority will notify the Underwriters, and, if in the opinion of the Authority, the Underwriters or their counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will forthwith prepare and furnish to the Underwriters (at the expense of the Authority) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters). For the purposes of this subsection, between the date hereof and the date which is twenty-five (25) days after the End of the Underwriting Period for the Series 2012 Bonds, the Authority will furnish such information with respect to itself as the Underwriters may from time to time reasonably request.

(n) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (m) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is twenty-five (25) days after the End of the Underwriting Period for the Series 2012 Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein, but excluding therefrom the Excluded Information as to which no representation is made) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(o) After the Closing until the date which is twenty-five (25) days after the End of the Underwriting Period for the Series 2012 Bonds, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriters shall reasonably object in writing or which shall be disapproved by counsel for the Underwriters. As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the Series 2012 Bonds shall mean the earlier of (i) the Closing Date or (ii) the date on which the End of the Underwriting Period for the Series 2012 Bonds has occurred under Rule 15c2-12, as specified as such in a notice from the Underwriters stating the date which is the End of the Underwriting Period.

(p) The Authority has complied with all previous continuing disclosure undertakings, if any, required pursuant to Rule 15c2-12 for the past five years.

(q) The financial statements of, and other financial information regarding, the Authority in the Preliminary Official Statement and in the Official Statement fairly present the financial position and results of the Authority as of the dates and for the periods therein set forth. The financial statements of the Authority have been prepared in accordance with generally accepted accounting principles consistently applied, and except as noted in the Preliminary Official Statement and in the Official Statement, the other historical financial information regarding the Authority set forth in the Preliminary Official Statement and in the Official Statement has been presented on a basis consistent with that of the Authority's audited financial statements included in the Preliminary Official Statement and in the Official Statement. Except as disclosed in the Preliminary Official Statement and the Official Statement or otherwise disclosed in writing to the Underwriters, there has not been any materially adverse change in the financial condition of the Authority or in its operations since the date of the financial statements included in the Preliminary Official Statement and the Official Statement, and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(r) Prior to the Closing, the Authority will not take any action within or under its control that will cause any adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Authority.

(s) All consents, approvals, authorizations, orders, licenses or permits of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter, that are required for the due authorization by, or that would constitute a condition precedent to or the absence of which would materially adversely affect the issuance, delivery or sale of the Series 2012 Bonds and the execution, delivery of and performance of the Financing Documents by the Authority have been duly obtained (except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2012 Bonds, as to which no representation is made).

(t) Between the date hereof and the Closing Date, the Authority will not, without the prior written consent of the Underwriters, offer or issue in any material amount any bonds, notes or other obligations for borrowed money, or in any material amount incur any material liabilities, direct or contingent, except in the course of normal business operations of the Authority or relating to the Project or except for such borrowings as may be described in or contemplated by the Preliminary Official Statement and the Official Statement.

(u) The Authority has the legal authority to apply and will apply, or cause to be applied, the proceeds from the sale of the Series 2012 Bonds as provided in and subject to all of the terms and provisions of the Act, the Ordinance, the Bond Resolution and the Indenture, and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2012 Bonds.

(v) Except as described in the Preliminary Official Statement and the Official Statement, the Authority has not granted a lien on or made a pledge of the Revenues or any other funds pledged under the Indenture.

(w) Upon the delivery of the Series 2012 Bonds, the aggregate principal amount of Bonds authorized to be issued under the Indenture, together with all outstanding Parity Obligations, will not in combination with all outstanding debt obligations of the Authority exceed any limitation imposed by law or by the Indenture.

(x) The sum of the principal of and expected interest on the Series 2012 Bonds, together with all outstanding Parity Obligations and other outstanding debt obligations of the Authority, if any, does not exceed the estimated proceeds of the retail transactions and use tax for the period for which the retail transactions and use tax is to be imposed by the Authority.

(y) Any certificate, signed and delivered by any official of the Authority authorized to do so in connection with the transactions described in this Purchase Contract, shall be deemed a representation and warranty by the Authority to the Underwriters as to the statements made therein.

