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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 Support Material Agenda Item No. 27

Board of Directors

March 5, 2014 at 10:00 am

Location:

San Bernardino Associated Governments
Santa Fe Depot – SANBAG Lobby 1st Floor
1170 W. 3rd Street
San Bernardino, California 92410

Discussion Calendar

Administrative

27. Resolution No. 14-009, Issuance of the 2014 Sales Tax Revenue Bond and Designating the Underwriter and Printer

1. Approve Resolution No. 14-009 authorizing the issuance and sale of not-to-exceed \$150,000,000 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 Citigroup Global Markets Inc., as Senior Manager, and Bank of America Merrill Lynch, Goldman, Sachs & Co., Barclays Capital Inc., and RBC Capital Markets, LLC as Co-Managers for bond underwriting services; and

3. Designate Financial Printer Resource, Inc. for printing services. **William Stawarski**

The following support material is attached:

- **Preliminary Official Statement**
- **Appendix B**
- **Second Supplemental Indenture**
- **Purchase Contract**
- **Continuing Disclosure Certificate**

**PRELIMINARY OFFICIAL
STATEMENT**

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2014

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS:
S&P: ___
Fitch: ___
Moody's: ___

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 2014 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 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2014 Bonds. See "Tax Matters" herein.

\$120,825,000*
SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
Sales Tax Revenue Bonds
(Limited Tax Bonds)
2014 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), 2014 Series A in the aggregate principal amount of \$120,825,000* (the "Series 2014 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") and by a Second Supplemental Indenture, dated as of March 1, 2014 (the "Second Supplemental Indenture" and, together with the 2012 Indenture and the First Supplemental Indenture, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Proceeds of the Series 2014 Bonds will be applied to: (i) finance certain transportation capital improvements, as described herein, (ii) fund capitalized interest on the Series 2014 Bonds, as described herein, and (iii) pay costs of issuance of the Series 2014 Bonds. See "PLAN OF FINANCE."

The Series 2014 Bonds will be registered in the name of Cede & Co, as holder of the Series 2014 Bonds and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers will not receive certificates representing their interest in the Series 2014 Bonds purchased. The principal and interest on the Series 2014 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 2014 Bonds, as more fully discussed herein. See APPENDIX E – BOOK-ENTRY SYSTEM."

The Series 2014 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, 2014. The Series 2014 Bonds are being issued as fully registered bonds without coupons in book-entry form and in the denominations of \$5,000 and any integral multiple thereof.

The Series 2014 Bonds are subject to mandatory sinking fund redemption by the Authority prior to maturity as described in this Official Statement. The Series 2014 Bonds also are subject to optional redemption or purchase by the Authority prior to maturity as described in this Official Statement.

The Series 2014 Bonds are limited obligations of the Authority secured by a pledge of the Sales Tax Revenues and certain funds held by the Trustee. The Sales Tax is a one-half of one percent (0.5%) retail transactions and use tax which took effect in the County of San Bernardino (the "County") on April 1, 1990. On November 2, 2004 more than two-thirds of the electorate of the County approved a continuation, until March 31, 2040, of the Sales Tax that had been set to expire on March 31, 2010. The Series 2014 Bonds are secured by a pledge of only amounts collected on account of the Sales Tax on and after April 1, 2010, 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"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS" herein.

* Preliminary, subject to change.

THE SERIES 2014 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 2014 BONDS EXCEPT FROM SUCH REVENUES AND SUCH FUNDS AND PROCEEDS. THE SERIES 2014 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 2014 BONDS OR THEIR INTEREST OR ANY PREMIUM DUE THEREON. THE SERIES 2014 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. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision with respect to the Series 2014 Bonds.

The Series 2014 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 on for the Authority by its Disclosure Counsel, Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, and by Eileen Monaghan Teichert, General Counsel to the Authority, and for the Underwriters by their counsel, Nixon Peabody LLP. It is anticipated that the Series 2014 Bonds in definitive form will be available for delivery through the facilities of DTC on or about March __, 2014.

CITIGROUP

Barclays

BofA Merrill Lynch

Goldman Sachs

**RBC Dominion
Securities**

Dated: March __, 2014

\$120,825,000*
SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
Sales Tax Revenue Bonds
(Limited Tax Bonds)
2014 Series A

Maturity Schedule

<u>Maturity Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.†</u>
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\$ _____ % Term Bond Due March 1, 20__ Yield ___% CUSIP No. _____

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The Authority, the Financial Advisor and the Underwriters are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

No dealer, salesman or any other person has been authorized by the San Bernardino County Transportation Authority (the "Authority") or the underwriters of the Series 2014 Bonds listed on the cover page hereof (the "Underwriters") to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2014 Bonds in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Series 2014 Bonds. Neither the delivery of this Official Statement nor the sale of any of the Series 2014 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions 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 the implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The information set forth herein has been obtained from the Authority and other sources believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. All summaries contained herein of the Indenture (as defined herein) or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All statements made herein are made as of the date of this document by the Authority except statistical information or other statements where some other date is indicated in the text.

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 laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2014 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER OR YIELDS HIGHER THAN THE PUBLIC OFFERING PRICES OR YIELDS STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES OR YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access ("EMMA") website. The San Bernardino Associated Governments maintains a website with information regarding the Authority. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2014 Bonds.

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,” “project,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority in any way, regardless of the level of optimism communicated in the information. The Authority is not obligated to issue any updates or revisions to forward-looking statements in any event.

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

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Director of Project Delivery

Garry Cohoe

Director of Fund Administration and Programming

Andrea Zureick

SPECIAL SERVICES

Financial Advisor

Montague DeRose and Associates, LLC
Westlake Village, California

Trustee

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

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Disclosure Counsel

Fulbright & Jaworski LLP
(a member of Norton Rose Fulbright)
Los Angeles, California

Table of Contents

	Page
INTRODUCTION.....	1
General	1
Authority for Issuance.....	1
Purpose and Application of Proceeds.....	1
The County and the Authority.....	1
City of San Bernardino Bankruptcy Filing.....	2
The Series 2014 Bonds.....	2
Security	2
No Bond Reserve Fund	3
No Acceleration Provision or Increase in Interest Rate Upon Default	3
Limited Obligations.....	3
Continuing Disclosure.....	3
References	3
THE AUTHORITY	4
THE SERIES 2014 BONDS	5
General	5
Redemption	6
General Redemption Provisions.....	6
DEBT SERVICE SCHEDULE.....	9
PLAN OF FINANCE.....	10
ESTIMATED SOURCES AND USES OF FUNDS.....	10
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS	11
Limited Obligations.....	11
Pledge of Sales Tax Revenues and Certain Funds and Accounts Held by Trustee.....	11
Revenue Fund; Allocation of Sales Tax Revenues	12
No Bond Reserve Fund	15
Additional Bonds and Other Parity Obligations.....	15
Subordinate Obligations.....	17
THE SALES TAX.....	17
Authorization, Application and Collection of the Sales Tax.....	17
Collection of Sales Tax Revenues.....	18
Historical Sales Tax Revenues.....	19
Other Sales Taxes Imposed in the County	21
Outstanding Bonds	21
Project Advancement Agreements	21

Table of Contents
(continued)

	Page
SAN BERNARDINO COUNTY TRANSPORTATION EXPENDITURE PLAN.....	22
General Description.....	22
Expenditure Plan	23
Future Financing Plans.....	27
AUTHORITY INVESTMENT PORTFOLIO	27
RISK FACTORS.....	29
Economy of the County and the State	29
Investments	29
Collection of the Sales Tax	29
Increased Internet Use May Reduce Sales Tax Revenues.....	29
Proposition 218	29
Further Initiatives	30
No Acceleration or Increase in Interest Rate Upon Default.....	30
Loss of Tax Exemption	30
Bankruptcy Considerations	30
FINANCIAL STATEMENTS	31
LITIGATION	32
TAX MATTERS.....	33
LEGAL MATTERS	34
RATINGS	35
UNDERWRITING.....	35
CONTINUING DISCLOSURE	36
FINANCIAL ADVISOR.....	36
MISCELLANEOUS.....	36
APPENDIX A - AUTHORITY AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30 2013.....	A-1
APPENDIX B - COUNTY OF SAN BERNARDINO, CALIFORNIA DEMOGRAPHIC AND ECONOMIC INFORMATION.....	B-1
APPENDIX C - DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....	C-1
APPENDIX D - PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	D-1
APPENDIX E - BOOK-ENTRY SYSTEM.....	E-1
APPENDIX F - PROPOSED FORM OF BOND COUNSEL OPINION.....	F-1

OFFICIAL STATEMENT
\$120,825,000*
SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
Sales Tax Revenue Bonds
(Limited Tax Bonds)
2014 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 \$120,825,000* aggregate principal amount of San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), 2014 Series A (the "Series 2014 Bonds").

Authority for Issuance

The Series 2014 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") and 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") and by a Second Supplemental Indenture, dated as of March 1, 2014 (the "Second Supplemental Indenture" and, together with the 2012 Indenture and the First Supplemental Indenture, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). 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.

Purpose and Application of Proceeds

Proceeds of the Series 2014 Bonds will be applied to: (i) finance certain transportation capital improvements, as described herein, (ii) fund capitalized interest on the Series 2014 Bonds, as described herein, and (iii) pay costs of issuance of the Series 2014 Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The County and the Authority

The County of San Bernardino (the "County") 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 includes twenty-four incorporated cities and encompasses an area of over 20,000 square miles, making it the largest county in California in terms of geographical area. As of January 2013, the County's population was over 2.1 million. The jurisdiction of the Authority is coterminous with that of the County. The Authority oversees the construction, maintenance, improvement and operation of local streets, roads and highways, as well as State highways and freeways within the County. The Authority also provides funding for the operation of public transit systems within the County. See "THE AUTHORITY" herein.

* Preliminary, subject to change.

City of San Bernardino Bankruptcy Filing

On August 1, 2012 the City of San Bernardino filed an emergency petition for Chapter 9 Bankruptcy. The County, the Authority, the San Bernardino Associated Governments (“SANBAG”) and the City of San Bernardino are completely separate legal and fiscal entities with separately elected governing bodies, budgets and finances. As of the date hereof, the Authority has approximately \$23,000 in receivables from the City of San Bernardino.

The Series 2014 Bonds

The Series 2014 Bonds will mature on March 1 in the years and in the principal amounts shown on the inside cover of this Official Statement. Interest on the Series 2014 Bonds will be payable on each March 1 and September 1, commencing September 1, 2014. The Series 2014 Bonds will be issued as fully registered bonds without coupons in book-entry form and in the denominations of \$5,000 and any integral multiple thereof. The Series 2014 Bonds will be registered in the name of Cede & Co., as holder of the Series 2014 Bonds and nominee for The Depository Trust Company (“DTC”). Purchasers will not receive physical certificates representing their interest in the Series 2014 Bonds purchased. See APPENDIX E – BOOK-ENTRY SYSTEM.”

The Series 2014 Bonds are subject to redemption prior to their maturity, as described herein. See “THE SERIES 2014 BONDS – Redemption” herein.

Security

The Series 2014 Bonds are limited obligations of the Authority secured by a pledge of the Sales Tax Revenues collected on or after April 1, 2010. Sales Tax Revenues (as defined below) 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 “State 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 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 pursuant to Ordinance No. 04-01 (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 2014 Bonds are secured by Sales Tax Revenues collected pursuant to the Ordinance, commencing April 1, 2010 on a parity with the Authority’s Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A (the “Series 2012 Bonds”). See “THE SALES TAX – Obligations Payable from Sales Tax Revenues.” 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 and the Series 2014 Bonds, all of such bonds to be hereinafter referred to as the “Bonds.” See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Additional Bonds and Other Obligations” below. Upon the delivery of the Series 2014 Bonds there will be no existing obligations of

the Authority secured by a lien and charge upon the Sales Tax Revenues other than the Series 2012 Bonds and the Series 2014 Bonds.

No Bond Reserve Fund

No Bond Reserve Fund will be established for the Series 2014 Bonds. The Series 2012 Bonds are similarly not secured by any Bond Reserve Fund.

No Acceleration Provision or Increase in Interest Rate Upon Default

The Indenture does not contain a provision allowing for the acceleration of the Series 2014 Bonds or an increase in the interest rate on the Series 2014 Bonds in the event of a default in the payment of principal and interest on the Series 2014 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 2014 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 2014 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 2014 BONDS EXCEPT FROM SUCH REVENUES AND SUCH FUNDS AND PROCEEDS. THE SERIES 2014 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 2014 BONDS OR THEIR INTEREST OR ANY PREMIUM DUE THEREON. THE SERIES 2014 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.

Continuing Disclosure

The Authority will covenant for the benefit of the beneficial owners of the Series 2014 Bonds to provide certain financial information and operating data relating to the Authority and notices of the occurrence of certain enumerated events to the Municipal Securities Rulemaking Board (the “MSRB”) through the Electronic Municipal Market Access (“EMMA”) system pursuant to a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”). These covenants are being made in order to assist the Underwriters of the Series 2014 Bonds in complying with Rule 15c2-12 (the “Rule”) of the U.S. Securities and Exchange Commission (“SEC”) promulgated under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” and APPENDIX D – “PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

References

The descriptions and summaries of the Indenture and 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 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 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.

Raymond Wolfe, Executive Director. Dr. Raymond Wolfe joined SANBAG in April 2012, after spending more than 20 years with the California Department of Transportation ("Caltrans"). Prior to that service, Dr. Wolfe was the Director of Caltrans' District 8, which serves both San Bernardino and Riverside counties. As the Executive Director of SANBAG, he manages a budget of \$733 Million for Fiscal Year 2013-2014. Dr. Wolfe received his Doctorate in Civil Engineering from the University of Southern California, a Master of Science degree in Civil Engineering from the California State Polytechnic University in Pomona, and a Bachelor of Science degree in Aerospace Engineering from the University of Southern California. He is a Registered Civil Engineer and a Registered Mechanical Engineer in the State of California.

Garry Cohoe, Director of Project Delivery. 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 County. 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. Mr. Cohoe graduated with a Civil Engineering degree from Lakehead University.

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.

Eileen Monaghan Teichert, General Counsel. Eileen Monaghan Teichert was appointed by the SANBAG Board in April 2012 to serve as SANBAG's first in-house General Counsel reporting directly to the SANBAG Board. Ms. Teichert is responsible for providing legal advice to SANBAG via the SANBAG Board and executive staff regarding compliance with and enforcement of applicable laws, and for overseeing all litigation matters and outside counsel. Prior to joining SANBAG, Ms. Teichert was City Attorney for the City of Sacramento for more than six years, and Supervising Deputy City Attorney for the City of Riverside for more than eight years. Previous to her municipal law work, she advised and represented banks, developers and a variety of private sector clients. Ms. Teichert received her bachelor of science degree in journalism from the University of Oregon and earned her Juris Doctor degree *cum laude* from the University of LaVerne College of Law, where she was law review Managing Editor and valedictorian of her class.

