

Date: March 21, 2008

Committee Meeting Date: March 20, 2008

Board Meeting Date: April 3, 2008

BOARD MEMORANDUM

ACTION ITEM

TO: Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: Joseph T. Smith
Chief Financial Officer

SUBJECT: Variable Rate Debt Refinancing or Restructuring

Policy-Related Action: Yes

Government Code Section 84308 Applies: Yes

RECOMMENDATION:

Adopt a resolution authorizing the General Manager or his designee to agree to the terms of and execute documents relating to a negotiated sale, up to \$201 million of Sales Tax Revenue Refunding Bonds, 2008 Series A (2008 Bonds) to refund \$199 million aggregate principal amount of VTA's 1985 Equipment Trust Certificates and 2005 Sales Tax Revenue Refunding Bonds and to pay the costs of issuance; and, further authorize the General Manager or his designee to amend existing liquidity agreements for 1985 Equipment Trust Certificates and 2005 Sales Tax Revenue Refunding Bonds, and/or convert the 2005 Sales Tax Revenue Refunding Bonds to a one-year term mode, as alternative courses of action.

BACKGROUND:

In recent years, state and local governments, nonprofit corporations, and other issuers have insured nearly half of new municipal bond issues with bond insurance. Bond insurance enabled these bond issues, for the most part, to be rated at the highest possible levels and provided comfort to investors that they would receive full payment of the bonds they purchased. For this added protection, investors were willing to accept lower interest rates which, in turn, translated to lower borrowing costs for issuers. Virtually all of VTA's outstanding debt (99%) is insured through Ambac (86%), FSA (11%), or MBIA (2%).

One year ago, there were seven municipal bond insurers with "Aaa/AAA/AAA" ratings from Moody's, Standard & Poor's and Fitch, respectively. Only two bond insurers (FSA and Assured Guaranty) currently retain such ratings without threat of downgrade. The other five insurers (Ambac, CIFG, FGIC, MBIA and XL Capital) have been downgraded below "AAA" by one or

more of the rating agencies or are being reviewed for potential downgrades. The reason for this situation is that many of the bond insurers, including Ambac, have strayed from providing insurance only for municipal bonds into providing guarantees on the debt service of structured obligations secured by sub-prime mortgage loans.

While bond insurance initially “enhanced” the credits of public agencies and broadened the market for their bonds, downgrades of these bond insurers have thrown the variable rate bond market into unprecedented turmoil. Both auction rate bonds and variable rate demand bonds¹ have been affected. Even the most prominent issuers nationwide are being penalized with higher interest rates to attract investors to purchase insured bonds. In many instances, investors have refused to purchase such bonds at any interest rate, even though the underlying municipal credits are fundamentally sound.

In addition to investor concern over bond insurer risks, there are increasing concerns that banks, which have guaranteed, under liquidity agreements, to purchase variable rate demand bonds in the event of failed remarketings, could terminate such liquidity agreements in the event of insurer downgrades and insolvency.

VTA currently has \$314.9 million of bonds outstanding that are secured by the 1976 ½ cent sales tax. Of these bonds outstanding, four separate bond issues, with an aggregate amount outstanding of \$271.6 million, were issued in variable rate demand bond form. These include:

- 1985 Equipment Trust Certificates (1985 ETCs), \$29.2 million outstanding
- 1998 Sales Tax Revenue Bonds (1998 Bonds), \$40.0 million outstanding
- 2000 Sales Tax Revenue Bonds (2000 Bonds), \$32.7 million outstanding
- 2005 Sales Tax Revenue Bonds (2005 Bonds), \$169.7 million outstanding

The 1998 and 2000 Sales Tax Revenue Bonds, insured by FSA, have not experienced a significant impact due to current market conditions. These bonds were issued through the California Transit Finance Authority; therefore, if action becomes necessary for these bonds, it will be requested under separate board action.

By contrast, the remaining two issues, the 1985 ETCs and the 2005 Bonds, are currently at greatest risk for higher interest costs resulting from current market conditions--as they are insured by Ambac.

VTA has been particularly impacted by recent events in the municipal market through higher interest rates and liquidity fees associated with Ambac-insured 2005 Bonds. The fiscal year to date² average “all-in” rate³ for the 2005 Bonds has been 3.42%. However, by the end of

¹ The difference between auction rate bonds and variable rate demand bonds is that in the auction rate market, when auctions fail to generate enough buyers, existing investors are stuck holding investments they cannot sell. With variable rate demand bonds, if the bonds are not remarketed, they are purchased by the bank that has agreed to buy them pursuant to an agreement between VTA and the bank.

² As of February 29, 2008

³ Includes annual remarketing fees, liquidity fees, and swap payments to/from swap counterparties.

February, this rate had increased to 6.02%. This compares to the average all-in rate of 3.35% for the 2005 Bonds during the prior fiscal year.

Additionally, as of March 11, 2008, one of VTA's remarketing agents has been unable to remarket \$3.7 million of 2005 Bonds. The unremarketed bonds have been purchased by Depfa Bank PLC, pursuant to a standby bond purchase agreement with VTA, which was executed when the 2005 Bonds were originally issued. The interest rate that VTA is obligated to pay Depfa for this \$3.7 million of bonds is 6.0%. If these bonds are not remarketed or refunded within 90 days, that rate will increase to 7.5%, and VTA will have to accelerate repayment from a final maturity of 2026 to 2018. Furthermore, if Ambac becomes insolvent Depfa has the right to terminate our agreement and would no longer be required to purchase our bonds. In this instance if an additional failed remarketing occurred prior to the engagement of a replacement bank; VTA would be obligated to purchase the bonds from the investor(s).

DISCUSSION:

2005 Bonds. The recommended course of action is to issue *uninsured* variable rate refunding bonds (2008 Bonds), secured by VTA's 1976 ½ cent sales tax and a liquidity agreement with a highly rated bank (the "Liquidity Bank") with a short-term rating of at least VMIG-1/A-1 from Moody's and Standard & Poor's. The proceeds of the 2008 Bonds would be used to retire the 2005 Bonds and pay the cost of issue. Staff anticipates that the 2008 Bonds would have long-term ratings of AAA/Aa3/AA- from Standard & Poor's, Moody's and Fitch, respectively—consistent with other existing long-term bonds which are also secured by VTA's 1976 ½ cent sales tax. The short-term rating on the 2008 Bonds would be based on the Liquidity Bank's short-term rating. The existing variable-to-fixed interest rate swap agreements, currently associated with the 2005 Bonds, would remain in place.