3. Conditions to the Obligations of the Underwriters.

The Representative hereby enters into this Purchase Contract in reliance upon the representations and warranties of the Authority contained herein and the representations and warranties of the Authority to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority of its obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriters' obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Series 2012 Bonds shall be subject, at the option of the Representative, to the accuracy of the representations and warranties of the Authority contained herein as of the date hereof and as of the Closing Date, to the accuracy of the statements of the officers and other officials of the Authority made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the Authority of its obligations to be performed hereunder and under the Financing Documents at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The Underwriters shall receive, within seven (7) business days of the date hereof and not less than one (1) business day before the Closing Date, whichever is earlier, copies of the Official Statement (including any amendments or supplements as have been approved by the Representative), in such reasonable quantity as the Underwriters shall have requested.

(b) At the Closing, the Financing Documents shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by the Authority, all in substantially the forms heretofore submitted to the Representative, with only such changes as shall have been agreed to in writing by the Representative, and shall be in full force and effect; and there shall be in full force and effect such resolution or resolutions of the Board of Directors of the Authority as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby.

(c) Subsequent to the date hereof, up to and including the Closing, there shall not have occurred any change in or particularly affecting the Authority, the Act, the Ordinance, the Sales Tax, the Sales Tax Revenues or the Series 2012 Bonds as the foregoing matters are

described in the Official Statement, which in the reasonable professional judgment of the Representative materially impairs the investment quality of the Series 2012 Bonds.

(d) Subsequent to the date hereof, up to and including the Closing, the California State Board of Equalization shall not have suspended or advised the Authority of suspension of the collection of the Sales Tax or the escrow of any proceeds thereof, and counsel to the Authority shall not have been advised of the suspension of the collection of the Sales Tax or the escrow of any proceeds thereof.

(e) As of the date hereof and at the Closing Date, all necessary official action of the Authority relating to this Purchase Contract, the Financing Documents, the Preliminary Official Statement and the Official Statement shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect.

(f) Between the date hereof and the Closing Date, the market price or marketability, at the initial offering price set forth in Schedule II hereto, of the Series 2012 Bonds shall not have been materially adversely affected, in the reasonable judgment of the Representative (evidenced by a written notice to the Authority terminating the obligation of the Underwriters to accept delivery of and make any payment for the Series 2012 Bonds), by reason of any of the following:

(i) Legislation that is (1) enacted by or introduced in Congress; (2) favorably reported for passage to either House of the Congress of the United States by any Committee of such House to which such legislation has been referred for consideration; or (3) officially presented by the Committee on Finance of the United States Senate, the Committee on Ways and Means of the United States House of Representatives, or the Joint Committee on Taxation of the United States Congress for formal action by such Committee, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon Sales Tax Revenues received by the Authority or upon such interest as would be received by the holders of the Series 2012 Bonds beyond that in effect on the date hereof; (B) a decision rendered by a court established under Article III of the Constitution of the United States or the Tax Court of the United States, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon Sales Tax Revenues received by the Authority or upon such interest as would be received by the holders of the Series 2012 Bonds beyond that in effect on the date hereof; or (C) a final order, ruling, regulation or official statement issued or made (x) by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon Sales Tax Revenues received by the Authority or upon such interest as would be received by the holders of the Series 2012 Bonds beyond that in effect on the date hereof; or

(ii) the occurrence of any outbreak or escalation of hostilities (including, without limitation, an act of terrorism) involving the United States, declaration by the United States of a national emergency or war or other calamity or crisis involving the United States the effect of which on financial markets is such as to, in the reasonable judgment of the Representative, materially adversely affect the market price or

marketability, at the initial offering prices set forth in Schedule II hereto, of the Series 2012 Bonds; or

(iii) the declaration of a general banking moratorium by federal, New York or State authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred, or the general suspension of trading or minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required and be in force on the New York Stock Exchange on any national securities exchange by a determination by that exchange or by order of the Securities and Exchange Commission or any other governmental agency having jurisdiction; or

(iv) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Series 2012 Bonds or obligations of the general character of the Series 2012 Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriters; or