Andrea Zureick, Director of Fund Administration and Programming. Andrea Zureick was appointed in July 2012 as the Director of Fund Administration and Programming for SANBAG. Ms. Zureick is responsible for the administration and strategic allocation of federal, state, and local funds to SANBAG and member agency sponsored projects to maximize transportation funding for the County. This is accomplished through preparation and maintenance of various state and federal programming documents and the SANBAG Ten-Year Delivery Plan and through the annual apportionment and allocation process of transportation funds such as Measure I, federal funds provided through the Federal Transit Administration and the Federal Highway Administration, and state funds provided through the California Transportation Commission. Ms. Zureick began her career in transportation at SANBAG in 1999 and worked for the Riverside County Transportation Commission for four years before returning to SANBAG in 2012. Ms. Zureick received a bachelor of science degree in civil engineering from Texas A&M University.

THE SERIES 2014 BONDS

General

The Series 2014 Bonds will mature on March 1 in the years and in the principal amounts shown on the inside cover of this Official Statement. Interest on the Series 2014 Bonds will accrue from the date of delivery. Interest will be paid on March 1 and September 1 of each year, commencing September 1, 2014 (each an "Interest Payment Date"), and will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Interest on each Series 2014 Bond will be payable in lawful money of the United States of America by the Trustee to the Holder thereof as of the close of business on the Record Date, such interest

to be paid by the Trustee to such Holder in immediately available funds (by wire transfer or by deposit to the account of the Holder if such account is maintained with the Trustee), according to the instructions given by such Holder to the Trustee or, in the event no such instructions have been given, by check mailed on the Interest Payment Date by first class mail to the Holder at such Holder's address as it appears as of the Record Date on the bond registration books kept by the Trustee. "Record Date" means, with respect to the Series 2014 Bonds, the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

The Series 2014 Bonds will be issued as fully registered bonds without coupons in book-entry form and in denominations of \$5,000 and any integral multiple thereof. The Depository Trust Company ("DTC") will act as the initial securities depository for the Series 2014 Bonds, which will be issued initially pursuant to a book-entry only system. See APPENDIX E – "BOOK-ENTRY SYSTEM." Under the Indenture, the Authority may appoint a successor securities depository to DTC for the Series 2014 Bonds. The information under this caption, "THE SERIES 2014 BONDS," is subject in its entirety to the provisions described in APPENDIX E – "BOOK-ENTRY SYSTEM" while the Series 2014 Bonds are held in DTC's book-entry system.

Redemption*

Optional Redemption. The Series 2014 Bonds maturing on or before March 1, 20__ will not be subject to redemption prior to their respective stated maturities. The Series 2014 Bonds maturing on or after March 1, 20__ will be 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 Series 2014 Bonds called for redemption, without premium, plus accrued but unpaid interest to the date fixed for redemption.

Mandatory Redemption. The Series 2014 Bonds maturing on 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 2014 Bonds, on each date a Mandatory Sinking Account Payment for such Series 2014 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% of the principal amount thereof, without premium, plus accrued but unpaid interest to the redemption date.

Mandatory Sinking Account Payments for the Series 2014 Bonds that are Term Bonds maturing on March 1, 20__ shall be due in the amounts and on the dates as follows:

Redemption Date (March 1)	Mandatory Sinking Account Payment
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†

† Final Maturity.

General Redemption Provisions

Selection of Bonds for Redemption. The Authority will designate which maturities of any Series 2014 Bonds are to be called for optional redemption pursuant to the Indenture. If less than all Series 2014

* Preliminary, subject to change.

Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee will select the Series 2014 Bonds of such maturity date to be redeemed by lot and shall promptly notify the Authority in writing of the numbers of the Series 2014 Bonds so selected for redemption. For purposes of such selection, Series 2014 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 2014 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 2014 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 2014 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 will 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. If 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 notice by 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 2014 Bonds and notice thereof will be conditional and 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 Redemption Price of, and interest due on, the Series 2014 Bonds called for redemption.

Purchase in Lieu of Redemption. The Authority reserves the right at all times to purchase any of the Series 2014 Bonds on the open market. In lieu of mandatory redemption, the Authority may surrender to the Trustee for cancellation Series 2014 Bonds that are Term Bonds purchased on the open market, and such Term Bonds will be cancelled by the Trustee. If any Series 2014 Bonds that are Term Bonds are so cancelled, the Authority may designate the Mandatory Sinking Account Payments or portions thereof

within such maturity of the Term Bonds 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 2014 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2014 Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the redemption date. Interest on such Series 2014 Bonds so called for redemption will cease to accrue, said Series 2014 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Holders of such Series 2014 Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

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DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements on the Series 2012 Bonds and the Series 2014 Bonds.

<u>Fiscal Year Ending June 30</u>	<u>Series 2014 Bonds Principal</u>	<u>Series 2014 Bonds Interest</u>	<u>Total Series 2014 Bonds Debt Service</u>	<u>Series 2012 Bonds Debt Service</u>	<u>Total Bonds Debt Service</u>
2014	\$	\$	\$	-	
2015				\$ 6,073,338	
2016				6,076,938	
2017				6,077,438	
2018				6,073,838	
2019				6,077,038	
2020				6,081,638	
2021				6,077,388	
2022				6,074,638	
2023				6,076,638	
2024				6,077,638	
2025				6,076,888	
2026				6,074,138	
2027				6,075,138	
2028				6,074,388	
2029				6,074,638	
2030				6,076,388	
2031				6,074,138	
2032				6,072,638	
2033				6,076,388	
2034				6,076,313	
2035				6,072,463	
2036				6,074,613	
2037				6,077,088	
2038				6,073,825	
2039				6,076,900	
2040				6,075,694	
Total	\$	\$	\$	\$157,968,156	\$

PLAN OF FINANCE

Proceeds of the Series 2014 Bonds will be applied to (i) to finance certain transportation capital improvements and/or such other transportation improvements as permitted by the Act, the Ordinance, the Expenditure Plan and the tax certificate executed and delivered in connection with the Series 2014 Bonds, (ii) to fund capitalized interest on the Series 2014 Bonds, as described herein, and (iii) to pay costs of issuance of the Series 2014 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Proceeds of the Series 2014 Bonds can be applied to any projects in the Expenditure Plan, including, but not limited to:

- I-15/I-215 Devore Interchange;
- Portions of the corridor widening and improvement projects for U.S. 395, Yucca Loma, and Rancho Road;
- Portions of the freeway interchange projects on the I-10, I-15, I-215, SR-210 and SR-60;
- Grade separation projects; and
- Passenger rail projects including San Bernardino downtown passenger rail; Redlands passenger rail; and San Bernardino line double track.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:

Principal Amount of Series 2014 Bonds	\$
[Net] Premium	
Total Sources	\$

Uses of Funds:

Deposit to 2014 Bonds Project Fund	\$
Deposit to 2014 Capitalized Interest Account ⁽¹⁾	
Deposit to 2014 Costs of Issuance Fund ⁽²⁾	
Total Uses:	\$

⁽¹⁾ Represents capitalized interest through _____, 20__.

⁽²⁾ 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 2014 BONDS

Limited Obligations

THE SERIES 2014 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 2014 BONDS EXCEPT FROM SUCH REVENUES AND SUCH FUNDS AND PROCEEDS. THE SERIES 2014 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 2014 BONDS OR THEIR INTEREST OR ANY PREMIUM DUE THEREON. THE SERIES 2014 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

As security for the payment of all amounts owing on the Bonds and Parity Obligations (defined below), 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 2014 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 2014 Bonds, and all Parity Obligations and amounts owed in connection with the Bonds and Parity Obligations are no longer Outstanding. All Bonds and Parity Obligations will be of equal rank without preference, priority or distinction of any Bonds and Parity Obligations over any other Bonds and Parity Obligations.

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 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 2014 Bonds and currently has no Interest Rate Swap Agreements outstanding.

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 2014 Bonds.

The Authority is not required to advance any moneys derived from any source other than Revenues for the payment of principal, Redemption Price or interest on the Series 2014 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, 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 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 will also be deposited in the Revenue Fund.

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

1. **Interest Fund.** Following receipt of the Sales Tax Revenues in each month, the Trustee will 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 will 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 will 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 will 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 will 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 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). All Swap Revenues received with respect to Interest Rate Swap Agreements that are Parity Obligations will be deposited in the Interest Fund and credited to the above required deposits. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues.”

2. Principal Fund; Sinking Accounts. Following receipt of the Sales Tax Revenues in each month, the Trustee will 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 will 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 will be made without priority of any payment into any one such Sinking Account over any other such payment.

If Sales Tax Revenues are 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 will be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds 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 have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as will have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. If Sales Tax Revenues are not 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 will 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. 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 was established for the Series 2012 Bonds and none will be established in connection with the issuance of the Series 2014 Bonds.

4. Subordinate Obligations Fund. A Subordinate Obligations Fund has been established under the Indenture. As long as any Subordinate Obligations remain unpaid, the Trustee will transfer any Revenues remaining in the Revenue Fund after the transfers described in (1), (2) and (3) above have been made 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 will transfer any remaining Revenues back to the Revenue Fund.

5. Fees and Expenses Fund. A Fees and Expenses Fund has been established under the Indenture. 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 (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 will inform the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

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

No Bond Reserve Fund will be established for the Series 2014 Bonds. The Series 2012 Bonds are similarly not secured by any Bond Reserve Fund.

Additional Bonds and Other Parity Obligations

Issuance of Additional Bonds. Upon the delivery of the Series 2014 Bonds, the only outstanding obligations secured by Sales Tax Revenues will be the Series 2012 Bonds and the Series 2014 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, including those 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 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 will require deposit of the amount necessary. Said deposit will 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 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 aggregate principal amount of Bonds issued under the Indenture 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 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.

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."

See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations."

Proceedings for Issuance of Additional Bonds. Subsequent to the issuance of the Series 2012 Bonds, before any additional Series of Bonds shall be issued and delivered, the Authority will file each of the documents identified below with the Trustee:

- (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 paragraphs (b) and (c) above under the subcaption "*– Issuance of Additional Bonds*" 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 paragraph (d) above under the subcaption "*– Issuance of Additional Bonds*" is satisfied.
- (d) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the 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.

Issuance of Refunding Bonds. Under the Indenture, the Authority may issue Refunding Bonds on a parity with the Bonds and any Parity Obligations. Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions specified in paragraph (d) above under the subcaption "*– Issuance of Additional Bonds*" or paragraph (c) above under the subcaption "*– Proceedings for Issuance of Additional Bonds*" in accordance with the Indenture, see APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations – *Issuance of Refunding Bonds.*"

Parity Obligations. Under the Indenture, the Authority may issue Parity Obligations on a parity with the Bonds and any Refunding Bonds upon compliance with the provisions specified in paragraph (d) above under the subcaption "*– Issuance of Additional Bonds.*" If the Parity Obligations are refunding obligations, such compliance is not required. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations – *Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity*

Obligations; Subordinate Obligations.” “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 will 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 the Indenture, 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).

Subordinate Obligations

Under the Indenture, the Authority may issue obligations subordinate to the Bonds, Refunding Bonds and Parity Obligations (“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 thereunder 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 the Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred, provided that the conditions to issuance or incurrence of such Subordinate Obligations set forth in the Indenture are satisfied. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations – Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations.” The Authority currently has no plans to issue or incur any additional 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 No. 89-1 imposed the Sales Tax for a period from April 1, 1990 through 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 through 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 sales tax levied statewide by the State of California (the “State”) and other sales taxes imposed by certain cities within the County. See “THE SALES TAX – Other Sales Taxes Imposed in the County.” Proposition 30, approved by the voters of the State in the November 2012 election, increased the

statewide sales tax by one-quarter of one percent, from 7.25% to 7.5%, for a period of four years from January 1, 2013 to December 31, 2016. In general, the statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property. The statewide use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. Since the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally applies to purchases made outside of the State for use within the State.

The Sales Tax generally is imposed upon the same transactions and items subject to the sales and use tax levied statewide by the State (hereinafter collectively referred to as the "State Sales Tax"), with generally the same exceptions. Many categories of transactions are exempt from the State Sales Tax and the Sales Tax. The most important of these exemptions are: sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity and water when delivered to consumers through mains, lines and pipes. In addition, "Occasional Sales" (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the Sales Tax; 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 State Sales Tax and from the Sales Tax.

Action by the State Legislature or by voter initiative or judicial decisions interpreting State law could change the transactions and items upon which the State Sales Tax and the Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on Sales Tax Revenues. The Authority is not currently aware of any proposed legislative change which would have a material adverse effect on Sales Tax Revenues. See also "RISK FACTORS – Proposition 218" herein.

Collection of Sales Tax Revenues

Collection of the Sales Tax is administered by the State Board of Equalization. The Authority and the State Board of Equalization have entered into an agreement, as it has been amended and supplemented, for state administration of transactions and use taxes to authorize payment of Sales Tax Revenues directly to the Trustee. Pursuant to the agreement, the State Board of Equalization, after deducting amounts payable to itself for administrative costs, will be required to remit the balance of amounts received from the Sales Tax directly to the Trustee.

The Trustee will be required to apply the Sales Tax Revenues to make deposits to the funds and accounts established under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS" herein. The fee that the State Board of Equalization is authorized to charge for collection of the Sales Tax is determined by State legislation. The State Board of Equalization fee for collection of the Sales Tax for Fiscal Year 2013-14 is estimated at \$1,785,530.

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Historical Sales Tax Revenues

Sales Tax Revenues Collected Under Ordinance 89-1. The following table sets forth sales tax revenues collected under Ordinance No. 89-1 ("Ordinance 89-1 Sales Tax Revenues") net of the State Board of Equalization administrative fee for the Fiscal Years indicated below.

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY ORDINANCE 89-1 SALES TAX REVENUES Fiscal Years Ended June 30, 1990 through 2010

<u>Fiscal Year Ended June 30</u>	<u>Sales Tax Revenues⁽¹⁾</u>	<u>% Change From Prior Fiscal Year</u>
1990	\$ 4,126,121 ⁽²⁾	N/A
1991	50,654,294	--
1992	53,784,324	6.2%
1993	54,747,612	1.8
1994	54,842,475	0.2
1995	57,960,529	5.7
1996	62,037,345	7.0
1997	64,846,755	4.5
1998	69,644,443	7.4
1999	73,244,075	5.2
2000	84,413,385	15.2
2001	90,618,695	7.4
2002	94,524,807	4.3
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	(5.0)
2009	114,901,053	(18.2)
2010	106,073,764 ⁽³⁾	(7.7)

⁽¹⁾ Net of State Board of Equalization administrative fee.

⁽²⁾ Fiscal Year ended June 30, 1990 represents a partial year of revenues.

⁽³⁾ Ordinance No. 89-1 imposed the Sales Tax for a period from April 1, 1990 to March 31, 2010. Ordinance No. 04-01 imposes the Sales Tax for the period from April 1, 2010 through March 31, 2040. Thus, Fiscal Year ended June 30, 2010 represents a full year of Sales Tax receipts, but a partial year of Pledged Tax Revenues.

Source: The Authority.

Sales Tax Revenues Collected Under Ordinance No. 04-01. Ordinance No. 04-01 imposed the Sales Tax from April 1, 2010 through March 31, 2040. The following table sets forth Sales Tax Revenues net of the State Board of Equalization administrative fee for the Fiscal Years indicated below.

**SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
HISTORICAL SALES TAX REVENUES
Fiscal Years Ended June 30, 2010 through 2013**

<u>Fiscal Year Ended June 30</u>	<u>Sales Tax Revenues⁽¹⁾</u>	<u>% Change From Prior Fiscal Year</u>
2010	\$106,073,764 ⁽²⁾	(7.7%)
2011	117,927,079	11.2
2012	132,276,581	12.2
2013	138,482,732	4.7

⁽¹⁾ Net of State Board of Equalization administrative fee.

⁽²⁾ Ordinance No. 89-1 imposed the Sales Tax for a period from April 1, 1990 to March 31, 2010. Ordinance No. 04-01 imposes the Sales Tax for the period from April 1, 2010 through March 31, 2040. Thus, Fiscal Year ended June 30, 2010 represents a full year of Sales Tax receipts, but a partial year of Pledged Tax Revenues.

Source: The Authority.

Annual Sales Tax Revenues for the Fiscal Year ended June 30, 2013 were \$138,482,732 representing an increase of \$6,206,151 or 4.7% from the previous Fiscal Year. Sales Tax Revenues (cash basis) for the first two quarters of Fiscal Year ending June 30, 2014 were \$70,833,653, representing an increase of 2.1% from Sales Tax Revenues for the first two quarters of the previous Fiscal Year.

The Authority is unable to predict the amount of future Sales Tax Revenues. For a summary of historical taxable retail sales within the County, see the table entitled "County of San Bernardino, Taxable Sales Transactions" in APPENDIX B – "COUNTY OF SAN BERNARDINO, CALIFORNIA DEMOGRAPHIC AND ECONOMIC INFORMATION."

The following table sets forth the Maximum Annual Debt Service coverage ratio for the Series 2012 Bonds and the Series 2014 Bonds, based on Sales Tax Revenues for the Fiscal Year ended June 30, 2013 and a par amount of \$120,825,000* for the Series 2014 Bonds. See "DEBT SERVICE SCHEDULE" herein.

**SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
COVERAGE RATIO**

<u>Sales Tax Revenues Fiscal Year Ended June 30, 2013</u>	<u>Maximum Annual Debt Service*</u>	<u>Coverage Ratio*</u>
\$138,482,732	\$17,441,944	7.94x

Source: Montague DeRose and Associates, LLC.

* Preliminary, subject to change.

Other Sales Taxes Imposed in the County

With limited exceptions, the Sales Tax is imposed on the same transactions and items subject to the State Sales Tax. See “RISK FACTORS – Other Sales Taxes” herein. In addition to the State Sales Tax and the Sales Tax, the following sales and use taxes are imposed by certain entities within the County. No portion of the State Sales Tax or the following taxes imposed within the County are pledged to the repayment of the Series 2014 Bonds.

<u>Sales and Use Tax</u>	<u>Tax Rate</u>	<u>Effective Date</u>	<u>Termination Date</u>
City of Montclair	0.25%	04/01/05	None
City of San Bernardino	0.25%	04/01/07	04/01/2032

Source: California City and County Sales and Use Tax Rates (October 1, 2013) and State Board of Equalization.

Accounting for all the various sales taxes described above, transactions in the County are currently being taxed at an effective rate of 8.00% outside of the cities of Montclair and San Bernardino and 8.25% within these cities.

Outstanding Bonds

The Series 2014 Bonds are secured by Sales Tax Revenues on a parity with the Series 2012 Bonds. The Series 2012 Bonds were originally issued in the principal amount of \$91,880,000 to provide a portion of the funds needed to defease all of the outstanding \$250,000,000 principal amount of the Authority’s Sales Tax Revenue Notes (Limited Tax Bonds), 2009 Series A (the “2009 Notes”). Proceeds of the 2009 Notes were used to purchase \$193,475,000 principal amount of State of California Highway Safety, Traffic Reduction, Air Quality and Port Security Bonds, Series 2009C under the State’s Proposition IB Program (“GO Bonds”) to assist funding of transportation projects in the County. The GO Bonds were prepaid in November 2011, and the proceeds from such repayment were used to partially retire the 2009 Notes.

Project Advancement Agreements

In December 2005, the Authority Board approved a project strategy that allows agencies to advance funds for interchange, arterial and grade separation projects development and construction. Pursuant to the strategy, the Authority reimburses such agencies for eligible project expenditures from available Sales Tax Revenue under “Project Advancement Agreements” and “Advance Expenditure Agreements” (collectively “Advancement Agreements”). Eligible projects in the San Bernardino Valley area Valley Freeway Interchange and Major Streets include certain projects listed in the Development Mitigation Nexus Study dated November 2, 2011 (the “Development Mitigation Nexus Study”), and in the Victor Valley area include certain project listed in the Development Mitigation Nexus Study and in the Victor Valley Major Local Highway project list. As of July 1, 2013, the Authority had entered into twenty-six Advancement Agreements under which it owed \$71,175,791 to various agencies, with \$10,779,872 of such amount allocated by the Board to be reimbursed within Fiscal Year 2013-14. See also APPENDIX A – “AUTHORITY AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30 2013,” Note 7. Payments made by the Authority under Advancement Agreements are unsecured obligations of the Authority payable from Sales Tax Revenues, subject to Strategic Plan limitations. Sales Tax Revenues are not pledged to the reimbursement obligations of the Authority under the Advancement Agreements.

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 various freeway interchanges countywide;
- Improving local streets and roads;
- Expanding transit for seniors and disabled riders; and
- Expanding rail transit service.

Ordinance No. 04-01, referred to herein as the "Ordinance," defines the parameters of the Expenditure Plan.

The Authority accounts for Sales Tax Revenues separately by subarea. Sales Tax Revenues generated from each specified subarea will be expended on projects of direct benefit to that subarea within the County, as provided in the Expenditure Plan. Allocation of the Sales Tax Revenue to each subarea will be subordinate to the payment of principal of and interest on the Bonds, including the Series 2014 Bonds.

Expenditure Plan

The following is a description of the requirements and parameters of the Expenditure Plan. The entire Expenditure Plan is located at http://www.sanbag.ca.gov/funding/mi_policies/Ordinance_20-4.pdf. Information set forth on such website is not incorporated herein by reference.

After deduction of all required State Board of Equalization fees and authorized costs (including payment of debt service on the Series 2012 Bonds and the Series 2014 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 the 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. Sales Tax Revenues 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%

¹ Upon initial collection of Sales Tax Revenues, the Major Street Program will receive 20% of Sales Tax Revenues collected in the Valley. Effective ten years following initial collection of Sales Tax Revenues, 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.

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%
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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%

Mountain-Desert Expenditure Plan. Sales Tax Revenues 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 ²	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	2%

² 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%.

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 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.

Future Financing Plans

The Authority anticipates issuing approximately \$750 million of additional Bonds during the next eight years secured by Sales Tax Revenues, in addition to the Series 2012 Bonds and the Series 2014 Bonds, to fund transportation projects authorized under the Expenditure Plan. The principal amount of additional Bonds or other financing instruments to be subsequently issued by the 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 2014 BONDS – Additional Bonds and Other Obligations." The Authority may issue toll revenue bonds in the future.

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 January 31, 2014. Accordingly, there can be no assurance that if these securities had been sold on January 31, 2014, 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 January 31, 2014, the average maturity of the Authority's portfolio was 2.51 years, with an average yield of approximately 1.08%.

**AUTHORITY INVESTMENT PORTFOLIO INFORMATION
AS OF JANUARY 31, 2014⁽¹⁾**

<u>Investments</u>	<u>Percent of Portfolio⁽²⁾</u>	<u>Par Value</u>	<u>Market Value</u>
Cash or Cash Equivalents	16.4%	\$ 45,245,627	\$ 45,245,627
State of California Local Agency Investment Fund	1.9	5,175,737	5,175,737
San Bernardino County Pool (inclusive of Transportation Development Act funds)	55.8	154,294,640	154,294,640
U.S. Treasuries	3.4	9,100,000	9,301,624
U.S. Agencies	12.0	33,265,000	33,211,848
Municipal Obligations	0.5	1,340,000	1,346,212
Corporate Medium Term Notes	9.3	25,335,000	25,656,741
Collateralized Deposits	<u>0.9</u>	<u>2,494,118</u>	<u>2,494,118</u>
TOTAL INVESTMENTS	100.0%	<u>\$276,250,122</u>	<u>\$276,726,547</u>

⁽¹⁾ Unaudited.

⁽²⁾ Based on market value, excluding accrued interest.

Source: The Authority.

RISK FACTORS

Economy of the County and the State

The amount of Sales Tax Revenues collected at any time is directly dependent upon the level of retail sales within the County. During the latter part of 2007 through 2010 the economy of the County was in a recession, as evidenced by a high unemployment rate, a decrease in total personal income and taxable sales, a drop in residential and commercial 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. In recent years the economy of the County and the State has improved. For example, the unemployment rate for the County has decreased from 14.2% in 2010 to 9.1% in 2013, and the unemployment rate for the State has decreased from 12.4% in 2010 to 8.3% in 2013. Sales Tax Revenues have rebounded from a low point in Fiscal Year 2009-10, growing 11.2% in Fiscal Year 2010-11, 12.2% in Fiscal Year 2011-12 and 4.7% in Fiscal Year 2012-13. For information relating to certain economic conditions within the County and the State, see APPENDIX B – “COUNTY DEMOGRAPHIC AND ECONOMIC INFORMATION.”

Investments

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. See “AUTHORITY – INVESTMENT PORTFOLIO.”

Collection of 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 description of the Sales Tax, see “THE SALES TAX.”

Increased Internet Use May Reduce Sales Tax Revenues

The increasing use of the Internet to conduct electronic commerce may affect the levels of Sales Tax Revenues. Internet sales of physical products by businesses located in the State, and Internet sales of physical products delivered to the State by businesses located outside of the State are generally subject to the Sales Tax. However, the Authority believes that many of these transactions may avoid taxation either through error or deliberate non-reporting and this potentially reduces the amount of Sales Tax Revenues. As a result, the more that the Internet is used to conduct electronic commerce, along with the failure to collect sales taxes on such Internet purchases, the more that the Authority may experience reductions of 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 XIIC and XIID to the California

Constitution. Article XIIC 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 was approved by more than two thirds of the voters in the County and is therefore in compliance with the requirements of Proposition 218. Article XIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized local taxes, even previously voter-approved taxes like the Sales Tax. In the view of the Authority, however, any attempt by the voters to use the initiative provisions of 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 2014 Bond, would violate the Contracts Clause of the United States Constitution and, accordingly, would be precluded. 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 2014 Bonds or an increase in the interest rate on the Series 2014 Bonds, in the event of a default in the payment of principal and interest on the Series 2014 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 2014 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 – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Series 2014 Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2014 Bonds, as a result of acts or omissions of the Authority subsequent to the issuance of the Series 2014 Bonds. Should interest become includable in federal gross income, the Series 2014 Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity.

Bankruptcy Considerations

The Authority may be authorized to file for Chapter 9 municipal bankruptcy under certain circumstances. Should the Authority file for bankruptcy, there could be adverse effects on the holders of the Series 2014 Bonds.

If the Sales Tax Revenues are "special revenues" under the Bankruptcy Code, then Sales Tax Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the governmental entity. The Sales Tax was levied to finance the Expenditure Plan, which includes a number of projects (collectively referred to herein as the "Expenditure Plan Projects"), and some of these Expenditure Plan Projects are described in broad terms. No assurance can be given that a court would not hold that the Sales Tax Revenues are not special revenues. Were the Sales Tax Revenues

determined not to be “special revenues,” then Sales Tax Revenues collected after the commencement of a bankruptcy case would likely not be subject to the lien of the Indenture. The holders of the Series 2014 Bonds may not be able to assert a claim against any property of the Authority other than the Sales Tax Revenues, and were these amounts no longer subject to the lien of the Indenture following commencement of a bankruptcy case, then there could thereafter be no amounts from which the holders of the Series 2014 Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system from which the special revenues are derived, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. The law is not clear as to whether, or to what extent, Sales Tax Revenues would be considered to be “derived” from the Expenditure Plan Projects. To the extent that Sales Tax Revenues are determined to be both special revenues and derived from the Expenditure Plan Projects, the Authority may be able to use Sales Tax Revenues to pay necessary operating expenses connected with the Expenditure Plan Projects, before the remaining Sales Tax Revenues are turned over to the Trustee to pay amounts owed to the holders of the Series 2014 Bonds. It is not clear precisely which expenses would constitute necessary operating expenses.

If the Authority is in bankruptcy, the parties (including the holders of the Series 2014 Bonds) may be prohibited from taking any action to collect any amount from the Authority or to enforce any obligation of the Authority, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Series 2014 Bonds from funds in the Trustee’s possession. The procedure pursuant to which Sales Tax Revenues are paid directly by the State Board of Equalization to the Trustee may no longer be enforceable, and the Authority may be able to require the State Board of Equalization to pay Sales Tax Revenues directly to the Authority.

The Authority as a debtor in bankruptcy may be able to borrow additional money that is secured by a lien on any of its property (including Sales Tax Revenues), which lien could have priority over the lien of the Indenture, or to cause some Sales Tax Revenues to be released to it, free and clear of lien of the Indenture, in each case provided that the bankruptcy court determines that the rights of the Trustee and the holders of the Series 2014 Bonds will be adequately protected. The Authority may also be able, without the consent and over the objection of the Trustee and the holders of the Series 2014 Bonds, to alter the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Series 2014 Bonds, provided that the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the Series 2014 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the Authority that could result in delays or reductions in payments on the Series 2014 Bonds, or result in losses to the holders of the Series 2014 Bonds. Regardless of any specific adverse determinations in an the Authority bankruptcy proceeding, the fact of an the Authority bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2014 Bonds.

FINANCIAL STATEMENTS

The financial statements of the Authority for the Fiscal Year ended June 30 2013, included in APPENDIX A of this Official Statement have been audited by McGladrey LLP (the “Auditor”), independent auditors, as stated in their report therein. The Auditor 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 the Auditor with respect to any

event subsequent to the date of its report. The Auditor has not been engaged to perform and has not performed, since the date of its report, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement. 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 2014 Bonds or questioning or affecting the validity of the Series 2014 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. In the ordinary course of business, the Authority is exposed to claims, asserted or unasserted, that may arise from its performance under contractual agreements and other matters. In the opinion of management, settlement of such claims, if any, will not have a material adverse effect on the Authority’s finances.

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 2014 Bonds, the levy, collection and pledge of Sales Tax Revenues or the creation, organization or existence of the Authority.

SANBAG is a member of the Southern California Regional Rail Authority (“SCRRA”) through a Joint Exercise of Powers Agreement (“JPA”). The purpose of SCRRA is to plan, design, construct and administer the operation of regional rail lines serving the member agencies. It is noted that prior to Fiscal Year 2009-10, SCRRA, the operator of Metrolink, was involved in accidents that resulted in a number of claims. SANBAG tendered the defense to SCRRA and SCRRA subsequently accepted the tender, defense and indemnity of these claims. In June 2011, another such case arose when a bicyclist was struck and killed allegedly by a Metrolink train near a train station owned by SANBAG. The bicyclist’s estate sued SANBAG for an unspecified sum of damages. SANBAG tendered this case for defense and indemnity to SCRRA under the JPA. SCRRA accepted SANBAG’s tender. It is premature to evaluate fully the merits of these cases at this time. The Authority is not a party to this litigation.