The structure and terms of the 2008 Bonds would remain substantially the same as the current structure with the exception that the 2008 Bonds would be uninsured and the liquidity agreement would contain termination provisions based on VTA downgrades or insolvency. Additionally, the liquidity agreement would more than likely be valid for a period of 364 days to 5 years (versus the current liquidity agreement which had a 10 year term).

By refunding the 2005 Bonds and eliminating the current Ambac "penalty rates," being required from investors, interest rates should decline by 2.0% or more from current levels. However, based on current indications, the annual fees associated with liquidity and remarketing are anticipated to be greater than those negotiated in 2005—which were 0.21%, annually. Staff anticipates that annual liquidity and remarketing fees in the current market for the 2005 Bonds could be as high as 0.50%, annually. Given these levels the projected annual "all-in rate" would be approximately 0.36% lower than the SIFMA⁴ rate, which is reset weekly, plus an additional .50% for liquidity and remarketing fees and an additional amount for swap payments made under the swaps. For the week of March 10, 2008, VTA's "all-in" rate⁵ for VTA would have been

⁴ Index of short term rates reflecting activity in the variable rate market. Rate on 3/10/08 was 2.96%.

⁵ Includes interest to bondholders, liquidity and remarketing fees, and swap payments made to/from swap counterparties.

3.98%, compared to FY 2007 actual all-in rate of 3.35% for the 2005 Bonds. This represents approximately \$1.1 million of increased debt service per year.

1985 ETCs. The interest rate increases with the 1985 ETCs, to date, have not impacted VTA's all-in borrowing costs, as under the variable-to-fixed interest rate swap associated with this transaction (executed in 1998), VTA receives a variable rate equal to the rate paid to bondholders (Bond Rate) on the 1985 ETCs. Based on this, staff currently recommends taking a "wait and see" tactic for these bonds. However, authority is being requested to amend existing liquidity agreements (to remove bond insurer related termination provisions) with VTA's standby bank as well as the ability to issue variable rate refunding bonds (similar to that described above for the 2005 Bonds) to refund the 1985 ETCs, if necessary.

Either of these actions would only be undertaken if the current remarketing agent experiences increased difficulty in remarketing the 1985 ETCs and has need to draw on the liquidity bank. In that circumstance, VTA would no longer receive the variable interest rate equivalent to the Bond Rate (pursuant to the existing swap agreement), but rather a significantly lower rate – resulting in increased interest expense for VTA (similar to that currently being experienced with the 2005 Bonds). For the week of March 10, 2008, VTA's "all-in" rate for the 1985 ETCs (had they been refunded with variable rate bonds) would have been 4.86% as compared to the current "all-in" rate of 4.59% (due to higher liquidity fees in the current market), which would represent an increase of approximately \$78,840 per year in debt service for these bonds.

Alternative Course of Action

In the current market, VTA may be unable to successfully obtain liquidity agreements with one or more banks, which would be necessary to complete a variable rate refunding.

If this were to occur, VTA's alternative course of action for the 2005 Bonds is to amend existing liquidity agreements to remove insurer related termination provisions or to convert from weekly variable rate demand bonds to bonds with a term of one year and an interest rate that would be fixed for that period. Under this type of structure, based on current interest rates, VTA's "all-in rate" is expected to be between 3.7% and 4.2%⁶. The expected outcome is to reduce VTA's near term exposure to unusually high weekly interest rate resets. This strategy would be temporary in nature. At the end of the one year term, if market conditions have improved or returned to some level of "normalcy" VTA would remarket the 2005 Bonds into a weekly mode (or other mode determined at that time). If market conditions do not improve, VTA may need to implement another temporary approach or try to refinance such obligations – in each case, incurring additional issuance costs.

Manner of Sale

For a negotiated sale, staff recommends using one or more underwriting firms from the pool of underwriters and broker-dealers that serve as remarketing agents and broker-dealers for existing variable rate and auction rate bonds. These firms were initially selected through a competitive process. The firms include Banc of America Securities, Citigroup Global Markets, Inc., Goldman

⁶ Includes annual liquidity fees and swap payments made to/from swap counterparties.

Sachs & Co., Lehman Brothers Inc. and Morgan Stanley. In addition, VTA would include J.P. Morgan, which has managed prior debt issued in support of the Measure A Program.

Financing Team

Staff issued task orders to VTA's financial advisor (Ross Financial) and one firm in VTA's bond counsel pool (Orrick, Herrington & Sutcliffe LLP) to act as Bond & Disclosure Counsel.

Documentation

The resolution recommended for approval by the Board of Directors describes the parameters for converting or sale of any potential bond issuances; as well as, the transaction documents being approved by the Board of Directors. Documents which are required in connection with the options described above include:

- Supplemental Indenture(s)
- Disclosure Documents(s)
- Purchase Contract(s)
- Liquidity Agreement(s) and Supplemental Liquidity Agreements
- Remarketing Agreement(s)
- Continuing Disclosure Certificate(s)

A description of each of these documents is included in Attachment A. Substantially completed draft documents are attached to the Resolution as exhibits.

ALTERNATIVES:

The Board could choose to do nothing; however, if current interest rates continue, debt service would increase by approximately \$5.3 million per year for the 1985 ETCs and 2005 Bonds as compared to FY 2007.

FISCAL IMPACT:

Estimated fees for the issuance of variable rate refunding bonds is \$875,000 and would be paid from bond proceeds. These costs include bond counsel, financial advisory, underwriting, rating, trustee and other miscellaneous fees. If a variable rate refunding is accomplished on both the 1985 ETCs and 2005 Bonds, the anticipated increase in annual debt service would be approximately \$1.2 million.

In lieu of refunding, fees associated with a one year temporary fix would be approximately \$815,000, and would be absorbed within the adopted FY 2008 VTA Transit Budget.

STANDING COMMITTEE DISCUSSION/RECOMMENDATION:

The Administration & Finance Committee considered this item on March 20, 2008. Following a discussion that is summarized below, the Committee unanimously recommended that the Board approve this item.

Question: Director Reed inquired whether the multiple strategies being requested in the recommended action was in order to provide diversification of the debt portfolio.

Response: The current recommendation by Staff remains to refund the 2005 Bonds, and possibly the 1985 ETCs, by issuing variable rate refunding bonds. The additional authority being requested to amend existing liquidity agreements or to convert the bonds to a one year fixed rate term is intended to provide Staff the flexibility to react if a variable rate refunding transaction cannot be completed—which more than likely would only occur if VTA is unable to procure enough bank liquidity for the amount of bonds to be issued.

Question: Director Reed inquired as to why VTA was not contemplating a fixed rate refunding.