(v) legislation enacted (or resolution passed) by or introduced or pending legislation amended in the Congress or recommended for passage by the President of the United States, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling or regulation (final, temporary or proposed) issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Series 2012 Bonds, or the Series 2012 Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), or that the execution, offering or sale of obligations of the general character of the Series 2012 Bonds, or of the Series 2012 Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, otherwise is or would be in violation of the federal securities laws as amended and then in effect; or

(vi) any litigation shall be instituted or be pending at the Closing to restrain or enjoin the issuance, sale or delivery of the Series 2012 Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and approving the Sales Tax or the rates, levy or collection thereof, the Series 2012 Bonds, the Act, the Ordinance, the Bond Resolution, the Financing Documents or the existence or powers of the Authority with respect to its obligations under the Financing Documents or the Series 2012 Bonds; or

(vii) the withdrawal or downgrading of the Series 2012 Bonds by a national rating agency or the placing of the Series 2012 Bonds or any of the Authority's other debt obligations on credit watch or under review of any such rating agency that has assigned a rating to the Series 2012 Bonds; or

(viii) an order, decree or injunction of any court of competent jurisdiction, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Series 2012 Bonds, or the issuance, offering or sale of the Series 2012 Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(ix) any event occurring, or information becoming known which, in the reasonable judgment of the Representative, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect of causing the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(x) the occurrence of any materially adverse change in the affairs or financial condition of the Authority, other than changes that the Official Statement discloses are expected to occur.

(g) At or prior to the Closing Date, the Representative shall have received the following documents, in each case satisfactory in form and substance to the Representative:

(i) Two copies of the Master Indenture, the First Supplemental Indenture, the Escrow Agreement and the Continuing Disclosure Certificate, each duly executed and delivered by the respective parties thereto;

(ii) The approving opinion, dated the Closing Date and addressed to the Authority, of Bond Counsel in substantially the form attached to the Official Statement as APPENDIX E, and a letter of such counsel, dated the Closing Date and addressed to the Underwriters to the effect that such opinion may be relied upon by the Underwriters to the same extent as if such opinion were addressed to the Underwriters;

(iii) The supplemental opinion, dated the Closing Date and addressed to the Underwriters, of Bond Counsel, in substantially the form of Exhibit A hereto;

(iv) The opinion of the counsel for the Authority, dated the Closing Date and addressed to the Underwriters and the Trustee, to the effect that:

(1) The Authority has been duly organized and is validly existing under the Constitution and laws of the State of California, and has all requisite power and authority thereunder: (a) to adopt the Bond Resolution, and to enter into, execute, deliver and perform its covenants and agreements under the Financing Documents and the Purchase Contract; (b) to approve and authorize the use and distribution of the Preliminary Official Statement and the use, execution and distribution of the Official Statement; (c) to issue, sell, execute and deliver the Series 2012 Bonds; (d) to cause the Sales Tax to be levied and collected as described in the Preliminary Official Statement and the Official Statement; (e) to pledge the Revenues as contemplated by the Financing Documents; and (f) to carry on its activities as currently conducted; (2) the Authority has taken all