The San Bernardino County Flood Control District is suing SANBAG, 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 in 2004 associated with the new State Route 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 of as much as \$65 million to improve the basins. The parties have agreed to present the dispute to a mediator in January 2014. If the case does not settle during mediation, it is set for trial in July 2014. It is still premature to evaluate fully the merits of the case. The Authority is a named defendant in this litigation.

Certain claims involving disputed construction and right of way acquisitions costs have arisen in the ordinary course of business. Additionally, SANBAG is a defendant in various lawsuits. Although the outcome of these matters is not presently determinable, management does not expect that the resolution of these matters will have a material adverse impact on the financial condition of SANBAG. The Authority is not a party to this litigation.

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 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the Series 2014 Bonds is less than the amount to be paid at maturity of such Series 2014 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2014 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 2014 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 2014 Bonds is the first price at which a substantial amount of such maturity of the Series 2014 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 2014 Bonds accrues daily over the term to maturity of such Series 2014 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 2014 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2014 Bonds. Beneficial owners of the Series 2014 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2014 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2014 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2014 Bonds is sold to the public.

Series 2014 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Series 2014 Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Series 2014 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 2014 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial owners of Premium Series 2014 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 2014 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 2014 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 2014 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2014 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 2014 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2014 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 2014 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 amounts treated as interest on, the Series 2014 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2014 Bonds to be subject, directly or indirectly, in whole or in part, 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. For example, legislative proposals have been made in recent years that would limit the exclusion from gross income of interest on obligations like the Series 2014 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 legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2014 Bonds. Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express 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 2014 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 2014 Bonds ends with the issuance of the Series 2014 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 2014 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 2014 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 2014 Bonds and may cause the Authority or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

The validity of the Series 2014 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 F 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 Eileen Monaghan Teichert, General Counsel to the Authority, and by Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, as Disclosure Counsel to the Authority, and for the Underwriters by Nixon Peabody LLP, 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 2014 Bonds, Fitch Ratings, Inc. ("Fitch") has assigned a rating of "___" to the Series 2014 Bonds and Moody's Investors Service ("Moody's") has assigned a rating of "___" to the Series 2014 Bonds. These ratings reflect only the views of S&P, Fitch and Moody's, respectively, and do not constitute a recommendation to buy, sell or hold the Series 2014 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, Fitch and Moody's certain information respecting the Series 2014 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, Fitch and Moody's, 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 2014 Bonds.

UNDERWRITING

Citigroup Global Markets Inc., as representative of the underwriters of the Series 2014 Bonds listed on the cover hereof (the "Representative"), has agreed, subject to certain conditions, to purchase the Series 2014 Bonds at a price of \$_____ (representing \$_____ aggregate principal amount of Series 2014 Bonds, plus a [net] premium of \$_____, less an Underwriters' discount of \$_____). The Bond Purchase Contract provides that the Underwriters will purchase all the Series 2014 Bonds if any are purchased.

Citigroup Global Markets Inc., an underwriter of the Series 2014 Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2014 Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the owners and beneficial owners of the Series 2014 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, 2014, and to provide notices of the occurrence of certain enumerated events, in some cases if material. The Annual Report and notices of enumerated events will be filed by the Dissemination Agent on behalf of the Authority with the Municipal Securities Rulemaking Board. The filing of the Annual Report and notices of enumerated events shall be made in accordance with the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board which is currently the only Repository or in another manner approved under SEC Rule 15c2-12 (the "Rule"). The specific nature of the information to be contained in the Annual Report and the notices of events is set forth in APPENDIX D – "PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with the Rule. The Authority has not historically filed notices of bond insurer rating downgrades. Otherwise, the Authority has not failed to comply in all material respects with its continuing disclosure undertakings made pursuant to the Rule during the past five years.

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 2014 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 2014 Bonds is contingent upon the issuance of the Series 2014 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 2014 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 2014 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

**SAN BERNARDINO COUNTY TRANSPORTATION
AUTHORITY**

By: _____
Executive Director

APPENDIX A

**AUTHORITY AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30 2013**

APPENDIX B

**COUNTY OF SAN BERNARDINO, CALIFORNIA
DEMOGRAPHIC AND ECONOMIC INFORMATION**

APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of March 1, 2012 (the "2012 Indenture"), as supplemented, including by a Second Supplemental Indenture, dated as of March 1, 2014 (collectively, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Such summary is not intended to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture.

Definitions

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 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.

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

Authorized Denominations means, with respect to the Series 2014 Bonds, \$5,000 and any integral multiple thereof.

Authorized Representative means the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Accounting and Human Resources Manager, or such other person as may be 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 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 in the Indenture or in this Official Statement 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 or Notes (Limited Tax Bonds) authorized by, and at any time Outstanding pursuant to, the Indenture.

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

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

Certificate, Statement, Request, Requisition and Order of the Authority mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative.

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 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. With respect to the Series 2014 Bonds, Costs of Issuance Fund means the 2014 Costs of Issuance Fund.

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.

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

Excluded Principal Payment means each payment of principal of Bonds or Parity Obligations that the Authority determines (in the Certificate of the Authority) that the Authority intends to pay with moneys which 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 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 the Indenture.

First Supplemental Indenture means the First Supplemental Indenture, dated as of March 1, 2012, between the Authority and the Trustee, as amended and supplemented.

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 in the Indenture or in this Official Statement with respect to a Bond, means the person in whose name such Bond is registered.

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

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 the Indenture.

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 Payment Date** means, with respect to the Series 2014 Bonds, March 1 and September 1 of each year until the redemption or maturity of such Series 2014 Bonds, commencing with September 1, 2014.

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 the 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.

Issue Date means, with respect to the Series 2014 Bonds, the date on which the Series 2014 Bonds are first delivered to the purchasers thereof.

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.

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

and that is designated as an “Ordinance” under the Indenture pursuant to a Supplemental Indenture, as such future ordinance may be amended or extended pursuant to the Act.

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 the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the 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 the provisions of the Indenture described below under the caption “Discharge of Liability on Bonds,” 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 the 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 the Indenture, 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 the Indenture.

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.

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. With respect to the Series 2014 Bonds, Project Fund means the 2014 Bonds Project Fund.

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 the Indenture.

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. Record Date, with respect to the Series 2014 Bonds, means for any Interest Payment Date the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

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

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 the Indenture.

Refunding Bonds means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions of the Indenture described below under the caption "Issuance of Refunding Bonds."

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 the Indenture described below under the caption "Funding and Application of Bond Reserve Funds," 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 fund by that name established pursuant to the Indenture.

Revenues means: (i) all Sales Tax Revenues; and (ii) all Swap Revenues. In accordance with the provisions of the Indenture described below under the caption "Issuance of Additional Bonds and Other Obligations," the Authority by Supplemental Indenture may provide for additional revenues or assets of the Authority to be included in the definition of Revenues.

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.

Second Supplemental Indenture means the Second Supplemental Indenture, dated as of March 1, 2014, between the Authority and the Trustee, as amended and supplemented.

Securities Depository means The Depository Trust Company, 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 in the Indenture 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 in the Indenture provided.

Series 2014 Bonds means the San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), 2014 Series A, authorized by, and at any time Outstanding pursuant to, the Indenture.

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 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 the provisions of the Indenture described in paragraph (D) under the caption “Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations” set forth below.

Subordinate Obligations Fund means the fund by that name established pursuant to the Indenture.

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 the Indenture, but only if and to the extent that such supplemental indenture is authorized specifically under the Indenture.

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 the Indenture.

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.

2014 Bonds Project Fund means the fund by that name established pursuant to the Indenture.

2014 Costs of Issuance Fund means the fund by that name established pursuant to the Indenture.

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 under 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 application thereof for the purposes and on the terms and conditions set forth in the 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, the Indenture irrespective of whether those parties have notice of such 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) is 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 assigns and shall cause Sales Tax Revenues to be transmitted by the State Board of Equalization directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, all Sales Tax Revenues, when and as received by the Trustee. The Sales Tax Revenues and all other amounts deposited into the Revenue Fund as described in this section (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 the Indenture. Investment income on amounts held by the Trustee under the Indenture (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 the 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 under the Indenture.

Allocation of Sales Tax Revenues

So long as any Bonds are Outstanding and Parity Obligations, Subordinate Obligations and all other amounts payable under the Indenture remain unpaid, the Trustee will set aside in each month following receipt of the Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee will establish, maintain and hold in trust for the benefit of the 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 (which will 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 the Indenture:

Interest Fund. Following receipt of the Sales Tax Revenues in each month, the Trustee will 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 will 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 will 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 will 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 will 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 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 under the Indenture 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). All Swap Revenues received with respect to Interest Rate Swap Agreements that are Parity Obligations will be deposited in the Interest Fund and credited to the above-required deposits.

Principal Fund; Sinking Accounts. Following receipt of the Sales Tax Revenues in each month, the Trustee will 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 will 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 will 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 will 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 will be applied on a Proportionate Basis and

in such proportion as said Serial Bonds and said Term Bonds will 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 will have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as will 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 will 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 will be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Indenture 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 will 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 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.

Bond Reserve Fund. Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee will make such deposit to such Bond Reserve Fund as is required pursuant to the provisions of the Indenture described in paragraph (D) under the caption "Funding and Application of Bond Reserve Funds," 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. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – No Bond Reserve Fund for the Series 2014 Bonds" in the main body of this Official Statement.

Subordinate Obligations Fund. The Trustee will 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 to the Interest Fund, the Principal Fund and the Bond Reserve Funds described 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.

Fees and Expenses Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Fees and Expenses Fund." After the transfers to the Interest Fund, the Principal Fund, the Bond Reserve Funds and the Subordinate Obligations Fund described 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 other charges in connection with the Bonds, Parity Obligations or Subordinate Obligations (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. The Authority will inform the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

Any Revenues remaining in the Revenue Fund after the foregoing transfers in the funds and accounts described above, except as the Authority will otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, will be transferred to the Authority on the same Business Day or as soon as is 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.

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, Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee will 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 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.

Establishment and Application of Funds and Accounts

Each of the funds and accounts described below is established pursuant to the Indenture.

Interest Fund. All amounts in the Interest Fund will 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 the 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 the Indenture.

Principal Fund. All amounts in the Principal Fund will 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 will be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the 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.

The Trustee will 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 will 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 will 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 the 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 will, 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) will 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 will 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 the provisions of the Indenture described herein will be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction will 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 will be withdrawn by the Trustee and transferred as soon as is 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 will 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 will 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.

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 will be available to secure one or more Series of Bonds as the Authority will determine and will 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 will be held by the Trustee and will comply with the requirements of the Indenture described under this caption.

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 will 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 Moody's and Standard & Poor's, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in the paragraph below, 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 will 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 will provide by its terms that it may be drawn upon as provided in this caption. At least one (1) year prior to the stated expiration of such letter of credit, the Authority will 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 the Indenture described in the paragraph below. Upon delivery of such replacement Reserve Facility, the Trustee will deliver the then-effective letter of credit to or upon the order of the Authority. If the Authority will fail to deposit a replacement Reserve Facility with the Trustee, the Authority will 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 will draw on the letter of credit to fund the deficiency resulting therefrom in such Bond Reserve Fund.

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 will 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 in 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 will 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 will 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 will immediately implement (i) or (iii) of the preceding paragraph or make the twelve equal monthly deposits to such Bond Reserve Fund so that the Bond Reserve Fund is replenished to the required level after a year.

Subject to the provisions of the Indenture described in the final paragraph under this caption, 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) will be used and withdrawn by the Trustee, as hereinafter described; (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 will 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, will 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, will 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 of and interest so recovered.

The Trustee will 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 the provisions of the Indenture described below under the caption "Investment in Funds and Accounts" and will 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 will 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 of Investment Securities and will 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.

Unless the Authority will otherwise direct in writing, 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 will be transferred by the Trustee to the Authority on the Business Day following March 1 of each year; provided that such amounts will 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 will 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 the provisions of the Indenture described above. 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.

Subordinate Obligations Fund. All moneys in the Subordinate Obligations Fund will be applied to the payment of principal of and interest on Subordinate Obligations in accordance with the Indenture.

Fees and Expenses Fund. All amounts in the Fees and Expenses Fund will 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 will become due and payable.

Redemption Fund. The Trustee will 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 will, unless otherwise directed by the Authority, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as will 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 will, 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 will 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.

Rebate Fund. Upon receipt of funds to be applied to the Rebate Requirement, the Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee will maintain such accounts as will be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Authority. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Rebate Fund will 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 will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the Indenture and by each of the Tax Certificates. The Authority covenants to comply with the directions contained in each Tax Certificate and the Trustee covenants to comply with all written instructions of the Authority delivered to the Trustee pursuant to each Tax Certificate (which instructions will state the actual amounts to be deposited in or withdrawn from the Rebate Fund and will not require the Trustee to make any calculations with respect thereto). The Trustee will be deemed conclusively to have complied with the provisions of the section of the Indenture described in this paragraph if it follows such instructions of the Authority, and the Trustee will 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.

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 under the Indenture. 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 the 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 the Indenture, 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.

Investment in Funds and Accounts

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture will be invested, as directed by the Authority, solely in Investment Securities, subject to the limitations set forth in the Indenture. 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 the Indenture, such moneys will 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 will 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 will promptly thereafter request investment instructions from the Authority for such moneys.

Moneys in any Bond Reserve Fund will be invested in Investment Securities maturing in not more than 5 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 in the Indenture. Moneys in the remaining funds and accounts will be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

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 will be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund will be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise will be transferred to the Revenue Fund; (iii) all interest, profits and other income received from 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 will be retained in such Project Fund, unless the Authority will 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 will be retained in the Rebate Fund, except as otherwise provided in the Indenture; (vi) all interest, profits and other income received from 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 will be transferred to the Revenue Fund.

All Investment Securities credited to any Bond Reserve Fund will 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 in the Indenture, in making any valuations of investments under the Indenture, 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 the 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 under the Indenture will be accounted for separately as required by the 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 will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee will not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of the Indenture.

Issuance of Additional Bonds and Other Obligations

Issuance of Additional 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 the Indenture equally and ratably with the Series 2014 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 will be determined by the Authority, but only, with respect to each additional Series of Bonds issued subsequent to the Series 2014 Bonds issued under the Indenture, upon compliance by the Authority with the provisions of the Indenture described below under the caption "Proceedings for Issuance of Additional Bonds" and any additional requirements set forth in said Supplemental Indenture and subject to the specific conditions set forth below, each of which is made a condition precedent to the issuance of any such additional Series of Bonds:

- (A) No Event of Default will have occurred and then be continuing.
- (B) Subject to the provisions of the Indenture described above under the caption "Funding and Application of Bond Reserve Funds," in the event a Supplemental Indenture providing for the issuance of such Series of Bonds will 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 will require deposit of the amount necessary. Said deposit will 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 under the Indenture will 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 will 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 will 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 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.