Response: Each of the 1985 ETCs and 2005 Bonds (as well as 2006 Bonds) have variable-to-fixed interest rate swaps (swaps) that are associated with the bonds. If a fixed rate refunding were accomplished on any of the bonds, the swaps would either have to be terminated or converted into forward swaps. In a forward swap, VTA would be making a commitment to issue future bonds with a higher interest rate.

Question: Director McHugh inquired as to the impact on VTA if we waited to react.

Response: VTA is currently paying interest rates ranging from 4-6%, when we should be paying rates less than 3%. There is no indication that this trend will end any time soon. By accomplishing the refunding transactions, VTA's rates should decline back to normalized levels. VTA's payback on accomplishing the refunding transactions is anticipated to be less than three months.

Question: Director Reed inquired about the supply of liquidity bank providers.

Response: Since the high interest rates being incurred by municipal governments is a nationwide occurrence, many issuers are going to the market to secure bank capacity. Since there are a limited number of banks; and therefore, a limited amount of liquidity there is a potential that VTA will not be able to obtain a portion of that liquidity for a refunding transaction. In this event, VTA would implement a temporary solution by amending existing agreements and/or converting the 2005 Bonds (and potentially the 1985 ETCs) to a one year fixed term.

Question: Director Casas inquired as the cost benefit recovery of the fees associated with the cost of issuance.

Response: On a combined basis (including the 2006 Measure A Bonds), with a decrease of 2% in interest rates (from the levels currently being incurred), pay back would be in a very short period of time (less than 3 months).

Question: Director Casas inquired as to whether the fees associated with these transactions were competitive.

Response: The fees are competitive. The investment banking firms that have been recommended were initially selected through a competitive process when the bonds were initially issued. VTA's financial advisor will assist in negotiating fees with these firms for these particular transactions based on fees being assessed in the current market.

Question: Director Pete McHugh inquired as why Staff was asking for authorization to take action on the 1985 ETCs but recommending taking a "wait and see" tactic.

Response: Due to the type of swap that is associated with these bonds, VTA is not currently experiencing a negative cash flow due to higher interest rates.

Comment: Director Williams requested updates to the transactions as they move forward.

Listing of Consultants

<u>Contractor Firm & Location</u>	<u>Contractor Role</u>	<u>Contact Name/Phone</u>
Banc of America Securities LLC Public Finance Group 600 Montgomery Street, 18 th Floor	Broker-Dealer	Scott Nagelson (415) 953-7314
Citigroup Global Markets Inc One Sansome Street, 28 th Floor San Francisco, CA 94104	Underwriter/Broker-Dealer	Michael Gomez (415) 951-1615
Goldman Sachs & Co. 555 California Street, 45 th Floor San Francisco, CA 94104	Underwriter/Broker-Dealer	Eric Zampol (415) 393-7514
J.P. Morgan 560 Mission Street, Suite 2130 San Francisco, CA 94105	Underwriter/Broker-Dealer	Dan Feitelberg (415) 315-5957
Lehman Brothers 555 California Street, 30 th Floor San Francisco, CA 94104	Underwriter	John McCray-Goldsmith (415) 274-5374
Morgan Stanley 555 California Street, Suite 2130 San Francisco, CA 94104	Underwriter/Broker-Dealer	John Sheldon (415) 576-2083

Supplemental Indenture. This document supplements the related existing master bond indenture entered into by VTA in connection with prior issues of variable rate bonds and establishes the terms and provisions of restructured existing bonds and new debt issuances. Each supplemental indenture, together with the related master bond indenture, is a legal contract between VTA and our Trustee that establishes the responsibilities of VTA and the rights of bondholders. Each master bond indenture defines the security, flow of funds, bond covenants, and other provisions provided by VTA for the protection of investors. A draft supplemental indenture, which is required for the issuance of the 2008 Bonds is attached to the Resolution as Exhibit A.

Disclosure Document(s). A disclosure document, which may take the form of an Official Statement, a remarketing memorandum or an information statement, will be required in connection with the remarketing of existing bonds being converted from one interest rate mode to another; the amendment of liquidity agreements and the offering of 2008 Bonds. The disclosure document functions as the municipal market's version of the "prospectus" or "offering circular" used in corporate markets. The disclosure document discloses pertinent information about VTA and the terms and provisions of the 2008 Bonds, or converted debt (as the case may be), a description of the debt, its purpose, security for repayment of the debt and the risks inherent in owning the bonds. It also contains a discussion of legal matters relevant to the debt, such as the tax status of interest income earned by investors, specifically, if interest income is tax-exempt for federal and state purposes. A draft disclosure document in the form of an Official Statement is included as Exhibit B. The disclosure concerning VTA in each final disclosure document will be substantially the same as the disclosure include in the draft Official Statement attached to the Resolution.

Purchase Contract. This document, which is utilized in a negotiated sale, is a contract between VTA and the senior managing underwriter. It sets forth the price to be paid for 2008 Bonds and all closing conditions, including required legal opinions and certifications. A draft of the bond purchase contract is attached to the Resolution as Exhibit C.

Liquidity Agreement(s). This document is a contract between VTA and a selected bank or other financial institution, referred to as a liquidity provider. A liquidity agreement, which may be in the form of standby bond purchase agreement or a letter of credit, sets forth the terms under which the bank will agree to purchase the bonds in the event the remarketing agent is unable to place them with investors. Staff may elect to pursue amending existing liquidity agreements with respect to the 1985 ETCs and 2005 Bonds to remove or modify bond insurer related termination provisions. If this option is selected, amendments to existing liquidity agreements would be executed. A draft of the liquidity agreement is attached to the Resolution as Exhibit D. If VTA issues 2008 Bonds, it will need to enter into a new liquidity agreement or, if the use of a direct pay letter of credit structure is used, a letter of credit and reimbursement agreement.

Remarketing Agreement. A remarketing agreement is a contract between VTA and one or more remarketing agents who agree to remarket VTA's variable rate demand bonds. A remarketing agreement may need to be executed in connection with the conversion of the 1985 ETCs or the 2005 Bonds or if VTA issues 2008 Bonds. Additionally, Staff would like the flexibility to

replace existing underwriters or hire additional underwriters, as necessary. A draft is attached to the Resolution as Exhibit E.

Continuing Disclosure Certificate(s). This is an agreement to provide certain financial information and other data to the market on a continuing basis. In addition, the continuing disclosure certificate lists certain events, which, if determined material by VTA, must be disclosed to the market place. Information to be disclosed includes VTA's audited financial reports and updated information relative to sales tax revenue collections. A continuing disclosure certificate would be executed if the existing bonds are converted to a term rate mode. A draft continuing disclosure certificate is attached to the Resolution as Exhibit F.