actions required to be taken by it prior to the Closing Date material to the transactions contemplated by the documents mentioned in numbered paragraph 1 above, and the Authority has duly authorized the execution and delivery of, and the due performance of its obligations under, the Purchase Contract, the Financing Documents and the Series 2012 Bonds; (3) except as disclosed in the Preliminary Official Statement and the Official Statement, no litigation or other proceedings are pending or, to the best of my knowledge after due inquiry with respect thereto, threatened in writing in any court or other tribunal of competent jurisdiction, State or federal, in any way (i) restraining or enjoining the issuance, sale or delivery of any of the Bonds or (ii) questioning or affecting the validity of the Ordinance, the Bond Resolution, the Bonds, the Financing Documents, the pledge by the Authority of the Revenues or other security provided under the Indenture or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution, registration, issuance or delivery of the Bonds or (iv) questioning or affecting (A) the organization or existence of the Authority or the title to office of the officers thereof, or (B) the power or authority of the Authority to levy and collect the Sales Tax; (4) the Authority had and has lawful authority under the Constitution of the State and the Law to adopt the Bond Resolution and to authorize and issue the Bonds, and the Bond Resolution was duly adopted at a meeting of the governing body of the Authority, which was called and held pursuant to law and with all required notices and in accordance with all applicable open meetings laws and at which a quorum was present and acting at the time of the adoption of the Bond Resolution; (5) the adoption of the Bond Resolution, the execution and delivery by the Authority of the Purchase Contract, the Financing Documents and the Series 2012 Bonds and the compliance with the provisions of the Purchase Contract, the Financing Documents and the Series 2012 Bonds, to the best of such counsel's knowledge after due inquiry, do not and will not conflict with or violate in any material respect any California constitutional, statutory or regulatory provision, or, to the best of such counsel's knowledge after due inquiry, conflict with or constitute on the part of the Authority a breach of or default under any agreement or instrument to which the Authority is a party or by which it is bound, that is material to this transaction; (6) the Series 2012 Bonds, the Financing Documents and the Purchase Contract constitute binding and legal obligations of the Authority and are enforceable according to the terms thereof, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally, and by the application of equitable principles if equitable remedies are sought, by the exercise of judicial discretion and the limitations on legal remedies against public entities in the State; (7) to the best of my knowledge after due inquiry, no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the Authority of the Financing Documents and the authorization and distribution of the Official Statement (provided that no opinion is expressed as to any action required under state securities or Blue Sky laws in connection with the purchase of the Series 2012

Bonds by the Underwriters); (8) to the best of my knowledge after due inquiry, the Authority is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which breach or default would materially adversely affect the Authority's ability to enter into or perform its obligations under the Financing Documents and the Purchase Contract, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which would materially adversely affect the Authority's ability to enter into or perform its obligations under the Financing Documents and the Purchase Contract; and (9) without having undertaken to determine independently the accuracy, completeness or fairness of the information or statements contained in the Preliminary Official Statement and in the Official Statement, to my knowledge, (a) the information contained in the Preliminary Official Statement as of its date and as of the date of the Purchase Contract (excluding therefrom the Excluded Information and the information set forth under the captions "TAX MATTERS" and Appendices A, D, E and F, as to which no opinion is expressed) did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstance under which they were made, not misleading, and (b) the information contained in the Official Statement as of its date and as of the date hereof (excluding therefrom the Excluded Information and the information set forth under the captions "TAX MATTERS" and Appendices A, D, E and F, as to which no opinion is expressed) does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstance under which they were made, not misleading. No responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Preliminary Official Statement or the Official Statement.

(v) The opinion, dated the Closing Date and addressed to the Underwriters and the Authority of Davis Wright Tremaine LLP, as counsel to the Trustee, to the effect that:

(1) BNY Mellon is a national banking association duly organized and validly existing under the laws of the jurisdiction of its organization and has the corporate power to execute and deliver the Indenture and any other documentation relating to the Indenture, and to perform its obligations under the Indenture; (2) the execution and delivery by BNY Mellon of the Indenture and any other documentation relating to the Indenture, and its performance of its obligations under the Indenture, have been and are as of the date hereof duly authorized by all necessary corporate action; (3) no approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by BNY Mellon of the Indenture; and (4) the Indenture

has been duly executed and delivered and constitutes the valid and legally binding obligation of BNY Mellon enforceable against it in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law).

(vi) The opinion, dated the Closing Date and addressed to the Authority and the Underwriters, of Nossaman LLP, as disclosure counsel to the Authority ("Disclosure Counsel"), to the effect that based upon their participation in the preparation of the Preliminary Official Statement and the Official Statement and upon the information made available to them in the course of the foregoing, but without having undertaken to determine or verify independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, as of the date Closing Date no facts have come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Preliminary Official Statement and the Official Statement that causes them to believe that (1) the Preliminary Official Statement as of its date or as of March __, 2012 contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except for the description of any claim or litigation, any information relating to The Depository Trust Company, Cede & Co., the book-entry system, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein and information in Appendices A, C, D and E, as to all of which no view need be expressed), and except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12, including but not limited to information as to pricing, yields, interest rates, maturities, amortization, redemption provisions, debt service requirements, underwriting discount and CUSIP numbers, or (2) the Official Statement as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for the description of any claim or litigation, any information relating to The Depository Trust Company, Cede & Co., the book-entry system, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein and information in Appendices A, C, D and E, as to all of which no view need be expressed);