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

Proceedings for Issuance of Additional Bonds. Before any additional Series of Bonds will be issued and delivered, the Authority will file each of the documents identified below to 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 of the Indenture described in paragraphs (B) and (C) under the caption "Issuance of Additional Bonds" 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 the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" is satisfied.
- (D) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the 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.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture described in paragraph (D) above under the caption "Issuance of Additional Bonds" and in paragraph (C) above under the caption "Proceedings for Issuance of Additional Bonds" 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.

Before such Series of Refunding Bonds will be issued and delivered pursuant to the provisions of the Indenture described under this caption, the Authority will file each of the documents identified below to 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 the Indenture described in paragraphs (A), (B), and (C) under the caption "Issuance of Additional Bonds" 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 the Indenture will 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 the 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.

Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations. The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Sales Tax Revenues except the following:

(A) Bonds authorized pursuant to provisions of the Indenture described above under the caption "Issuance of Additional Bonds";

(B) Refunding Bonds authorized pursuant to the provisions of the Indenture described above under the caption "Issuance of Refunding Bonds";

(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 will 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 the Indenture and described above under the caption "Issuance of Refunding Bonds" or (ii) the Authority will 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 of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which Certificate will also set forth the computations upon which such Certificate is based evidencing compliance with the requirements set forth in subsection (ii) of this paragraph; and

(4) As and to the extent applicable, the Trustee will be designated as paying agent or trustee for such Parity Obligations and the Authority will deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee will 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 under the Indenture 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 the 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 will 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 will be designated as paying agent or trustee for such Subordinate Obligations and the Authority will deliver to the Trustee a transcript of the proceedings providing for the issuance of such Subordinate Obligations (but the Trustee will 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.

Calculation of Maximum Annual Debt Service with Respect to Bonds and Parity Obligations. For purposes of issuance of Bonds under the Indenture, 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. 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.

Certain Covenants of the Authority

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 the Indenture, according to the true intent and meaning thereof, and will punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Revenues as provided in the Indenture.

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 as specifically provided in the Indenture as described above under the heading "Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations."

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

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.

Collection of Sales Tax Revenues. 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 has 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 will 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.

Sales Tax Revenues received by the Trustee will be transmitted to the Authority pursuant to the caption "Allocation of Sales Tax Revenues" above; provided that, during the continuance of an Event of Default, any Sales Tax Revenues received by the Trustee will be applied as more fully set forth in the Indenture and described under the caption "Application of Revenues and Other Funds After Default" below.

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.

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.

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 the Indenture and described in this caption "Tax Covenant" and the caption "Rebate Fund" above to such Series of Bonds. The Authority agrees to comply with the Tax Certificate relating to each Series of Bonds. In the event that at any time the Authority is of the opinion that for purposes of the provisions of the Indenture described in this caption "Tax Covenants" it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Authority will so instruct the Trustee in writing, and the Trustee will take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Authority agrees in the Indenture 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 in the Indenture 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 caption "Tax Covenants" and the caption "Rebate Fund" above and any Tax Certificate, if the Authority shall receive an Opinion of Bond Counsel to the effect that any action required as described under this caption "Tax Covenants" and the caption "Rebate Fund" above 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 of the Indenture, and the covenants hereunder shall be deemed to be modified to that extent.

Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Authority 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 will not be considered an Event of Default; however, the Trustee will, 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 the provisions of the Indenture described in this caption "Continuing Disclosure."

Allocation; 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 the Ordinance, the Authority 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.

Events of Default and Remedies

Events of Default. The following are 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 will 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 will become due and payable;

(C) if the Authority will fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (A) or (B) above, 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 will not become an Event of Default for so long as the Authority will diligently proceed to remedy

the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default will exist under any agreement governing any Parity Obligations and such default will 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 will 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 will 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 will assume custody or control of the Authority or of the Revenues, and such custody or control will 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 will 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.

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

(1) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the 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 the 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 the Indenture, 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 will 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 will 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 under the Indenture.

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

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the 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, the 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, will proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Sales Tax Revenues and other assets pledged under the 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 the 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 will 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 the Indenture.

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

Limitation on Bondholders' Right to Sue. No Holder of any Bond will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless: (1)

such Holder will 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 will have made written request upon the Trustee to exercise the powers granted to the Trustee pursuant to the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders will 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 will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will 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 will 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 declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

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, the Credit Provider then providing Credit Enhancement for any Series of Bonds will 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 benefited by such Credit Enhancement, provided that the Credit Provider's consent will not be required as otherwise provided in the Indenture 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.

Modification or Amendment of the Indenture

Amendments Permitted. The 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 will have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture.

No such modification or amendment will (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 the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof.

The 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 the Act and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in the 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 in the Indenture 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 the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable, and which will not materially and adversely affect the interests of the Holders of the Bonds;

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

(4) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of the Indenture described above under the caption "Issuance of Additional Bonds and Other Obligations";

(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 the Indenture described above under the captions "Issuance of Additional Bonds and Other Obligations," "Proceedings for Issuance of Additional Bonds," and "Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations";

(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 the Indenture in any other respect, including amendments that would otherwise be described in the first two paragraphs under this caption, 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 the 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 the 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 the provisions of the Indenture described under this caption will 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 will have given its written consent to such Supplemental Indenture in accordance with the provisions of the Indenture.

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

Defeasance

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 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 pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities") to pay or redeem such Outstanding Bonds; or

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

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

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 pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities") 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 will have been given as in the Indenture provided or provision satisfactory to the Trustee will have been made for the giving of such notice, then all liability of the Authority in respect of such Bond will cease, terminate and be completely discharged, provided that the Holder thereof will thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Authority will 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.

Deposit of Money or Securities. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay 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 the Indenture and will 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 will have been given as in the Indenture provided or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will 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 will have been given as in the Indenture provided or provision satisfactory to the Trustee will have been made for the giving of such notice; provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the 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.

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 the 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, will, to the extent permitted by law, be repaid to the Authority free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will 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, will be held in trust for the account of the Holders thereof and the Trustee will 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 will belong to the Authority and will be deposited upon receipt by the Trustee into the Revenue Fund.

Second Supplemental Indenture

2014 Bonds Project Fund. The monies set aside and placed in the 2014 Bonds Project Fund shall be expended for the purpose of paying a portion of the Costs of the Project and shall not be used for any other purpose whatsoever. Pursuant to the Indenture, all interest, profits and other income received from the investment of moneys in the 2014 Bonds Project Fund shall be deposited in the 2014 Bonds Project Fund unless the Authority instructs the Trustee to deposit such investment earnings in the Rebate Fund.

(a) Before any payment from the 2014 Bonds Project Fund shall be made by the Trustee, the Authority shall file or cause to be filed with the Trustee a requisition of the Authority (each a "Requisition"), such Requisition to be signed by an Authorized Representative and to include: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Authority in the case of reimbursement for costs theretofore paid by the Authority; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts have been incurred by the Authority or a constituent thereof and are presently due and payable and that each item thereof is a proper charge against the 2014 Bonds Project Fund and has not been previously paid from said fund; and (vi) that there has not been filed with or served upon the Authority notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such

Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law. Each such Requisition of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(b) When the Authority determines that the portion of the Project funded with the 2014 Bonds has been completed, a Certificate of the Authority shall be delivered to the Trustee by the Authority stating: (i) the fact and date of such completion; (ii) that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the 2014 Bonds Project Fund is to be maintained in the full amount of such claims until such dispute is resolved); and (iii) that the Trustee is to transfer the remaining balance in the 2014 Bonds Project Fund relating to such 2014 Bonds, less the amount of any such retention, to the Revenue Fund or, if so directed by the Authority, to the Rebate Fund.

2014 Costs of Issuance Fund. The monies set aside and placed in the 2014 Costs of Issuance Fund shall be expended for the purpose of paying the Costs of Issuance of the Series 2014 Bonds. On September 1, 2014 any remaining amounts in the 2014 Costs of Issuance Fund shall be transferred to the Project Fund and the 2014 Costs of Issuance Fund shall be closed.

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated March __, 2014, is executed and delivered by the San Bernardino County Transportation Authority (the “Authority”) in connection with the issuance of \$_____ aggregate principal amount of San Bernardino County Transportation Authority Sales Tax Revenue Bonds, 2014 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”), as supplemented by a First Supplemental Indenture, dated as of March 1, 2012 (the “First Supplemental Indenture”) and by a Second Supplemental Indenture, dated as of March 1, 2014 (the “Second Supplemental Indenture” and, together with the 2012 Indenture and the First Supplemental Indenture, the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). 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 the Rule.

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 Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.

“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 established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“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” means, until otherwise designated by the SEC, EMMA.

“Rule” means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the U.S. Securities and Exchange Commission.

“State” shall mean the State of California.

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, 2014, 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.

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) An update (as of the most recently ended fiscal year of the Authority) for the Coverage Ratio set forth on page ___ of the Official Statement.

(d) 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. 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 also be entitled to any further protections and limitations from liability afforded to the Trustee under Article VIII of the Indenture, as if such provisions were fully set forth herein. 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: \$_____ San Bernardino County Transportation Authority Sales Tax Revenue Bonds, 2014 Series A (Limited Tax Bonds)

Date of Issuance: March __, 2014

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 (the "2012 Indenture"), as supplemented by a First Supplemental Indenture, dated as of March 1, 2012 (the "First Supplemental Indenture") and by a Second Supplemental Indenture, dated as of March 1, 2014 (the "Second Supplemental Indenture and, together with the 2012 Indenture and the First Supplemental Indenture, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The Authority anticipates that the Annual Report will be filed by The Bank of New York Mellon Trust Company, N.A.

Dated: _____, 20__

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

By: _____
Authorized Signatory

cc: San Bernardino County Transportation Authority

APPENDIX E

BOOK-ENTRY SYSTEM

The information in this Appendix E concerning The Depository Trust Company, New York, New York (“DTC”), and DTC’s Book-Entry System has been obtained from DTC and the Authority, the Trustee and the Underwriters take no responsibility for the completeness or accuracy thereof.

The Authority, the Trustee and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants (each as defined below) or others will distribute any (a) payments of principal or purchase price or interest with respect to the Series 2014 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2014 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2014 Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC. The Authority, the Trustee and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a beneficial owner with respect to the Series 2014 Bonds or an error or delay relating thereto.

DTC will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Series 2014 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on this website is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy 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 Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

San Bernardino County Transportation Authority
San Bernardino, California

San Bernardino County Transportation Authority
Sales Tax Revenue Bonds (Limited Tax Bonds), 2014 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as Bond Counsel to the San Bernardino County Transportation Authority (the "Authority") in connection with issuance of \$_____ aggregate principal amount of San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), 2014 Series A (the "Bonds"), issued pursuant to an Indenture, dated as of March 1, 2012, as supplemented and amended by a First Supplemental Indenture, dated as of March 1, 2012 and by a Second Supplemental Indenture, dated as of March 1, 2014 (herein collectively referred to as the "Indenture"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Authority, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Authority and the Trustee, certificates of the Authority, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the 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 second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal

remedies against local transportation authorities 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 opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority.
3. Interest on the 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. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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

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

Set forth below is certain demographic and economic information with respect to the County of San Bernardino, California (the "County"). Such information is provided as general information and has been obtained from sources that the County believes to be reliable, but the County makes no representation as to the accuracy or completeness of the information included.

General Information

The County 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 includes twenty-four incorporated cities and encompasses an area of over 20,000 square miles making it the largest county in California in terms of geographical area.

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.

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. Like all California regions, the County is subject to unpredictable seismic activity.

Population

The following table sets forth the population of the County and the State for the years 2009 through 2013, based on the most recently published data available.

TABLE 1
COUNTY OF SAN BERNARDINO AND STATE OF CALIFORNIA
ANNUAL POPULATION AND PERCENTAGE CHANGE
2009 THROUGH 2013

Year	County	County Annual Percentage Change	State of California	State Annual Percentage Change
2009	2,022,319	0.29%	37,077,204	0.60%
2010	2,038,771	0.81	37,318,481	0.65
2011	2,053,155	0.72	37,570,112	0.70
2012	2,064,118	0.53	37,872,431	0.80
2013	2,076,399	0.59	38,204,597	0.88

Source: State Department of Finance, Demographic Research Unit.

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 have been made available.

TABLE 2
COUNTY OF SAN BERNARDINO
POPULATION OF FIVE LARGEST CITIES AND UNINCORPORATED AREA
AS OF JANUARY 1, 2013

City	Population
San Bernardino	212,639
Fontana	200,974
Rancho Cucamonga	171,058
Ontario	166,866
Victorville	120,368
Unincorporated Area	296,550

Source: State Department of Finance, Demographic Research Unit.

Personal Income

The following table sets forth total personal income and per capita income figures for the years 2008 through 2012.

**TABLE 3
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA AND UNITED STATES
TOTAL PERSONAL INCOME AND PER CAPITA INCOME
2008 THROUGH 2012⁽¹⁾**

<u>Year</u>	<u>Area</u>	<u>Total Personal Income (in Thousands)</u>	<u>Per Capita Personal Income⁽²⁾</u>
2008	County	\$ 61,161,307	\$30,524
	State	1,596,281,897	43,609
	United States	12,430,600,000	40,947
2009	County	59,991,663	29,788
	State	1,536,429,610	41,569
	United States	12,082,100,000	38,637
2010	County	61,147,087	29,950
	State	1,579,148,473	42,297
	United States	12,435,200,000	39,371
2011	County	64,249,589	31,121
	State	1,683,203,700	44,666
	United States	13,302,200,000	41,560
2012	County	66,751,565	32,072
	State	1,768,039,281	46,477
	United States	13,407,200,000	42,693

⁽¹⁾ No information is currently available for the County after 2012.

⁽²⁾ Per capita personal income is total personal income divided by Census Bureau midyear population estimates, which differ from the population estimates shown above in the preceding table.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table sets forth a comparison of labor force, employment and unemployment for the County, the State of California and the United States for the years 2008 through 2013. The unemployment rate for the County has decreased from 14.2% in 2010 to 9.1% in 2013, and the unemployment rate for the State has decreased from 12.4% in 2010 to 8.3% in 2013.

TABLE 4
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA AND UNITED STATES
ANNUAL AVERAGE LABOR FORCE AND INDUSTRY EMPLOYMENT
2008 THROUGH 2013⁽¹⁾

<u>Year</u>	<u>Area</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2008	County	863,500	794,600	68,900	8.0%
	California	18,207,300	16,893,900	1,313,500	7.2
	United States	154,287,000	145,362,000	8,924,000	5.8
2009	County	858,700	747,700	111,000	12.9
	California	18,207,300	16,151,100	2,064,600	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	County	861,500	739,400	122,100	14.2
	California	18,330,500	16,063,500	2,267,000	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	County	862,600	757,300	105,300	12.0
	California	18,404,500	16,237,300	2,167,200	11.8
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	County	860,900	758,000	103,000	12.0
	California	18,494,900	16,560,300	1,934,500	10.5
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	County	854,500	776,300	78,100	9.1
	California	18,579,500	17,041,000	1,538,400	8.3
	United States	155,284,000	144,443,000	10,842,000	7.0

⁽¹⁾ All data presented as annual averages, other than 2013 figures which are November, 2013 figures.

Source: For State and County information, State of California Employment Development Department, California Labor Market Information Division. For the U.S. information, U.S. Department of Labor, Bureau of Labor Statistics.