Resolution No. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY AUTHORIZING THE ISSUANCE OF SALES
TAX REVENUE REFUNDING BONDS, THE CONVERSION OF EXISTING SALES
TAX REVENUE BONDS FROM A WEEKLY MODE AND THE EXECUTION AND
DELIVERY OF ALL DOCUMENTATION NECESSARY IN CONNECTION
THEREWITH AND AUTHORIZING CERTAIN ACTIONS WITH RESPECT TO
CERTAIN EQUIPMENT TRUST CERTIFICATES, INCLUDING AUTHORIZING
THE EXECUTION AND DELIVERY OF REFUNDING EQUIPMENT TRUST
CERTIFICATES**

WHEREAS, the Santa Clara Valley Transportation Authority (the "Authority") is a public transit district duly organized and existing under the provisions of the Santa Clara Valley Transportation Authority Act, being Part 12 of Division 10 of the Public Utilities Code of the State of California, Sections 100000 et seq. (the "Law");

WHEREAS, the Board of Directors of the Authority (the "Board") is authorized to issue bonds or notes payable from the proceeds of retail transactions and use taxes (hereinafter referred to as the "Sales Tax") approved on March 2, 1976 by the voters of the County of Santa Clara, which comprises the territory of the Authority, which Sales Tax was levied by the Authority pursuant to Section 100250 et seq. of the Law and Ordinance No. NS-2, adopted by the Board on March 29, 1976;

WHEREAS, the Authority has heretofore issued \$69,170,000 aggregate principal amount of Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2005 Series A (the "2005 Series A Bonds"), \$68,030,000 of which remain outstanding, \$51,680,000 aggregate principal amount of Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2005 Series B (the "2005 Series B Bonds"), \$50,855,000 of which remain outstanding, \$51,680,000 aggregate principal amount of Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2005 Series C (the "2005 Series C Bonds," and together with the 2005 Series A Bonds and the 2005 Series B Bonds, hereinafter collectively referred to as the "2005 Series Bonds"), \$50,855,000 of which remain outstanding, pursuant to an Indenture, dated as of November 1, 1997 (as heretofore supplemented and amended, the "Existing Indenture"), between the Authority and U.S. Bank National Association ("U.S. Bank"), successor to U.S. Bank Trust National Association, formerly known as First Trust of California, National Association, as trustee (the "Trustee");

WHEREAS, in connection with the issuance of the 2005 Series Bonds, the Authority entered into (i) an interest rate swap transaction with Citibank, N. A., New York (the "Citibank Swap"), (ii) an interest rate swap transaction with Goldman Sachs Mitsui Marine Derivative Products, L.P. (the "Goldman Swap"), and (iii) an interest rate swap transaction with Morgan Stanley Capital Services Inc. (the "Morgan Stanley Swap," and, together with the Citibank Swap and the Goldman Swap, hereinafter collectively referred to as the "Swap Agreements");

WHEREAS, the 2005 Series Bonds currently bear interest at variable interest rates determined on a weekly basis (such 2005 Series Bonds being sometimes hereinafter referred to as "Weekly Mode Bonds");

WHEREAS, interest expense on the Weekly Mode Bonds has increased as a result of current market conditions;

WHEREAS, the Authority desires to decrease its interest expense with respect to the Weekly Mode Bonds;

WHEREAS, in order to decrease such interest expense, the Authority desires to authorize (i) such actions as are necessary to refund and defease one or more series of Weekly Mode Bonds, (ii) such actions as are necessary to transfer the Swap Agreements to the Bonds, and (iii) such actions as are necessary to convert one or more series of Weekly Mode Bonds to another interest rate mode or interest rate modes;

WHEREAS, in order to provide for the refunding and defeasance of one or more Series of Weekly Mode Bonds, the Authority now desires to authorize the issuance of one or more additional series of sales tax revenue bonds, in an aggregate principal amount not to exceed one hundred seventy million nine hundred thousand dollars (\$170,900,000), such sales tax revenue bonds to be secured by the Sales Tax and to be issued pursuant to the provisions of the Existing Indenture, as supplemented and amended by a Seventh Supplemental Indenture thereto (the "Supplemental Indenture," and, together with the Existing Indenture, hereinafter collectively referred to as the "Indenture") to be entered into between the Authority and the Trustee;

WHEREAS, such sales tax revenue bonds shall be entitled "Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series" (hereinafter collectively referred to as the "Bonds"), each such additional series of Bonds to bear such additional letter or number designation as shall be set forth in the Supplemental Indenture as finally executed and delivered;

WHEREAS, the proceeds of the Bonds will be applied to refund and defease one or more Series of Weekly Mode Bonds and to pay costs of issuance of the Bonds and may be applied to fund a reserve fund for all or a portion of the Bonds;

WHEREAS, there has been prepared and distributed to the Board a proposed form of Supplemental Indenture providing for the issuance of the Bonds in one or more series (each a "Series of Bonds");

WHEREAS, it is currently contemplated that such Bonds will be issued as variable rate demand bonds;

WHEREAS, there has been prepared and distributed to the Board, a proposed form of bond purchase contract (each, a "Purchase Contract") pursuant to which the Authority proposes to sell one or more Series of Bonds to one or more investment banking firms (each, an "Underwriter") to be selected by the General Manager of the Authority or the Chief

Financial Officer of the Authority or any designee appointed by either in accordance with Section 17 of this Resolution (each, hereinafter referred to as an "Authorized Officer"), with the advice of Ross Financial (the "Authority Financial Advisor");

WHEREAS, there has been prepared and distributed to the Board, a proposed form of official statement describing the Bonds and related matters (the "Official Statement"), to be used in connection with the offering and sale of the Bonds;

WHEREAS, there has been prepared and distributed to the Board, a proposed form of standby bond purchase agreement (each such form of agreement being hereinafter referred to as a "Liquidity Agreement"), to be entered into between the Authority and one or more financial institutions, insurance companies or associations (each, a "Liquidity Provider"), to be selected by an Authorized Officer, with the advice of the Authority Financial Advisor, such Liquidity Agreement to provide liquidity for the purchase of Bonds issued as variable rate demand bonds;

WHEREAS, there has been prepared and distributed to the Board, a proposed form of agreement providing for the remarketing of one or more Series of Bonds issued as variable rate demand bonds (each such form of agreement being hereinafter referred to as a "Remarketing Agreement"), to be entered into between the Authority and one or more remarketing agents (each, a "Remarketing Agent"), to be selected by an Authorized Officer, with the advice of the Authority Financial Advisor, such Remarketing Agreement to provide for the remarketing of Bonds issued as variable rate demand bonds;