(vii) The opinion, dated the Closing Date and addressed to the Underwriters, of Sidley Austin LLP, San Francisco, California, counsel for the Underwriters ("Underwriters' Counsel") in form and substance satisfactory to the Representative;

(viii) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Authority satisfactory to the Underwriters, in form and substance satisfactory to the Representative, to the effect that, to the best of such official's knowledge, (1) the representations and warranties of the Authority contained in this Purchase Contract are true and correct on and as of the Closing Date with the same

effect as if made on the Closing Date; (2) no event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement (excluding the Excluded Information) or has the effect of causing the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements and information therein, in the light of the circumstances under which they were made not misleading; (3) none of the Authority's proceedings or authority for the issuance, sale, execution and delivery of the Series 2012 Bonds, or the execution and delivery of the Indenture, or the execution and adoption of the Bond Resolution as described in the Preliminary Official Statement and the Official Statement has been repealed, modified, amended, revoked or rescinded; (4) no approval, permit, consent or authorization of any governmental or public agency, authority or person having jurisdiction over the Authority not already obtained and no proceedings not already had are required in connection with (A) the issuance and sale of the Series 2012 Bonds, (B) the execution and delivery by the Authority of, or the performance by it of its obligations under, the Series 2012 Bonds, the Indenture and the Bond Resolution or (C) except as contemplated by the Official Statement, the issuance and sale of the Series 2012 Bonds or the application of the proceeds of the sale thereof; and (5) the Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the date hereof with respect to the issuance of the Series 2012 Bonds;

(ix) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Representative, to the effect that:

(1) The Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Indenture; (2) the Trustee is duly authorized to enter into the Indenture and has duly executed and delivered the Indenture; (3) the execution and delivery of the Indenture and compliance with the provisions on the Trustee's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, material agreement or other material instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the Indenture, under the terms of any such law, administrative regulation, judgment, decree, material agreement, or material other instrument, except as provided by the Indenture; and (4) to the knowledge of the Trustee, it has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against the Trustee, as such but not in its individual capacity, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the receipt by the Trustee of Revenues to

be applied to pay the principal, premium, if any, and interest on the Series 2012 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Indenture against the Trustee, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture;

(x) A certificate, dated the Closing Date, signed by a duly authorized official of the Escrow Agent, satisfactory in form and substance to the Representative, to the effect that:

(1) The Escrow Agent is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Escrow Agreement; (2) the Escrow Agent is duly authorized to enter into the Escrow Agreement and has duly executed and delivered the Escrow Agreement; (3) the execution and delivery of the Escrow Agreement and compliance with the provisions on the Escrow Agent's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, material agreement or other material instrument to which the Escrow Agent is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Escrow Agent pursuant to the Escrow Agreement, under the terms of any such law, administrative regulation, judgment, decree, material agreement, or material other instrument, except as provided by the Escrow Agreement; and (4) to the knowledge of the Escrow Agent, it has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against the Escrow Agent, as such but not in its individual capacity, affecting the existence of the Escrow Agent, or the titles of its officers to their respective offices or in any way contesting or affecting the validity or enforceability of the Escrow Agreement against the Escrow Agent, or contesting the powers of the Escrow Agent or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Escrow Agreement;

(xi) Two copies of the Official Statement, executed on behalf of the Authority by an authorized representative thereof;

(xii) A certified copy of the proceedings relating to authorization and approval of the Sales Tax, including: (1) a certified copy of the Ordinance; and (2) certifications from the Registrar of Voters in the County of San Bernardino concerning results of the November 2, 2004 election;

(xiii) Evidence of signature authority and incumbency of (a) the Trustee, and (b) the Escrow Agent;

(xiv) A certified copy of the Bond Resolution of the Authority authorizing the execution and delivery of the Indenture, the Continuing Disclosure Certificate, the Official Statement and this Purchase Contract;