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 5
COUNTY OF SAN BERNARDINO
MAJOR PUBLIC AND PRIVATE SECTOR EMPLOYERS
As of June 30, 2013

<u>Company</u>	<u>Product/Service</u>	<u>Approximate Employees</u>
County of San Bernardino	County Government	19,000
Stater Brothers	Grocery Retailer	18,221
U.S. Army, Fort Irwin & National Training Center	Military	13,805
Loma Linda University	University	13,805
U.S. Marine Corp Air/Ground Combat Center	Military	12,486
United Parcel Service	Delivery Service	8,600
San Bernardino City Unified School District	School District	8,574
Ontario International Airport	Transport	7,695
Loma Linda University Medical Center	Health Care	6,147
Kaiser Permanente (Fontana only)	Health Care	6,000

Source: The Book of Lists (2013 edition).

Construction Activity

The following table sets forth building permit valuations and the number of new dwelling units authorized in the County for the years 2008 through 2012. 2013 figures are unavailable.

TABLE 6
COUNTY OF SAN BERNARDINO
RESIDENTIAL CONSTRUCTION ACTIVITY
2008 THROUGH 2012

<u>Year</u>	<u>Building Permit Valuations</u> <u>(in thousands)</u>		<u>Number of Permits</u>	
	<u>Residential</u>	<u>Non-Residential</u>	<u>Single Family</u>	<u>Multi-Family</u>
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	1,075	362
2012	480,704	562,615	1,214	473

Source: Construction Industry Research Board.

Commercial Activity

Table 7A below sets forth information regarding taxable sales in San Bernardino County for calendar years 2007 and 2008. Table 7B below sets forth the taxable sales in the County for calendar years 2009, 2010 and 2011, reflecting a change in presentation by the California State Board of Equalization. Table 7C below sets forth taxable sales in the County for the first three calendar quarters of 2012. Annual figures for 2012 are not yet available.

TABLE 7A
COUNTY OF SAN BERNARDINO
TAXABLE SALES TRANSACTIONS
2007 and 2008
(in thousands)

	<u>2007</u>	<u>2008</u>
Apparel stores	\$ 987,164	\$ 996,679
General merchandise	3,293,664	3,085,914
Foods stores	1,273,368	1,144,604
Eating and drinking places	2,297,322	2,270,868
Home furnishings and appliances	895,732	873,137
Building materials	1,791,105	1,325,525
Automotive	4,383,392	3,107,831
Service Stations	3,268,798	3,524,873
Other Retail Stores	3,145,279	2,736,355
Total Retail Outlets	<u>21,335,824</u>	<u>19,065,786</u>
Business and personal services	856,561	754,542
All other outlets	8,258,346	7,957,374
Total All Outlets	<u>\$30,450,731</u>	<u>\$27,777,703</u>

Source: California State Board of Equalization, Taxable Sales in California Reports 2007-2008.

**TABLE 7B
COUNTY OF SAN BERNARDINO
TAXABLE SALES TRANSACTIONS
2009 THROUGH 2011
(in thousands)**

<u>Type of Business</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Retail and Food Services			
Motor Vehicle and Parts Dealers	\$ 2,356,548	\$ 2,624,920	\$ 3,068,198
Furniture and Home Furnishings Stores	507,681	471,879	411,908
Electronics and Appliance Stores	456,253	440,027	446,203
Building Materials and Garden Equipment and Supplies	1,109,777	1,142,663	1,180,594
Food and Beverage stores	1,108,248	1,113,419	1,147,885
Health and Personal Care Stores	412,973	420,254	462,977
Gasoline Stations	2,612,062	3,059,166	3,559,983
Clothing and Clothing Accessories Stores	1,143,894	1,270,559	1,381,705
Sporting Goods, Hobby, Book and Music Stores	501,643	503,207	522,786
General Merchandise Stores	2,594,195	2,704,521	2,851,371
Miscellaneous Store Retailers	1,222,691	1,223,314	1,245,156
Nonstore Retailers	119,835	125,111	141,263
Food Services and Drinking Places	2,184,337	2,209,838	2,316,023
Total Retail and Food Services	16,330,137	17,308,880	18,736,053
All Other Outlets	7,322,296	7,378,982	8,586,928
Total All Outlets	\$23,652,433	\$24,687,862	\$27,322,980

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

The following table shows a comparison of the County's taxable transactions for the third calendar quarters of 2010, 2011 and 2012. Annual figures for 2012 taxable transactions are not yet available.

**TABLE 7C
COUNTY OF SAN BERNARDINO
TAXABLE TRANSACTIONS
THIRD QUARTER
2010, 2011 AND 2012
(in thousands)**

<u>Type of Business</u>	<u>Third Quarter 2010</u>	<u>Third Quarter 2011</u>	<u>Third Quarter 2012</u>
Retail and Food Services			
Motor Vehicle and Parts Dealers	\$ 692,683	\$ 801,395	\$ 911,701
Furniture and Home Furnishings Stores	121,362	100,099	108,248
Electronics and Appliance Stores	101,739	98,272	102,757
Bldg. Matrl. and Garden Equip. and Supplies	278,484	290,488	309,939
Food and Beverage Stores	283,593	290,597	304,395
Health and Personal Care Stores	102,495	108,719	112,616
Gasoline Stations	802,160	919,156	956,460
Clothing and Clothing Accessories Stores	299,420	329,796	356,844
Sporting Goods, Hobby, Book, and Music Stores	120,311	122,212	124,350
General Merchandise Stores	631,389	646,807	689,039
Miscellaneous Store Retailers	296,514	303,100	311,097
Nonstore Retailers	29,340	38,093	39,066
Food Services and Drinking Places	<u>549,154</u>	<u>575,597</u>	<u>610,174</u>
Total Retail and Food Services	4,308,653	4,624,330	4,936,687
All Other Outlets	<u>1,946,512</u>	<u>2,344,951</u>	<u>2,390,062</u>
Total All Outlets	<u>\$6,255,165</u>	<u>\$6,969,282</u>	<u>\$7,326,749</u>

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

Building Activity

The following table shows the annual building permit valuations and number of new permits for the County from 2008 through 2012. [update when available]

**TABLE 8
COUNTY OF SAN BERNARDINO
BUILDING PERMITS AND VALUATIONS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Valuation (000's)					
Residential	\$ 588,302	\$ 439,594	\$ 357,215	\$ 341,317	\$ 480,704
Non-Residential	<u>734,482</u>	<u>332,822</u>	<u>252,998</u>	<u>361,662</u>	<u>562,616</u>
Total	\$1,322,784	\$ 772,416	\$ 610,213	\$ 702,979	\$1,043,320
Units					
Single Family	2,053	1,441	1,198	1,075	1,214
Multiple Family	1,206	1,054	649	409	596
Total	3,259	2,495	1,847	1,484	1,810

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

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 Bank and Mercury Insurance have opened large offices within the County. Additionally, a high-end retail center, Victoria Gardens, is located in the City of Rancho Cucamonga.

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.

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.

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. Metrolink also provides commuter train service to downtown Los Angeles and Orange County.

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.

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.

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL 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, 2014

Relating to

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS
(LIMITED TAX BONDS)
2014 SERIES A

(Supplementing the Indenture
Dated as of March 1, 2012)

ARTICLE XVIII
DEFINITIONS

Section 18.01. Definitions 1
Section 18.02. Rules of Construction..... 2

ARTICLE XIX
FINDINGS, DETERMINATIONS AND DIRECTIONS

Section 19.01. Findings and Determinations 2
Section 19.02. Recital in Bonds 2
Section 19.03. Effect of Findings and Recital..... 3

ARTICLE XX
AUTHORIZATION OF 2014 BONDS

Section 20.01. Principal Amount, Designation and Series 3
Section 20.02. Purpose and Application of Proceeds..... 3
Section 20.03. Form, Denomination, Numbers and Letters..... 3
Section 20.04. Date, Maturities and Interest Rates 4

ARTICLE XXI
REDEMPTION AND PURCHASE OF 2014 BONDS

Section 21.01. Optional Redemption of 2014 Bonds..... 5
Section 21.02. Mandatory Redemption of 2014 Bonds From Mandatory Sinking
Account Payments..... 5
Section 21.03. Selection of 2014 Bonds for Redemption 6
Section 21.04. Purchase In Lieu of Redemption..... 6

ARTICLE XXII
ESTABLISHMENT OF FUNDS AND ACCOUNTS AND APPLICATION THEREOF

Section 22.01. Funds and Accounts 7
Section 22.02. 2014 Bonds Project Fund 7
Section 22.03. 2014 Capitalized Interest Account 8
Section 22.04. 2014 Costs of Issuance Fund..... 8

ARTICLE XXIII
MISCELLANEOUS

Section 23.01. Severability..... 8
Section 23.02. Parties Interested Herein 9
Section 23.03. Headings Not Binding..... 9
Section 23.04. Notice Addresses..... 9
Section 23.05. Indenture to Remain in Effect 9
Section 23.06. Effective Date of Second Supplemental Indenture 9
Section 23.07. Execution in Counterparts..... 9

EXHIBITS

EXHIBIT A FORM OF 2014 BOND A-1
EXHIBIT B NOTICE ADDRESSES B-1

SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of March 1, 2014 (this "Second Supplemental Indenture"), between the SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY, a public entity 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, this Second Supplemental Indenture is supplemental to the Indenture, dated as of March 1, 2012 (collectively, and as supplemented and amended from time to time pursuant to its terms, the "Indenture"), between the Authority and the Trustee;

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

WHEREAS, the Authority desires to provide at this time for the issuance of a Series of Bonds to be designated "San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), 2014 Series A" (the "2014 Bonds") to provide funds to finance, refinance, and/or reimburse the Authority for its prior payment of, the Costs of the Project;

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

ARTICLE XVIII DEFINITIONS

Section 18.01. Definitions.

(a) Definitions. Unless the context otherwise requires, or as otherwise provided in subsection (b) of this Section or in Exhibit A to this Second Supplemental Indenture, all terms which are defined in Section 1.02 of the Indenture shall have the same meanings in this Second Supplemental Indenture.

(b) Additional Definitions. Unless the context otherwise requires, the following terms shall, for all purposes of this Second Supplemental Indenture, have the following meanings:

"Authorized Denominations" means, with respect to 2014 Bonds, \$5,000 and any integral multiple thereof.

"Interest Payment Date" means, with respect to 2014 Bonds, March 1 and September 1 of each year until the redemption or maturity of such 2014 Bonds, commencing with September 1, 2014.

“**Issue Date**” means, with respect to the 2014 Bonds, the date on which the 2014 Bonds are first delivered to the purchasers thereof.

“**Record Date**” means, with respect to the 2014 Bonds, the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which an Interest Payment Date occurs.

“**Second Supplemental Indenture**” means this certain Second Supplemental Indenture, dated March 1, 2014, between the Authority and the Trustee.

“**2014 Bonds**” means the San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), 2014 Series A, authorized by Article XX of this Indenture.

“**2014 Bonds Project Fund**” means the fund by that name established pursuant to Section 22.01(a).

“**2014 Bonds Tax Certificate**” means the Tax Certificate executed on behalf of the Authority in connection with the issuance of the 2014 Bonds.

“**2014 Capitalized Interest Account**” means the account by that name established pursuant to Section 22.01(b).

“**2014 Costs of Issuance Fund**” means the fund by that name established pursuant to Section 21.01(c).

Section 18.02. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. Defined terms shall include any variant of the terms set forth in this Article XVIII.

The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms, as used in this Second Supplemental Indenture, refer to the Indenture.

ARTICLE XIX FINDINGS, DETERMINATIONS AND DIRECTIONS

Section 19.01. Findings and Determinations. The Authority hereby finds and determines that the 2014 Bonds shall be issued pursuant to Article XX and Section 3.01 of the Indenture, and upon the issuance of the 2014 Bonds, any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the issuance thereof, will exist, will have happened and will have been performed, in due time, form and manner, as required by the Constitution and statutes of the State.

Section 19.02. Recital in Bonds. There shall be included in each of the definitive 2014 Bonds, and also in each of the temporary 2014 Bonds, if any are issued, a certification and recital that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by that 2014 Bond, and in the

issuing of that 2014 Bond, exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State, the Act and the Ordinance, and that said 2014 Bond, together with all other indebtedness of the Authority payable out of Revenues, is within every debt and other limit prescribed by the Constitution and statutes of the State, the Act and the Ordinance, and that such certification and recital shall be in such form as is set forth in the form of the 2014 Bond attached hereto as Exhibit A.

Section 19.03. Effect of Findings and Recital. From and after the issuance of the 2014 Bonds, the findings and determinations herein shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the 2014 Bonds is at issue.

ARTICLE XX AUTHORIZATION OF 2014 BONDS

Section 20.01. Principal Amount, Designation and Series. Pursuant to the provisions of this Indenture and the provisions of the Act, and the Ordinance, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of \$[_____]. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), 2014 Series A."

At any time after the execution and delivery of this Second Supplemental Indenture, the Authority may execute and, upon the order of the Authority, the Trustee shall authenticate and deliver the 2014 Bonds in the aggregate principal amount set forth above.

Section 20.02. Purpose and Application of Proceeds.

(a) The 2014 Bonds are issued for the purpose of financing, refinancing, and/or reimbursing the Authority for its prior payment of, the Costs of the Project. A portion of the proceeds of the 2014 Bonds will be applied to pay Costs of Issuance of the 2014 Bonds. The net proceeds from the sale of the 2014 Bonds in the amount of \$[_____] shall be received by the Trustee, and the Trustee shall deposit or transfer such funds as follows:

(i) The Trustee shall deposit \$[_____] of such proceeds in the 2014 Project Fund;

(ii) The Trustee shall deposit \$[_____] of such proceeds in the 2014 Costs of Issuance Fund; and

(iii) The Trustee shall deposit \$[_____] of such proceeds in the 2014 Capitalized Interest Account within the Interest Fund, representing capitalized interest on the 2014 Bonds, such amount to be applied to pay all interest on the 2014 Bonds on each Interest Payment Date to and including [_____] and a portion of the interest due on the 2014 Bonds on [_____].

Section 20.03. Form, Denomination, Numbers and Letters. The 2014 Bonds shall be issued as fully registered bonds without coupons in book-entry form and in Authorized Denominations and shall be numbered from one upward in consecutive numerical order preceded

by the letter “R” prefixed to the number. The 2014 Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved and adopted as the form of the 2014 Bonds and as the form of the certificate of authentication as such form shall be completed based on the terms of the 2014 Bonds set forth herein.

Section 20.04. Date, Maturities and Interest Rates. The 2014 Bonds shall be issued as Current Interest Bonds in the aggregate principal amount of \$[_____]. The 2014 Bonds shall be dated their Issue Date, shall bear interest from that date at the following rates per annum, computed on the basis of a 360-day year comprised of twelve 30-day months, and shall mature on March 1 in the following years and in the following amounts:

<u>Maturity Date</u> <u>(March 1)</u>	<u>Principal Amount</u> \$	<u>Interest Rate</u> %
--	-------------------------------	---------------------------

* Term Bond Final Maturity

Interest on each 2014 Bond shall be payable on each Interest Payment Date for such 2014 Bond until the principal sum of such 2014 Bond has been paid; provided, however, that if at the maturity date of any 2014 Bond (or if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof, in full accordance with terms of the Indenture, such 2014 Bond shall then cease to bear interest.