WHEREAS, there has been prepared and distributed to the Board, a proposed form of continuing disclosure certificate (each a "Continuing Disclosure Certificate"), to be executed by the Authority in the event that a continuing disclosure undertaking is required pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5) in connection with the issuance of one or more Series of Bonds or in connection with the conversion of one or more series of Weekly Mode Bonds;

WHEREAS, in order to minimize interest expense and maximize benefits to the Authority in connection with the issuance of the Bonds, it may be desirable to utilize credit enhancement in connection with the issuance of one or more Series of Bonds;

WHEREAS, also in order to minimize interest expense and maximize benefits to the Authority in connection with the issuance of the Bonds, it may be desirable for the Authority to fund a reserve fund for all or a portion of the Bonds, and, if funding of a reserve fund is determined to be desirable, it may be desirable for the Authority to secure a commitment for a surety bond, an irrevocable letter of credit, or an insurance policy to fund all or a portion of such reserve fund;

WHEREAS, the Board now deems it necessary and advisable and in the financial interest of the Authority (i) to authorize the issuance and sale of the Bonds pursuant to the Indenture and the Purchase Contract, (ii) to approve the forms of, and to authorize the execution and delivery of, the Supplemental Indenture, one or more Purchase Contracts, one or more Liquidity Agreements, one or more Remarketing Agreements, and one or more

Continuing Disclosure Certificates (such agreements and documents being hereinafter collectively referred to as the "Bond Financing Documents") and the Official Statement, (iii) to approve the distribution of the Official Statement in preliminary and final form, (iv) to authorize the negotiation and securing of credit enhancement for one or more Series of Bonds, (v) to authorize the negotiation and securing of a commitment for a surety bond, an irrevocable letter of credit, or an insurance policy to fund all or a portion of any reserve fund established in connection with the Bonds, (vi) to authorize the taking of such actions as are necessary to transfer the Swap Agreements from the Weekly Mode Bonds to the Bonds, (vii) to authorize the taking of such actions as are necessary to convert one or more series of Weekly Mode Bonds to another interest rate mode or interest rate modes, and (viii) to authorize the taking of various other actions in connection with therewith;

WHEREAS, the Authority has also heretofore executed and delivered \$52,860,000 aggregate principal amount of Santa Clara County Transit District Adjustable Rate Refunding Equipment Trust Certificates, Series 1985 A (the "Series 1985 A Certificates"), secured by the Sales Tax, \$29,200,000 of which remain outstanding, pursuant to an Equipment Trust Indenture, dated as of June 1, 1984, between the Authority, formerly known as the Santa Clara County Transit District, and Security Pacific National Bank, as trustee, which was amended and restated pursuant to that certain Amended and Restated Equipment Trust Indenture, dated as of December 1, 1998 (hereinafter referred to as the "Existing ETC Indenture"), between the Authority and U.S. Bank, as trustee (the "ETC Trustee");

WHEREAS, in connection with the issuance of the Series 1985 A Certificates, the Authority entered into an interest rate swap transaction with General Re Financial Products Corporation (the "ETC Swap Agreement");

WHEREAS, the Series 1985 A Certificates currently bear interest at variable interest rates determined on a weekly basis;

WHEREAS, Lehman Brothers Inc. (the "Existing ETC Remarketing Agent") serves as the remarketing agent for the Series 1985 A Certificates pursuant to an Amended and Restated Remarketing Agreement, dated as of December 1, 1998 (the "Existing ETC Remarketing Agreement"), between the Authority and the ETC Remarketing Agent;

WHEREAS, in order to provide liquidity for the payment of the purchase price of Series 1985 A Certificates which are not remarketed, the Authority entered into a Liquidity Letter of Credit and Reimbursement Agreement, dated as of December 1, 1998 (the "Existing ETC Liquidity Agreement"), with Dexia Crédit Local, formerly known as Crédit Local de France (the "Existing ETC Liquidity Provider");

WHEREAS, interest expense on the Series 1985 A Certificates has increased as a result of current market conditions;

WHEREAS, the Authority desires to decrease its interest expense with respect to the Series 1985 A Certificates;

WHEREAS, in order to decrease such interest expense, the Authority desires to authorize (i) replacement of the Existing ETC Remarketing Agent and replacement of the Existing ETC Remarketing Agreement; (ii) amendment of the Existing ETC Liquidity Agreement and/or replacement of the Existing ETC Liquidity Agreement, (iii) such actions as are necessary to convert the Series 1985 A Certificates to another interest rate period, and (iv) such actions as are necessary to authorize the issuance and sale of additional equipment trust certificates (the "Certificates") to refund and defease the Series 1985 A Certificates and such action as is necessary to transfer the ETC Swap Agreement to the Certificates;

WHEREAS, in order to provide for the refunding and defeasance of the Series 1985 A Certificates, the Authority now desires to authorize the issuance of an additional series of equipment trust certificates, in an aggregate principal amount not to exceed thirty million one hundred thousand dollars (\$30,100,000), such equipment trust certificates to be secured by the Sales Tax and to be issued pursuant to the provisions of the Existing ETC Indenture, as supplemented and amended by a First Supplemental Indenture thereto (the "Supplemental ETC Indenture," and, together with the Existing ETC Indenture, hereinafter collectively referred to as the "ETC Indenture") to be entered into between the Authority and the ETC Trustee;

WHEREAS, such equipment trust certificates shall be entitled "Santa Clara Valley Transportation Authority Adjustable Rate Refunding Equipment Trust Certificate, Series 2008" (the "Certificates");

WHEREAS, the proceeds of the Certificates will be applied to refund and defease the Series 1985 A Certificates and to pay costs of issuance of the Certificates and may be applied to fund a reserve fund for all or a portion of the Certificates;

WHEREAS, in connection with the execution and delivery of the Certificates, it is contemplated that the Authority will execute and deliver a Supplemental ETC Indenture, a Supplemental Amended and Restated Lease Agreement (the "Supplemental Lease"), to be entered into with the ETC Trustee, a remarketing agreement (an "ETC Remarketing Agreement"), to be entered into with a remarketing agent (an "ETC Remarketing Agent") and a liquidity agreement (an "ETC Liquidity Agreement"), each such agreement to be in such form as shall be acceptable to the Authorized Officer of the Authority, executing the same;