(xv) A copy, if available, of the executed amended and restated Agreement for State Administration of Transactions and Use Tax, between the Authority and the California State Board of Equalization, including all amendments thereto, and the EFT Authorization Agreement for local jurisdictions regarding deposit of Sales Tax receipts with the Trustee; if not available on the Closing Date, executed copies of such agreements shall be delivered to the Representative by the Authority as soon as available;

(xvi) Evidence that any ratings described in the Official Statement are in full force and effect as of the Closing Date;

(xvii) A copy of the Blanket Letter of Representation to DTC relating to the Series 2012 Bonds signed by DTC and the Authority;

(xviii) A tax certificate by the Authority in form and substance acceptable to Bond Counsel and the Representative; and

(xix) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative, Underwriters' Counsel or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the Authority herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the Authority and the Trustee at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by any of them in connection with the transactions contemplated hereby and by the Financing Documents.

If the Authority shall be unable to satisfy the conditions to the Underwriters' obligations contained in this Purchase Contract or if the Underwriters' obligations shall be terminated for any reason permitted herein, all obligations of the Underwriters hereunder may be terminated by the Representative at, or at any time prior to, the Closing Date by written notice to the Authority and neither the Underwriters nor the Authority shall have any further obligations hereunder.

4. Indemnification. To the extent permitted by applicable law, the Authority (a "Authority Indemnifying Party") shall indemnify and hold harmless, to the extent permitted by law, each of the Underwriters and their respective directors, officers, employees and agents and each person who controls the Underwriters within the meaning of Section 15 of the 1933 Act (any such person being herein sometimes called a "Authority Indemnified Party"), against any and all losses, claims, damages or liabilities, joint or several, to which such Authority Indemnified Party may become subject under any statute or at law or in equity or otherwise, and shall promptly reimburse any such Authority Indemnified Party for any reasonable legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, but only to the extent that such losses, claims, damages, liabilities or actions arise out of or are

based upon any untrue statement of a material fact contained in the Preliminary Official Statement or the Official Statement under the captions “THE SERIES 2012 BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS,” “PLAN OF FINANCE,” “THE SALES TAX,” “SAN BERNARDINO COUNTY TRANSPORTATION EXPENDITURE PLAN,” and “LITIGATION” or any amendment or supplement thereof, or the omission to state therein a material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading. This indemnity agreement shall not be construed as a limitation on any other liability which the Authority may otherwise have to any Authority Indemnified Party, provided that in no event shall the Authority be obligated for double indemnification.

The Underwriters (collectively, an “Underwriter Indemnifying Party”) shall indemnify and hold harmless, to the extent permitted by law, the Authority and its directors, officers, members, employees and agents and each person who controls the Authority within the meaning of Section 15 of the 1933 Act (any such person being herein sometimes called an “Underwriter Indemnified Party”), against any and all losses, claims, damages or liabilities, joint or several, to which such Underwriter Indemnified Party may become subject under any statute or at law or in equity or otherwise, and shall promptly reimburse any such Underwriter Indemnified Party for any reasonable legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, but only to the extent that such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement of a material fact contained in the Preliminary Official Statement or the Official Statement under the caption “UNDERWRITING”, or with respect to the prices or yields of the Series 2012 Bonds as shown on the inside cover, or any amendment or supplement thereof, or the omission to state therein a material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading. This indemnity agreement shall not be construed as a limitation on any other liability which the Underwriters may otherwise have to any Underwriter Indemnified Party, provided that in no event shall the Underwriters be obligated for double indemnification.

For purposes of this paragraph and the immediately succeeding paragraph, an “Indemnified Party” means an Authority Indemnified Party or an Underwriter Indemnified Party as the context dictates and an “Indemnifying Party” means a Authority Indemnifying Party or an Underwriter Indemnifying Party as the context dictates. An Indemnified Party shall, promptly after the receipt of notice of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against an Indemnifying Party, notify the Indemnifying Party in writing of the commencement thereof, but the omission to notify the Indemnifying Party of any such action shall not relieve the Indemnifying Party from any liability that it may have to such Indemnified Party otherwise than under the indemnity agreement contained herein. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party may, or if so requested by such Indemnified Party shall, participate therein or assume the defense thereof, with counsel satisfactory to such Indemnified Party, and after notice from the Indemnifying Party to such Indemnified Party of an election so to assume the defense thereof, the Indemnifying Party will not be liable to such Indemnified Party under this paragraph for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation. If the Indemnifying Party