Each 2014 Bond shall bear interest from the latest of: (i) its Issue Date; (ii) the most recent Interest Payment Date to which interest has been paid thereon or duly provided for, or (iii) if the date of authentication of such Bond is after a Record Date but prior to the immediately succeeding Interest Payment Date, the Interest Payment Date immediately succeeding such date of authentication.

Each 2014 Bond shall be payable as provided in Section 2.10, including Section 2.10(E), or, in the event the use of the Securities Depository is discontinued, the principal of each 2014 Bond shall be payable in lawful money of the United States of America upon surrender thereof at the Principal Office of the Trustee, and the interest on each 2014 Bond shall be payable in lawful money of the United States of America by the Trustee to the Holder thereof as of the close of business on the Record Date, such interest to be paid by the Trustee to such Holder in immediately available funds (by wire transfer or by deposit to the account of the Holder if such account is maintained with the Trustee), according to the instructions given by such Holder to the Trustee or, in the event no such instructions have been given, by check mailed on the Interest Payment Date by first class mail to the Holder at such Holder’s address as it appears as of the Record Date on the bond registration books kept by the Trustee.

ARTICLE XXI REDEMPTION AND PURCHASE OF 2014 BONDS

Section 21.01. Optional Redemption of 2014 Bonds.

(a) Optional Redemption of 2014 Bonds. The 2014 Bonds maturing on or before March 1, 20[24] shall not be subject to redemption prior to their respective stated maturities. The 2014 Bonds maturing on or after March 1, 20[25] shall be 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[24] at a Redemption Price equal to 100% of the principal amount of 2014 Bonds called for redemption, without premium, plus accrued but unpaid interest to the date fixed for redemption.

(b) Sufficient Funds Required for Optional Redemption. Any optional redemption of 2014 Bonds and notice thereof shall be conditional and rescinded and cancelled pursuant to the provisions of Section 4.02 if for any reason on the date fixed for redemption moneys are not available in the Redemption Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the Redemption Price of, and interest due on, the 2014 Bonds called for redemption.

(c) Notice of Optional Redemption; Rescission. Any notice of optional redemption of the 2014 Bonds shall be delivered in accordance with Section 4.02 and may be rescinded as provided in Section 4.02.

Section 21.02. Mandatory Redemption of 2014 Bonds From Mandatory Sinking Account Payments. The 2014 Bonds maturing on March 1, 20[___] and March 1, 20[___] are Term Bonds and shall be subject to mandatory redemption prior to maturity, in part, by lot, from Mandatory Sinking Account Payments on each March 1 a Mandatory Sinking Account Payment is due as specified in this Section 21.02, in the principal amount equal to the Mandatory Sinking Account Payment due on such date and at a Redemption Price equal to 100% of the principal amount thereof, without premium, plus accrued but unpaid interest to the redemption date.

The Mandatory Sinking Account Payments for the 2014 Bonds which are Term Bonds maturing on March 1, 20[___] shall be due in the amounts and on the dates as follows:

<u>Mandatory Sinking Account Payments Dates (March 1)</u>	<u>Mandatory Sinking Account Payments</u>
*	\$

*Final Maturity

The Mandatory Sinking Account Payments for the 2014 Bonds which are Term Bonds maturing on March 1, 20[___] shall be due in the amounts and on the dates as follows:

Mandatory Sinking Account Payments Dates (March1)	Mandatory Sinking Account Payments
_____	\$
.	

*Final Maturity

Section 21.03. Selection of 2014 Bonds for Redemption. The Authority shall designate which maturities of any 2014 Bonds are to be called for optional redemption pursuant to Section 21.01(a). If less than all 2014 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the 2014 Bonds of such maturity date to be redeemed by lot and shall promptly notify the Authority in writing of the numbers of the 2014 Bonds so selected for redemption. For purposes of such selection, 2014 Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event of an optional redemption pursuant to Section 21.01(a) of any 2014 Bonds which are Term Bonds, the Authority shall designate the Mandatory Sinking Account Payments under Section 21.02, or portions thereof, in an aggregate amount equal to the principal amount of the 2014 Bonds which are Term Bonds of such maturity so optionally redeemed, that are to be reduced as allocated to such redemption, and such Mandatory Sinking Account Payments shall be reduced accordingly.

Section 21.04. Purchase In Lieu of Redemption. The Authority reserves the right at all times to purchase any of its 2014 Bonds on the open market. In lieu of mandatory redemption, the Authority may surrender to the Trustee for cancellation 2014 Bonds that are Term Bonds purchased on the open market, and such Term Bonds shall be cancelled by the Trustee. If any 2014 Bonds that are Term Bonds are so cancelled, the Authority may designate the Mandatory Sinking Account Payments or portions thereof within such maturity of the Term Bonds so purchased that are to be reduced as a result of such cancellation.

**ARTICLE XXII ESTABLISHMENT OF FUNDS AND ACCOUNTS AND
APPLICATION THEREOF**

Section 22.01. Funds and Accounts. The following funds and accounts are hereby established in connection with the 2014 Bonds:

(a) To ensure the proper application of such portion of proceeds from the sale of the 2014 Bonds to be applied to pay Costs of the Project, there is hereby established the 2014 Bonds Project Fund, such fund to be held by the Trustee.

(b) To ensure the proper application of such portion of proceeds from the sale of the 2014 Bonds to be applied to pay Costs of Issuance of the 2014 Bonds, there is hereby established the 2014 Costs of Issuance Fund, such fund to be held by the Trustee.

(c) To ensure the proper application of such portion of proceeds from the sale of the 2014 Bonds to be applied to pay capitalized interest with respect to the 2014 Bonds, there is hereby established within the Interest Fund the 2014 Capitalized Interest Account, such account to be held by the Trustee.

Section 22.02. 2014 Bonds Project Fund. The monies set aside and placed in the 2014 Bonds Project Fund shall be expended for the purpose of paying a portion of the Costs of the Project and shall not be used for any other purpose whatsoever. Pursuant to Section 5.11 of the Indenture, all interest, profits and other income received from the investment of moneys in the 2014 Bonds Project Fund shall be deposited in the 2014 Bonds Project Fund.

(a) Before any payment from the 2014 Bonds Project Fund shall be made by the Trustee, the Authority shall file or cause to be filed with the Trustee a requisition of the Authority (each a "Requisition"), such Requisition to be signed by an Authorized Representative and to include: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Authority in the case of reimbursement for costs theretofore paid by the Authority; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts have been incurred by the Authority or a constituent thereof and are presently due and payable and that each item thereof is a proper charge against the 2014 Bonds Project Fund and has not been previously paid from said fund; and (vi) that there has not been filed with or served upon the Authority notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law. Each such Requisition of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(b) When the Authority determines that the portion of the Project funded with the 2014 Bonds has been completed, a Certificate of the Authority shall be delivered to the Trustee by the Authority stating: (i) the fact and date of such completion; (ii) that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that

are subject to dispute and for which a retention in the 2014 Bonds Project Fund is to be maintained in the full amount of such claims until such dispute is resolved); and (iii) that the Trustee is to transfer the remaining balance in the 2014 Bonds Project Fund relating to such 2014 Bonds, less the amount of any such retention, to the Revenue Fund or, if so directed by the Authority, to the Rebate Fund.

Section 22.03. 2014 Capitalized Interest Account. The monies set aside and placed in the 2014 Capitalized Interest Account shall be transferred to the Interest Fund in the following amounts on or before the following Interest Payment Dates, and shall be used solely for the purpose of paying interest on the 2014 Bonds Outstanding as the same shall become due and payable (including accrued interest on any 2014 Bonds purchased or redeemed prior to maturity):

Date	Amount
------	--------

Any balance remaining on deposit in the 2014 Capitalized Interest Account on [_____, 20__] shall be transferred, together with any interest earnings thereon, to the Interest Fund and applied to the payment on [_____, 20__] of interest on the 2014 Bonds.

Section 22.04. 2014 Costs of Issuance Fund. The monies set aside and placed in the 2014 Costs of Issuance Fund shall be expended for the purpose of paying the Costs of Issuance of the 2014 Bonds. Before any payment from the 2014 Costs of Issuance Fund shall be made by the Trustee, the Authority shall file or cause to be filed with the Trustee a requisition of the Authority (each a "Requisition"), such Requisition to be signed by an Authorized Representative and to include: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Authority in the case of reimbursement for costs theretofore paid by the Authority; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; and (v) that obligations in the stated amounts have been incurred by the Authority and are presently due and payable and that each item thereof is a proper charge against the 2014 Costs of Issuance Fund and has not been previously paid from said fund. Each such Requisition of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On [September] 1, 2014 any remaining amounts in the 2014 Costs of Issuance Fund shall be transferred to the Revenue Fund and the 2014 Costs of Issuance Fund shall be closed

ARTICLE XXIII MISCELLANEOUS

Section 23.01. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Second Supplemental Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Second Supplemental Indenture, and the application of any such covenant, agreement or provision, or portion thereof, to other Persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Second Supplemental Indenture and the 2014 Bonds issued pursuant hereto shall remain valid, and the Holders of the 2014 Bonds shall retain all valid rights

and benefits accorded to them under this Indenture, the Act and the Constitution and statutes of the State.

Section 23.02. Parties Interested Herein. Nothing in this Second Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Authority, the Trustee, each Credit Provider, if any, and the Holders of the 2014 Bonds, any right, remedy or claim under or by reason of this Second Supplemental Indenture or any covenant, condition or stipulation hereof; and all the covenants, stipulations, promises and agreements in this Second Supplemental Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, each Credit Provider, if any, and the Holders of the 2014 Bonds.

Section 23.03. Headings Not Binding. The headings in this Second Supplemental Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Second Supplemental Indenture.

Section 23.04. Notice Addresses. Except as otherwise provided herein, it shall be sufficient service or giving of notice, request, complaint, demand or other paper if the same shall be duly mailed by registered or certified mail, postage prepaid, addressed to the Notice Address for the appropriate party or parties as provided in Exhibit B hereto. Any such entity by notice given hereunder may designate any different addresses to which subsequent notices, certificates or other communications shall be sent, but no notice directed to any one such entity shall be thereby required to be sent to more than two addresses. Any such communication may also be sent by Electronic Means, receipt of which shall be confirmed.

Section 23.05. Indenture to Remain in Effect. Save and except as amended and supplemented by this Second Supplemental Indenture, the Indenture shall remain in full force and effect.

Section 23.06. Effective Date of Second Supplemental Indenture. This Second Supplemental Indenture shall take effect upon its execution and delivery.

Section 23.07. Execution in Counterparts. This Second Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

SAN BERNARDINO COUNTY
TRANSPORTATION AUTHORITY

By: _____
Executive Director

ATTEST:

Clerk of the
San Bernardino County Transportation Authority

APPROVED AS TO FORM:

EILEEN MONAGHAN TEICHERT
Authority General Counsel

By: _____
Authority
General Counsel

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

By: _____
Authorized Officer

EXHIBIT A

[FORM OF 2014 SERIES A BOND]

No. R—[_____]

\$[_____]

**SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SALES TAX REVENUE BOND
(LIMITED TAX BONDS)
2014 SERIES A**

INTEREST RATE	MATURITY	ISSUE DATE	CUSIP
[____]%	March 1, 20[____]	[____], 2014	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: [_____] DOLLARS

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY, a local transportation authority duly organized and existing under and pursuant to the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but solely from Revenues as hereinafter referred to) in lawful money of the United States of America, to the registered owner named above or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount specified above, together with interest thereon from the Issue Date set forth above until the principal hereof shall have been paid, at the interest rate specified above payable on each March 1 and September 1, commencing September 1, 2014 (each, an "Interest Payment Date"). The principal of and premium, if any, on this Bond are payable to the registered Holder hereof upon presentation and surrender of this Bond at the principal office of The Bank of New York Mellon Trust Company, N.A., as trustee (together with any successor as trustee under the hereinafter defined Indenture, the "Trustee") in Los Angeles, California. Interest on this Bond shall be paid by check drawn upon the Trustee and mailed on the applicable Interest Payment Date to the registered Holder hereof as of the close of business on the Record Date at such registered Holder's address as it appears on the Bond Register. As used herein, "Record Date" means the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

This Bond is one of a duly authorized issue of San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) (the "Bonds") of the series and designation indicated above and is a Current Interest Bond. Said authorized issue of Bonds consists or may consist of one or more Series of varying denominations, dates, maturities, interest rates and other provisions, as in the Indenture provided, all issued or to be issued pursuant to the provisions of the Local Transportation Authority and Improvement Act, constituting Division 19 of the California Public Utilities Code, as amended or supplemented from time to time (the "Act"), Ordinance No. 04-01, adopted by the Authority on June 2, 2004,

and approved by at least two-thirds of electors voting on such proposition in the November 2, 2004 election, and any amendments or extensions thereto (the "Ordinance"), the San Bernardino County Transportation Authority Expenditure Plan adopted as part of the Ordinance, including any future amendments thereto. Such authorized issue of Bonds is not limited in aggregate principal amount, except as otherwise provided in the Indenture, the Ordinance, and the Act, and consists or may consist of one or more series of varying denominations, dates, maturities, interest rates and other provisions, as in the Indenture provided. This Bond is issued pursuant to an Indenture, dated as of March 1, 2012, as supplemented, including as supplemented by a Second Supplemental Indenture, dated as of March 1, 2014 (the "Second Supplemental Indenture"), each between the Authority and the Trustee and hereinafter referred to collectively as the "Indenture." Capitalized terms used herein and not otherwise defined shall have the meaning given such terms in the Indenture.

THIS BOND IS A LIMITED TAX BOND OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AS DEFINED AND PROVIDED IN THE INDENTURE AND CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE AND THE AUTHORITY IS NOT OBLIGATED TO PAY THIS BOND EXCEPT FROM REVENUES AND THOSE CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE. THIS BOND DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA (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 HEREIN) OF THE AUTHORITY IS NOT PLEDGED, FOR THE PAYMENT OF THE BONDS, THEIR INTEREST, OR ANY PREMIUM DUE UPON REDEMPTION OF THE BONDS. THE 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 REVENUES AND THE CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE.

Reference is hereby made to the Indenture, the Ordinance and the Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the pledge of Revenues and certain other funds and the rights of the registered Holders of the Bonds and all the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the registered Holder from time to time of this Bond, and to all the provisions thereof the registered Holder of this Bond, by its acceptance hereof, consents and agrees. Additional Bonds may be issued and other indebtedness may be incurred on a parity with the Series of Bonds of which this Bond is a part, but only subject to the conditions and limitations contained in the Indenture, the Ordinance and the Act.

This Bond is payable as to both principal and interest, and any premium upon redemption hereof, exclusively from the Revenues and other funds pledged under the Indenture, which consist primarily of the amounts available for distribution to the Authority on and after April 1, 2010 on account of the retail transactions and use tax imposed in the County of San Bernardino pursuant to the Act and the Ordinance, 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, all as provided in the Indenture, and the Authority is not obligated to pay the principal of and interest on this Bond except from Revenues and certain other funds pledged thereunder.