WHEREAS, the Board now further deems it necessary and advisable and in the financial interest of the Authority (i) to authorize replacement of the Existing ETC Remarketing Agent and replacement of the Existing ETC Remarketing Agreement, (ii) to authorize amendment of the Existing ETC Liquidity Agreement and/or replacement of the Existing ETC Liquidity Agreement, (iii) to authorize the issuance and sale of Certificates to refund and defease the Series 1985 A Certificates pursuant to the Supplemental ETC Indenture and a purchase contract (the "ETC Purchase Contract") providing for the sale of the Certificates to one or more Underwriters to be selected by an Authorized Officer, (iv) to authorize the execution and delivery of a Supplemental ETC Indenture, an ETC Purchase Contract, a Supplemental Lease, an ETC Remarketing Agreement, and an ETC Liquidity Agreement (such documents and agreements being hereinafter collectively referred to as the

"Certificate Financing Documents") and an official statement describing the Certificates and related matters (herein referred to as the "Certificate Official Statement"), such Certificate Official Statement to be in substantially the form of Official Statement attached hereto as Exhibit B, with such insertions or deletions as shall be necessary to provide information with respect to the terms and provisions of the Certificates and to delete the information with respect to the Bonds, (iv) to approve the distribution of the Certificate Official Statement in preliminary and final form, (v) to authorize the negotiation and securing of credit enhancement for the Certificates, (vi) to authorize the negotiation and securing of a commitment for a surety bond, an irrevocable letter of credit, or an insurance policy to fund all or a portion of any reserve fund established in connection with the Certificates, (vii) to authorize the taking of such actions as are necessary to transfer the ETC Swap Agreement from the Series 1985 A Certificates to the Certificates, and (viii) to authorize the taking of various other actions in connection with therewith;

WHEREAS, all acts, conditions and things required by the Law and the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financings contemplated hereby do exist, have happened and have been performed as required by law, and the Authority is now duly authorized and empowered, pursuant to each requirement of law, to authorize and consummate the financings for the purposes, in the manner and upon the terms provided in this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Santa Clara Valley Transportation Authority as follows:

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

Section 2. The issuance by the Authority of not to exceed \$170,900,000 aggregate principal amount of Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series, in such form as an Authorized Officer shall determine is necessary in order to minimize interest expense and maximize benefits to the Authority, is hereby authorized and approved.

Section 3. The proposed form of the Supplemental Indenture, between the Authority and the Trustee, attached hereto as Exhibit A, and the terms and provisions thereof, which are hereby incorporated by reference, are hereby approved. The Acting Assistant Board Secretary (hereinafter referred to as the "Secretary") is directed to file a copy of said form of Supplemental Indenture with the minutes of this meeting. Each Authorized Officer, acting alone, is authorized and directed to execute and deliver the Supplemental Indenture to the Trustee, in substantially the form of the Supplemental Indenture attached hereto as Exhibit A, with such additions thereto or changes therein, as the Authorized Officer executing the same, with the advice of counsel to the Authority, may require or approve, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Supplemental Indenture.

The date, maturity date or dates (not to exceed June 1, 2026), interest rate or rates or method of determining the same if Bonds are issued as variable rate demand bonds, such interest rates not to exceed 12% with respect to Bonds issued as variable rate demand bonds (excluding variable rate demand bonds purchased by a Liquidity Provider, which may bear interest at such rate as shall be specified in the Liquidity Agreement and acceptable to the Authorized Officer executing the Liquidity Agreement) and not to exceed such maximum interest rate as shall be acceptable to the Authorized Officer executing the Supplemental Indenture with respect to Bonds issued in any other interest rate mode permitted by the Indenture), interest payment dates, forms, denominations, registration and exchange privileges, place or places of payment, terms of redemption (optional redemption may or may not be provided, as determined by the Authorized Officer executing the Supplemental Indenture), and all other terms of the Bonds shall be (subject to the foregoing limitations) as provided in the Supplemental Indenture as finally executed and delivered.

Section 4. The proposed form of Official Statement, attached hereto as Exhibit B, describing the Bonds and related matters, and the terms and provisions thereof, which are hereby incorporated by reference, are hereby approved. The Secretary is directed to file a copy of said form of Official Statement with the minutes of this meeting. The Official Statement in preliminary form may be deemed final by either Authorized Officer on behalf of the Authority for purposes of compliance with Securities and Exchange Commission Rule 15c2-12 and the distribution of the Official Statement in such preliminary form as is deemed final by either Authorized Officer is hereby authorized.

Each Authorized Officer, acting alone, is hereby authorized and directed to execute and deliver a final Official Statement in substantially the form of the Official Statement attached hereto as Exhibit B, with such additions thereto or changes therein as such Authorized Officer, with the advice of counsel to the Authority, may require or approve, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Official Statement. The Underwriters are hereby authorized and directed to distribute copies of the Official Statement to persons purchasing the Bonds.

Section 5. The proposed form of Purchase Contract attached hereto as Exhibit C, providing for the sale of one or more Series of Bonds, and the terms and conditions thereof, which are hereby incorporated by reference, are hereby approved. The Secretary is directed to file a copy of said form of Purchase Contract with the minutes of this meeting. The sale of the Bonds at the principal amount thereof, less an underwriters' discount of not to exceed 0.35% of such principal amount, less any agreed-upon original issue discount, plus any original issue premium, in accordance with said form of Purchase Contract is hereby authorized and approved. Each Authorized Officer is hereby authorized and directed to negotiate with Underwriters, to select one or more Underwriters, with the advice of the Authority Financial Advisor, and, acting alone, to execute and deliver one or more Purchase Contracts, each such Purchase Contract to be in substantially the form of Purchase Contract attached hereto as Exhibit C, with such additions thereto or changes therein, as such Authorized Officer executing the same, with the advice of counsel to the Authority, may require or approve, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of each such Purchase Contract.

Section 6. The proposed form of Liquidity Agreement, attached hereto as Exhibit D, and the terms and conditions thereof, which are hereby incorporated by reference, are hereby approved. The Secretary is directed to file a copy of said form of Liquidity Agreement with the minutes of this meeting. Each Authorized Officer is authorized and directed to negotiate with Liquidity Providers, to select one or more Liquidity Providers, with the advice of the Authority Financial Advisor, and, acting alone, to execute and deliver one or more Liquidity Agreements, each in substantially the form of the Liquidity Agreement attached hereto as Exhibit D, with such additions thereto or changes therein, as such Authorized Officer executing the same, with the advice of counsel to the Authority, may require or approve, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of each such Liquidity Agreement.