shall not have employed counsel to have charge of the defense of any such action or if the Indemnified Party shall have reasonably concluded that there may be defenses available to it or them that are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of such Indemnified Party), such Indemnified Party shall have the right to retain legal counsel of its own choosing and reasonable legal and other expenses incurred by such Indemnified Party shall be borne by the Indemnifying Party.

An Indemnifying Party shall not be liable for any settlement of any such action effected without its consent by any Indemnified Party, which consent shall not be unreasonably withheld, but if settled with the consent of the Indemnifying Party or if there be a final judgment for the plaintiff in any such action against the Indemnifying Party or any Indemnified Party, with or without the consent of the Indemnifying Party, the Indemnifying Party agrees to indemnify and hold harmless such Indemnified Party to the extent provided herein.

In order to provide for just and equitable contribution in circumstances in which indemnification hereunder is for any reason held to be unavailable from the Authority or the Underwriters, to the extent permitted by law, the Authority and the Underwriters shall contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, to which the Authority and the Underwriters may be subject) in such proportion so that the Underwriters are jointly and severally responsible for that portion represented by the percentage that the Underwriters' discount set forth in the Official Statement bears to the public offering price appearing thereon and the Authority is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph, each person, if any, who controls any of the Underwriters or the Authority within the meaning of the 1933 Act shall have the same rights to contribution as the Underwriters or the Authority, as applicable. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this paragraph, notify such party or parties from whom contribution may be sought, but the omission so to notify shall not relieve that party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph. No party shall be liable for contribution with respect to any action or claim settled without its consent.

5. Expenses.

All expenses and costs incident to the authorization, execution, delivery and sale of the Series 2012 Bonds to the Underwriters, including the costs of printing of the Series 2012 Bonds, the Preliminary Official Statement, the Official Statement, the cost of preparation and duplicating the Financing Documents, the fees of accountants, consultants and rating agencies, the initial fees of the Trustee, the Escrow Agent and their counsel in connection with the execution and delivery of the Series 2012 Bonds and the fees and expenses of Bond Counsel and Disclosure Counsel may be paid from the proceeds of the Series 2012 Bonds, and if the Series 2012 Bonds are not issued and sold, by the Authority. In the event that the Series 2012 Bonds

for any reason are not issued, or to the extent proceeds of the Series 2012 Bonds are insufficient or unavailable therefor, any fees, costs and expenses accrued and owed by the Authority to the Trustee or the Escrow Agent, which otherwise would have been paid from the proceeds of the Series 2012 Bonds, shall be paid by the Authority. All out-of-pocket expenses of the Underwriters, including traveling and other expenses, including those associated with the California Debt and Investment Advisory Commission fee, the costs of preparation of any blue sky and legal investment surveys prepared by Underwriters' Counsel, any fees assessed upon the Underwriters with respect to the Series 2012 Bonds by the MSRB or the National Association of Securities Dealers, all advertising expenses in connection with the public offering and distribution of the Series 2012 Bonds (excluding any expenses of the Authority and its employees or agents) and all other expenses incurred by them or any of them in connection with the public offering and distribution of the Series 2012 Bonds, including the fees and expenses of Underwriters' Counsel, shall be paid by the Underwriters.

The Authority shall pay for expenses (included in the expense component of the underwriting spread) incurred on behalf of the Authority's employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those employees. Additionally, and as a convenience to the Authority, the Underwriters may, from time to time, make arrangements for certain items and advance certain costs for which the Authority is responsible hereunder, such as printing of the Preliminary Official Statement and the Official Statement, entertainment, meals, lodging and travel arrangements for the Authority's representatives, in connection with the transaction, for which it will be reimbursed in the expense component of the Underwriters' discount.