This Bond shall be deliverable in the form of a fully registered Bond in denominations of \$5,000 and any multiple thereof (such denominations being referred to herein as “Authorized Denominations”).

Optional and Mandatory Redemption Provisions

Bonds shall be subject to optional and mandatory redemption as specified in the Indenture.

Amendments and Modifications

The rights and obligations of the Authority and of the Beneficial Owners, registered Holders and registered Owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered Holders of Bonds.

Transfer and Exchange Provisions

This Bond is transferable or exchangeable as provided in the Indenture, only upon the bond registration books maintained by the Trustee, by the registered Holder hereof, or by his or her duly authorized attorney, upon surrender of this Bond at the Principal Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered Holder or his or her duly authorized attorney, and thereupon a new Bond or Bonds of the same series, maturity and in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture, upon payment of any charges therein prescribed.

Persons Deemed Holders

The person in whose name this Bond is registered shall be deemed and regarded as the absolute Holder hereof for all purposes, including receiving payment of, or on account of, the principal hereof and any redemption premium and interest due hereon.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California, the Act and the Ordinance, and that this Bond, together with all other indebtedness of the Authority payable out of Revenues, is within every debt and other limit prescribed by the Constitution and statutes of the State of California, the Act and the Ordinance.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF the San Bernardino County Transportation Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its duly authorized representatives all as of the Issue Date set forth above.

SAN BERNARDINO COUNTY
TRANSPORTATION AUTHORITY

By: _____
Chair of the Board of Directors

Attest:

Auditor-Controller

[FORM OF CERTIFICATE OF AUTHENTICATION]

This Bond is one of the 2014 Bonds described in the within mentioned Indenture and was authenticated on the date set forth below.

Date of Authentication: _____

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

By: _____
Authorized Signatory

[DTC LEGEND]

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered Owner hereof, Cede & Co., has an interest herein.

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please Print or Type Name and Address of Assignee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
TAX IDENTIFICATION NUMBER OF ASSIGNEE

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer the within Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:

Signature:

(Signature of Assignor)

Notice: The signature on this assignment must correspond with the name of the registered Holder as it appears upon the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEED:

Notice: Signature must be guaranteed by an eligible guarantor firm.

INDEX TO EXHIBITS

EXHIBIT B

NOTICE ADDRESSES

To the Authority:

San Bernardino County Transportation Authority
c/o San Bernardino Associated Governments
1170 W. 3rd Street, 2nd Floor
San Bernardino, CA 92410-1715
Attention: Executive Director
Telephone: (909) 884-8276
Fax: (909) 885-4407

To the Trustee:

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite #400
Los Angeles, CA 90071
Attention: Corporate Trust
Telephone: (213) 630-6228
Fax: (213) 630-6210

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2
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PURCHASE CONTRACT

\$[_____]
**SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS
(LIMITED TAX BONDS)
2014 SERIES A**

PURCHASE CONTRACT

March [18], 2014

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) 2014 Series A in the aggregate principal amount of \$[_____] (the “Series 2014 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, including by the Second Supplemental Indenture, dated as of March 1, 2014 (the “Second 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 2014 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 (iv) the Authority has consulted its own legal, financial and other advisors to the extent it has deemed appropriate. This Purchase

Contract is the complete and exclusive statement of the terms of the agreement among the parties hereto relating to the subject matter described herein and supersedes all prior agreements relating to such subject matter.

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 2014 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 2014 Bonds at a purchase price of \$[_____] (reflecting the aggregate principal amount of the Series 2014 Bonds of \$[_____], plus a net original issue premium of \$[_____], less an Underwriters' discount of \$[_____]).

(b) The Series 2014 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), the Authority's Ordinance No. 04-01 (the "Ordinance") 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 pursuant to the Ordinance. The Series 2014 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 2014 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 2014 Bonds shall be September 1, 2014.

(c) The Series 2014 Bonds are being issued to (i) finance certain transportation capital improvements, (ii) fund capitalized interest on the Series 2014 Bonds, and (iii) pay costs of issuance of the Series 2014 Bonds.

(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 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 [7], 2014 relating to the Series 2014 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, as amended (“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 [www._____.pdf]. 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 two (2) 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 2014 Bonds.

(f) The Underwriters agree to make a bona fide public offering of the Series 2014 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 2014 Bonds; provided that the Series 2014 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 2014 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 2014 Bonds are sold.

(g) At 8:00 a.m., California time, on April [2], 2014, 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 2014 Bonds (delivered through the book-entry system of The Depository Trust Company (“DTC”) (physical delivery of Series 2014 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 2014 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.

The Series 2014 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 2014 Bonds, but neither the failure to print such numbers on the Series 2014 Bonds nor any error with respect thereto shall constitute a cause for failure or refusal by the Representative to accept delivery of the Series 2014 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, and the Ordinance, to levy and cause the collection of the Sales Tax, to adopt the resolution adopted on March [5], 2014 authorizing the issuance of the Series 2014 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 2014 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 2014 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 2014 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 2014 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 in 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 2014 Bonds, the application of the proceeds of the sale of the Series 2014 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 2014 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 2014 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 2014 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 2014 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 2014 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 2014 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 2014 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 2014 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 2014 Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(i) The Series 2014 Bonds, when issued, will conform to the description thereof contained in the Preliminary Official Statement and the Official Statement under the captions “THE SERIES 2014 BONDS” and APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”; the proceeds of the Series 2014 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 2014 Bonds as shown on the cover and information under the caption “UNDERWRITING” and the information in Appendices B and E (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 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.

(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 2014 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 2014 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 2014 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 2014 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 2014 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 2014 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 2014 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 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 2014 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 2014 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 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 2014 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 2014 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 2014 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 2014 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 2014 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 two (2) business days 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 2014 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 2014 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 2014 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 2014 Bonds), by reason of any of the following:

(i) (A) Legislation that is (1) enacted by or newly 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 2014 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 2014 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 2014 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 2014 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 2014 Bonds or obligations of the general character of the Series 2014 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 2014 Bonds, or the Series 2014 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 2014 Bonds, or of the Series 2014 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 2014 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 2014 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 2014 Bonds; or

(vii) the withdrawal or downgrading of the Series 2014 Bonds or the Authority's Sales Tax Revenue Bonds (Limited Tax Bonds) 2012 Series A (the "Series 2012 Bonds" and, together with the Series 2014 Bonds, the "Bonds") by a national rating agency or the placing of the Bonds on credit watch or under review by any such rating agency that has assigned a rating to the Bonds; or

(viii) an order, ruling, regulation, decree or injunction of any court of competent jurisdiction or by or on behalf of the Securities and Exchange Commission, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Series 2014 Bonds, or the issuance, offering or sale of the Series 2014 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 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) (A) Copies of the previously executed Master Indenture and First Supplemental Indenture each dated as of March 1, 2012 between the Authority and the Trustee, and (B) copies of the Second Supplemental Indenture 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 F, and a letter of such counsel (which may be the supplemental opinion discussed below), 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 Authority, the Trustee and the Underwriters, in substantially the form of Exhibit B hereto;

(v) The opinion, dated the Closing Date and addressed to the Underwriters and the Authority of Samuel Waldman, Esq., 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 Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, 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 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 [18], 2014 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 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 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 Nixon Peabody LLP, 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 2014 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 occurred are required in connection with (A) the issuance and sale of the Series 2014 Bonds, (B) the execution and delivery by the Authority of, or the performance by it of its obligations under, the Series 2014 Bonds, the Indenture and the Bond Resolution or (C) except as contemplated by the Official Statement, the issuance and sale of the Series 2014 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 2014 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 2014 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) Two copies of the Official Statement, executed on behalf of the Authority by an authorized representative thereof;

(xi) 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;

(xii) Evidence of signature authority and incumbency of the Trustee;

(xiii) 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;

(xiv) A copy 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;

(xv) Evidence that any ratings described in the Official Statement are in full force and effect as of the Closing Date;

(xvi) A copy of the Blanket Letter of Representation to DTC relating to the Series 2014 Bonds signed by DTC and the Authority;

(xvii) A tax certificate by the Authority in form and substance acceptable to Bond Counsel and the Representative; and

(xviii) 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 (an "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 2014 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 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 2014 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 an 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, issuance, delivery and sale of the Series 2014 Bonds to the Underwriters, including the costs of printing of the Series 2014 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 and its counsel in connection with the issuance and delivery of the Series 2014 Bonds and the fees and expenses of Bond Counsel and Disclosure Counsel may be paid from the proceeds of the Series 2014 Bonds. [In the event that the Series 2014 Bonds for any reason are not issued, or to the extent proceeds of the Series 2014 Bonds are insufficient or unavailable therefor, any fees, costs and expenses accrued and owed by the Authority to the Trustee which otherwise would have been paid from the proceeds of the Series 2014 Bonds, shall be paid by the Authority.]

All out-of-pocket expenses of the Underwriters, including travel and other expenses, including those associated with the California Debt and Investment Advisory Commission (“CDIAC”) 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 2014 Bonds by the MSRB or the Financial Industry Regulatory Authority, all advertising expenses in connection with the public offering and distribution of the Series 2014 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 2014 Bonds, and the fees and expenses of Underwriters’ Counsel, shall be paid by the Underwriters. The Underwriters are required to pay the CDIAC fee in connection with the offering of the Series 2014A Bonds. Notwithstanding that such fee is solely the legal obligation of the Underwriters, the Authority agrees to reimburse the Underwriters for such fee.

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: Citigroup Global Markets Inc.
444 South Flower Street, 27th Floor
Los Angeles, California 90071
Attention: Darren Hodge

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 2014 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.

10. Governing Law.

This Purchase Contract shall be construed and governed in accordance with the laws of the State of California.

If the above terms are acceptable, please cause a duly authorized officer of the Authority to execute the acceptance below.

Very truly yours,

CITIGROUP GLOBAL MARKETS 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

Citigroup Global Markets Inc.
Barclays Capital Inc.
Goldman, Sachs & Co.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
RBC Capital Markets, LLC

SCHEDULE II
MATURITY SCHEDULE

\$[_____]
SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS
(LIMITED TAX BONDS)
2014 SERIES A

Maturity (March 1)	Principal Amount	Interest Rate	Yield
2015			
2016			
2017			
2018			
2019			
2020			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2026			
2027			
2027			
2028			
2029			
2030			
2031			
2032			

\$[_____] [__]% Term Bonds due March 1, 20[___]; Priced to Yield [__]%^c
 \$[_____] [__]% Term Bonds due March 1, 20[___]; Priced to Yield [__]%^c

^c Priced to call at par on the optional redemption date of March 1, 2024.

EXHIBIT A
FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

Citigroup Global Markets Inc.
San Francisco, California

Barclays Capital Inc.
San Francisco, California

Goldman Sachs & Co.
Los Angeles, California

RBC Capital Markets, LLC
San Francisco, California

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
San Francisco, California

\$[_____]
San Bernardino County Transportation Authority
Sales Tax Revenue Bonds
(Limited Tax Bonds)
2014 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 [18], 2014 (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), 2014 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 Second Supplemental Indenture, dated as of March 1, 2014 (the “Second 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”); opinions of counsel to the Authority and the Trustee; certificates of the Authority, the Trustee 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, and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, 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, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, 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 [18], 2014 (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 2014 BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS,” “TAX MATTERS,” APPENDIX C – “DEFINITIONS AND SUMMARY OF

CERTAIN PROVISIONS OF THE INDENTURE,” and APPENDIX F – “PROPOSED FORM OF OPINION OF BOND COUNSEL,” excluding any material that may be treated as included under such captions by reference to other documents, 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,

EXHIBIT B
FORM OF OPINION OF AUTHORITY'S COUNSEL

[Closing Date]

San Bernardino County Transportation
Authority
San Bernardino, California

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

Citigroup Global Markets Inc.
San Francisco, California

Barclays Capital Inc.
San Francisco, California

Goldman Sachs & Co.
Los Angeles, California

RBC Capital Markets, LLC
San Francisco, California

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
San Francisco, California

San Bernardino County Transportation Authority
Sales Tax Revenue Bonds (Limited Tax Bonds), 2014 Series A

Ladies and Gentlemen:

I have acted as counsel to the San Bernardino County Transportation Authority (the "Authority") in connection with issuance of \$[_____] aggregate principal amount of San Bernardino County Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), 2014 Series A (the "Bonds"), issued pursuant to an Indenture, dated as of March 1, 2012, as supplemented and amended by a First Supplemental Indenture, dated as of March 1, 2012, and by a Second Supplemental Indenture, dated as of March 1, 2014 (herein collectively referred to as the "Indenture"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). This opinion is delivered pursuant to Section 3(g)(iv) of the Purchase Contract dated March [18], 2014 between the Authority and the underwriters named therein (the "Underwriters") relating to the Bonds (the "Purchase Contract"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In such connection, we have reviewed the Indenture, certificates of the Authority, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date

hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. 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 second paragraph hereof. We call attention to the fact that the rights and obligations under the Bonds and the Indenture 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 local transportation authorities 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 opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice.

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

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 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 Indenture; 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 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 Bonds and the compliance with the provisions of the Purchase Contract, the Financing Documents and the 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 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 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.

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," 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," 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 the Official Statement.

This letter is furnished by me as counsel to the Authority. No attorney-client relationship has existed or exists between our office and the Underwriters or the Trustee by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you in connection with the issuance of the Bonds, is solely for your benefit 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,

**CONTINUING DISCLOSURE
CERTIFICATE**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated March __, 2014, is executed and delivered by the San Bernardino County Transportation Authority (the “Authority”) in connection with the issuance of \$_____ aggregate principal amount of San Bernardino County Transportation Authority Sales Tax Revenue Bonds, 2014 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”), as supplemented by a First Supplemental Indenture, dated as of March 1, 2012 (the “First Supplemental Indenture”) and by a Second Supplemental Indenture, dated as of March 1, 2014 (the “Second Supplemental Indenture” and, together with the 2012 Indenture and the First Supplemental Indenture, the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). 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 the Rule.

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 Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.

“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 established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“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” means, until otherwise designated by the SEC, EMMA.

“Rule” means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the U.S. Securities and Exchange Commission.

“State” shall mean the State of California.

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, 2014, 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.

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) An update (as of the most recently ended fiscal year of the Authority) for the Coverage Ratio set forth on page ___ of the Official Statement.

(d) 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. 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 also be entitled to any further protections and limitations from liability afforded to the Trustee under Article VIII of the Indenture, as if such provisions were fully set forth herein. 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: \$_____ San Bernardino County Transportation Authority Sales Tax Revenue Bonds, 2014 Series A (Limited Tax Bonds)

Date of Issuance: March __, 2014

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 (the "2012 Indenture"), as supplemented by a First Supplemental Indenture, dated as of March 1, 2012 (the "First Supplemental Indenture") and by a Second Supplemental Indenture, dated as of March 1, 2014 (the "Second Supplemental Indenture and, together with the 2012 Indenture and the First Supplemental Indenture, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The Authority anticipates that the Annual Report will be filed by The Bank of New York Mellon Trust Company, N.A.

Dated: _____, 20__

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

By: _____
Authorized Signatory

cc: San Bernardino County Transportation Authority