Section 7. The proposed form of Remarketing Agreement, attached hereto as Exhibit E, and the terms and conditions thereof, which are hereby incorporated by reference, are hereby approved. The Secretary is directed to file a copy of said form of Remarketing Agreement with the minutes of this meeting. Each Authorized Officer is authorized and directed to negotiate with Remarketing Agents, to select one or more Remarketing Agents, with the advice of the Authority Financial Advisor, and, acting alone, to execute and deliver one or more Remarketing Agreements, each in substantially the form of the Remarketing Agreement attached hereto as Exhibit E, with such additions thereto or changes therein, as such Authorized Officer executing the same, with the advice of counsel to the Authority, may require or approve, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of each such Remarketing Agreement.

Section 8. The proposed form of the Continuing Disclosure Certificate, attached hereto as Exhibit F, and the terms and conditions thereof, which are hereby incorporated by reference, are hereby approved. The Secretary is directed to file a copy of said form of Continuing Disclosure Certificate with the minutes of this meeting. In the event that Bonds requiring an undertaking under Securities and Exchange Commission Rule 15c2-12(b)(5) are issued or one or more series of Weekly Mode Bonds are converted to an interest rate mode requiring an undertaking under Securities and Exchange Commission Rule 15c2-12(b)(5), each Authorized Officer, acting alone, is hereby authorized to execute and deliver one or more Continuing Disclosure Certificates, each in substantially the form of the Continuing Disclosure Certificate attached hereto as Exhibit F, with such additions thereto or changes therein, as such Authorized Officer executing the same, with the advice of counsel to the Authority, may require or approve, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of each such Continuing Disclosure Certificate.

Section 9. The issuance by the Authority of not to exceed \$30,100,000 aggregate principal amount of Santa Clara Valley Transportation Authority Adjustable Rate Refunding Equipment Trust Certificates, Series 2008, in such form as an Authorized Officer shall determine is necessary in order to minimize interest expense and maximize benefits to the Authority, is hereby authorized and approved.

Section 10. Each of the Certificate Financing Documents and the Certificate Official Statement shall be in substantially such form as shall be acceptable to the Authorized Officer executing the same, the acceptability of such form to be conclusively evidenced by the execution and delivery of each of the Certificate Financing Documents and the Official Statement.

The date, maturity date or dates (not to exceed June 1, 2015), interest rate or rates or method of determining the same if Certificates are issued as variable rate demand certificates, such interest rates not to exceed 12% with respect to Certificates issued as variable rate demand certificates (excluding variable rate demand certificates purchased by an ETC Liquidity Provider, which may bear interest at such rate as shall be specified in the ETC Liquidity Agreement and acceptable to the Authorized Officer executing the ETC Liquidity Agreement) and not to exceed such maximum interest rate as shall be acceptable to the Authorized Officer executing the Supplemental ETC Indenture with respect to Certificates issued in any other interest rate mode permitted by the ETC Indenture), interest payment dates, forms, denominations, registration and exchange privileges, place or places of payment, terms of redemption (optional redemption may or may not be provided, as determined by the Authorized Officer executing the Supplemental ETC Indenture), and all other terms of the Certificates shall be (subject to the foregoing limitations) as provided in the Supplemental ETC Indenture as finally executed and delivered.

Section 11. Each Authorized Officer is hereby authorized and directed to negotiate with providers of credit enhancement with respect to the Bonds and the Certificates and, if an Authorized Officer, with the advice of the Authority Financial Advisor, determines that securing credit enhancement is necessary to minimize interest expense and maximize benefits to the Authority, such Authorized Officer is hereby authorized to secure credit enhancement on such terms as such Authorized Officer, with the advice of the Authority Financial Advisor, determines are appropriate, and each Authorized Officer is authorized and directed to execute and deliver such agreements as are deemed necessary or desirable by the Authorized Officer in connection with securing such credit enhancement.

Section 12. Each Authorized Officer is hereby authorized and directed to negotiate with financial institutions and/or insurance companies, as applicable, and, if an Authorized Officer, with the advice of the Authority Financial Advisor, determines that it is necessary to minimize interest expense and maximize benefits to the Authority, such Authorized Officer is hereby authorized to secure an irrevocable letter of credit, or a surety bond, or an insurance policy (hereinafter referred to as a "Reserve Fund Instrument") on such terms as such Authorized Officer, with the advice of the Authority Financial Advisor, determines are appropriate, in order to fund a reserve fund for one or more Series of Bonds or the Certificates, and each such Authorized Officer is authorized and directed to execute and deliver such agreements as are deemed necessary or desirable by an Authorized Officer in connection with securing such Reserve Fund Instrument or Reserve Fund Instrument.

Section 13. In the event an Authorized Officer, with the advice of the Authority Financial Advisor, determines that it is in the best interest of the Authority to convert one or more series of Weekly Mode Bonds to another interest rate mode or interest rate modes, each

Authorized Officer and each other appropriate officer of the Authority, are authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver any and all agreements, certificates, documents, instruments and notices, including, without limitation, amendments to the Indenture, the Swap Agreements, the tax certificate or any other agreement or certificate entered into, delivered by or acknowledged by the Authority in connection with the Weekly Mode Bonds, bond purchase agreements, remarketing agreements, signature certificates, no-litigation certificates, and disclosure certificates and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate conversion of the Weekly Mode Bonds.

Section 14. In the event an Authorized Officer, with the advice of the Authority Financial Advisor, determines that it is in the best interest of the Authority to convert the Series 1985 A Certificates to another interest rate period, each Authorized Officer and each other appropriate officer of the Authority, are authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver any and all agreements, certificates, documents, instruments and notices, including, without limitation, amendments to the ETC Indenture, the ETC Swap Agreement, the tax certificate or any other agreement or certificate entered into, delivered by or acknowledged by the Authority in connection with the Series 1985 A Certificates, bond purchase agreements, remarketing agreements, signature certificates, no-litigation certificates, and disclosure certificates and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate conversion of the Series 1985 A Certificates.

Section 15. In the event one or more escrow funds are established in connection with the refunding and defeasance of one or more series of 2005 Series Bonds or the Certificates, each Authorized Officer is hereby authorized and directed to take such actions as are necessary in connection with the investment of funds deposited in such escrow fund or funds, and, if applicable, U.S. Bank is hereby authorized and directed to file such applications and other documents on behalf of the Authority as may be required to order and obtain U.S. Treasury Obligations - State and Local Government Series to be purchased with proceeds of the Bonds or the Certificates and deposited in such escrow fund or fund.

Section 16. All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, including, without limitation, any of the foregoing which may be necessary or desirable in connection with any investment of the proceeds of the Bonds or the Certificates, any investment or reinvestment of the amounts held on deposit in any of the funds or accounts established under the Indenture or the ETC Indenture, any amendment of any of such documents or any other documents executed in connection with the issuance of the Bonds or the Certificates, including, without limitation, amendment of the Swap Agreements or the ETC Swap Agreement, or the redemption, purchase in lieu of redemption, refunding or defeasance of any Bonds or the Certificates, may be given by either Authorized Officer without further authorization or direction by the Board, and each Authorized Officer acting alone, is hereby authorized and directed to give any such approval, consent, direction, notice, order or request and to take any such action which such Authorized Officer may deem necessary or desirable to further the purposes of this Resolution.

Section 17. Each Authorized Officer and each other appropriate officer of the Authority, are authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver any and all agreements, certificates, documents and instruments, including, without limitation, signature certificates, no-litigation certificates, disclosure certificates, tax certificates, letters of representation relating to book-entry registration, escrow agreements or instructions, insurance agreements, certificates concerning Purchase Contract representations or ETC Purchase Contract Representations, certificates concerning the contents of the Official Statement or the Certificate Official Statement and contracts for rebate compliance services, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Authority has approved in this Resolution, including conversion of one or more Series of Weekly Mode Bonds to another interest rate mode or modes of the conversion of the Series 1985 Certificates to another Interest Rate Period (as such term is defined in the ETC Indenture), to carry out, consummate and perform the duties of the Authority set forth in the Bond Financing Documents and all other documents executed in connection with the issuance of the Bonds and the defeasance and refunding of the 2005 Series Bonds and to carry out, consummate and perform the duties of the Authority set forth in the Certificate Financing Documents and all other documents executed in connection with the execution and delivery of the Certificates and the defeasance and refunding of the Series 1985 A Certificates.

Each of the General Manager and the Chief Financial Officer of the Authority may appoint in writing a designee to perform any of the actions which such officer of the Authority may take under this Resolution.

Section 18. Each Authorized Officer, with the advice of the Authority Financial Advisor, is authorized and directed, for and in the name and on behalf of the Authority: (i) to select one or more additional or replacement Liquidity Providers for one or more Series of Bonds or converted Weekly Mode Bonds, to execute and deliver any replacement or substitution for any Liquidity Agreement in effect with respect to one or more Series of Bonds or converted Weekly Mode Bonds and to terminate any existing Liquidity Agreement entered into in connection with one or more Series of Bonds or converted Weekly Mode Bonds; (ii) to select one or more additional or replacement Remarketing Agents for one or more Series of Bonds or converted Weekly Mode Bonds, to execute and deliver any replacement or substitution for any Remarketing Agreement in effect with respect to one or more Series of Bonds or converted Weekly Mode Bonds and to terminate any existing Remarketing Agreement entered into in connection with one or more Series of Bonds or converted Weekly Mode Bonds; (iii) to select one or more additional or replacements providers of credit enhancement for one or more Series of Bonds or converted Weekly Mode Bonds, to execute and deliver any replacement or substitution for any agreement entered into in connection with securing credit enhancement with respect to one or more Series of Bonds or converted Weekly Mode Bonds and to terminate any existing credit enhancement entered into in connection with one or more Series of Bonds or converted Weekly Mode Bonds; and (iv) to select one or more additional or replacements providers of Reserve Fund Instruments for one or more Series of Bonds or converted Weekly Mode Bonds, to execute and deliver any replacement or substitution for any agreement entered into in connection with securing a

Reserve Fund Instrument with respect to one or more Series of Bonds or converted Weekly Mode Bonds and to terminate any existing Reserve Fund Instrument entered into in connection with one or more Series of Bonds or converted Weekly Mode Bonds.

Section 19. Each Authorized Officer, with the advice of the Authority Financial Advisor, is authorized and directed, for and in the name and on behalf of the Authority: (i) to select one or more additional or replacement remarketing agents for the Series 1985 A Certificates, to execute and deliver any replacement or substitution for any remarketing agreement in effect with respect to the Series 1985 A Certificates, including the Existing ETC Remarketing Agreement, to execute and deliver any amendment to any remarketing agreement in effect with respect to the Series 1985 A Certificates, including the Existing ETC Remarketing Agreement, and to terminate any existing remarketing agreement entered into in connection with the Series 1985 A Certificates, including the Existing ETC Remarketing Agreement; (ii) to select one or more additional or replacement liquidity providers for the Series 1985 A Certificates, to execute and deliver any replacement or substitution for any liquidity agreement in effect with respect to the Series 1985 Certificates, including the Existing Liquidity Agreement, to execute and deliver any amendment to any liquidity agreement in effect with respect to the Series 1985 A Certificates, including the Existing ETC Liquidity Agreement, and to terminate any existing liquidity agreement entered into in connection with the Series 1985 A Certificates, including the Existing ETC Liquidity Agreement; (iii) to select one or more additional or replacements providers of credit enhancement for the Certificates or converted Series 1985 A Certificates, to execute and deliver any replacement or substitution for any agreement entered into in connection with securing credit enhancement with respect to the Certificates or converted Series 1985 A Certificates and to terminate any existing credit enhancement entered into in connection with the Certificates or converted Series 1985 A Certificates; and (iv) to select one or more additional or replacements providers of Reserve Fund Instruments for the Certificates or converted Series 1985 A Certificates, to execute and deliver any replacement or substitution for any agreement entered into in connection with securing a Reserve Fund Instrument with respect to the Certificates or converted Series 1985 A Certificates and to terminate any existing Reserve Fund Instrument entered into in connection with the Certificates or converted Series 1985 A Certificates.

Section 20. The Acting General Counsel of the Authority is authorized and directed to provide such opinions, on behalf of the Authority, as are required under the terms of the Bond Financing Documents and the Certificate Financing Documents and as are required to consummate any of the financing, conversion or other transactions authorized by this Resolution.

Section 21. All actions heretofore taken by the members of the Board, each Authorized Officer, the Acting General Counsel of the Authority or any other officers, agents or employees of the Authority, with respect to the issuance of the Bonds, the refunding and defeasance of the 2005 Series Bonds, the execution and delivery of the Certificates, the refunding and defeasance of the Series 1985 A Certificates and the other transactions contemplated hereby, by the Bond Financing Documents, by the Official Statement, by the

Certificate Financing Documents and by the Certificate Official Statement are hereby ratified, confirmed and approved.

Section 23. If any section, paragraph clause or provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph or clause or provision shall not affect any of the remaining provisions of this Resolution.

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Transportation Authority this 3rd day of April, 2008, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

Liz Kniss, Chairperson
Santa Clara Valley Transportation Authority

ATTEST:

Acting Assistant Board Secretary

Approved as to Form:

Acting General Counsel