6. Notices.

Any notice or other communication to be given to the parties to this Purchase Contract may be given by delivering the same in writing to the respective party at the following address:

Underwriters: Barclays Capital Inc.
555 California Street, 30th Floor
San Francisco, California 94104
Attention: Michael Gomez

Authority: San Bernardino County Transportation Authority
c/o San Bernardino Associated Governments
472 North Arrowhead Avenue
San Bernardino, California 92401
Attention: Executive Director

The approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to you.

7. Survival of Representations and Warranties.

The representations and warranties of the Authority set forth in or made pursuant to this Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered

void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations or statements as to the results thereof made by the Underwriters and regardless of delivery of and payment for the Series 2012 Bonds.

8. Effectiveness.

This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by a duly authorized officer of the Authority and shall be valid and enforceable as of the time of such acceptance.

9. Execution in Counterparts.

This Purchase Contract may be executed in counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

If the above terms are acceptable, please cause a duly authorized officer of the Authority to execute the acceptance below.

Very truly yours,

BARCLAYS CAPITAL INC.,
as Representative of the Underwriters named on
Schedule I hereto

By: _____
Director

ACCEPTED:

SAN BERNARDINO COUNTY
TRANSPORTATION AUTHORITY

By: _____
Authorized Representative

SCHEDULE I

LIST OF UNDERWRITERS

Barclays Capital Inc.
Citigroup Global Markets Inc.
De La Rosa & Co.
Goldman, Sachs & Co.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated

SCHEDULE II
MATURITY SCHEDULE

\$ _____
SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS
(LIMITED TAX BONDS)
2012 SERIES A

Maturity (March)	Principal Amount	Interest Rate	Yield	Price
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EXHIBIT A

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

Barclays Capital Inc.
San Francisco, California

Goldman, Sachs & Co.
Los Angeles, California

Citigroup Global Markets Inc.
Los Angeles, California

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
San Francisco, California

De La Rosa & Co.
Los Angeles, California

\$ _____
San Bernardino County Transportation Authority
Sales Tax Revenue Bonds
(Limited Tax Bonds)
2012 Series A
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as underwriters (the “Underwriters”), pursuant to Section 3(g)(iii) of the Purchase Contract, dated March __, 2012 (the “Purchase Contract”), between you and the San Bernardino County Transportation Authority (the “Authority”), providing for the purchase of \$_____ aggregate principal amount of San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of March 1, 2012 (the “Master Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of March 1, 2012 (the “First Supplemental Indenture” and, together with the Master Indenture, the “Indenture”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or, if not defined in the Indenture, in the Purchase Contract.

We have delivered our final legal opinion (the “Bond Opinion”) as bond counsel to the Authority concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the Authority. You may rely on such opinion as though the same were addressed to you.

In connection with our role as bond counsel to the Authority, we have reviewed the Purchase Contract; the Indenture; the Tax Certificate, dated the date hereof (the “Tax Certificate”), executed by the Authority; the Escrow Agreement, dated as of March 1, 2012 (the “Escrow Agreement”) between the Authority and _____, as escrow agent (the “Escrow

Agent”); opinions of counsel to the Authority and the Trustee; certificates of the Authority, the Trustee, the Escrow Agent and others; and such other documents, opinions and matters to the extent we deemed necessary to provide 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. 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. 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 Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Tax Certificate, the Escrow Agreement and the Purchase Contract 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 public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinions 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, except as expressly set forth in numbered paragraph 3 below, completeness or fairness of the Official Statement dated March __, 2012 (the “Official Statement”) or other offering material relating to the Bonds and express no opinion relating 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 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Purchase Contract has been duly executed and delivered by the Authority and is a valid and binding agreement of the Authority.

3. The statements contained in the Official Statement under the captions “THE SERIES 2012 BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS,” “TAX MATTERS,” APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,” and APPENDIX E – “PROPOSED FORM OF OPINION OF BOND COUNSEL,” excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain

provisions of the Indenture and the form and content of our Bond Opinion are accurate in all material respects.

This letter is furnished by us as bond counsel to the Authority. No attorney-client relationship has existed or exists between our firm and the Underwriters in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriters of the Bonds, is solely for your benefit as such Underwriters and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP