BOARD OF DIRECTORS MEETING

Thursday, April 7, 2011

5:30 P.M.

The Regular Session will commence immediately following the conclusion of the Closed Session.

Board of Supervisors’ Chambers
County Government Center
70 West Hedding Street
San Jose, CA 95110

AGENDA

To help you better understand, follow, and participate in the meeting, the following information is provided:

- Persons wishing to address the Board of Directors on any item on the agenda or not on the agenda should complete a blue card located at the public information table and hand it to the Board Secretary staff prior to the meeting or before the item is heard.

- Speakers will be called to address the Board when their agenda item(s) arise during the meeting and are asked to limit their comments to 2 minutes. The amount of time allocated to speakers may vary at the Chairperson’s discretion depending on the number of speakers and length of the agenda. If presenting handout materials, please provide 25 copies to the Board Secretary for distribution to the Board of Directors.

- The Consent Agenda items may be voted on in one motion at the beginning of the meeting under Orders of the Day. If you wish to discuss any of these items, please request the item be removed from the Consent Agenda by completing a blue card at the public information table and handing it to the Board Secretary staff prior to Orders of the Day, Agenda Item #5.
• Disclosure of Campaign Contributions to Board Members (Government Code Section 84308)

In accordance with Government Code Section 84308, no VTA Board Member shall accept, solicit, or direct a contribution of more than $250 from any party, or his or her agent, or from any participant, or his or her agent, while a proceeding involving a license, permit, or other entitlement for use is pending before the agency. Any Board Member who has received a contribution within the preceding 12 months in an amount of more than $250 from a party or from any agent or participant shall disclose that fact on the record of the proceeding and shall not make, participate in making, or in any way attempt to use his or her official position to influence the decision.

A party to a proceeding before VTA shall disclose on the record of the proceeding any contribution in an amount of more than $250 made within the preceding 12 months by the party, or his or her agent, to any Board Member. No party, or his or her agent, shall make a contribution of more than $250 to any Board Member during the proceeding and for three months following the date a final decision is rendered by the agency in the proceeding. The foregoing statements are limited in their entirety by the provisions of Section 84308 and parties are urged to consult with their own legal counsel regarding the requirements of the law.

• All reports for items on the open meeting agenda are available for review in the Board Secretary’s Office, 3331 North First Street, San Jose, California, (408) 321-5680, the Monday, Tuesday, and Wednesday prior to the meeting. This information is available on our website, www.vta.org, and also at the meeting. Any document distributed less than 72 hours prior to the meeting will also be made available to the public at the time of distribution. Copies of items provided by members of the public at the meeting will be made available following the meeting upon request.

In compliance with the Americans with Disabilities Act (ADA), those requiring accommodations for this meeting should notify the Board Secretary’s Office 48 hours prior to the meeting at (408) 321-5680 or e-mail: board.secretary@vta.org or (408) 321-2330 (TTY only). VTA’s Home page is on the Web at: www.vta.org or visit us on Facebook www.facebook.com/scvta.

NOTE: THE BOARD OF DIRECTORS MAY ACCEPT, REJECT OR MODIFY ANY ACTION RECOMMENDED ON THIS AGENDA.

70 West Hedding St., San Jose, California is served by bus lines *61, 62, 66, 181, and Light Rail. (*61 Southbound last trip is at 8:55 pm for this location.)

For trip planning information, contact our Customer Service Department at 408-321-2300 between the hours of 6:00 a.m. to 7:00 p.m. Monday through Friday and 7:30 a.m. to 4:00 p.m. on Saturday. Schedule Information is also available on our website, www.vta.org.
CALL TO ORDER

1. ROLL CALL

2. RECESS TO CLOSED SESSION

   A. Anticipated Litigation - Conference with Legal Counsel
      [Government Code Section 54956.9(b)]
      Significant exposure to litigation pursuant to subdivision (b) of Section 54956:
      One case of threatened CEQA litigation by owner of Wrigley Industrial Park
      regarding BART Silicon Valley Project Final SEIR-2 (correspondence dated March 11, 2011)

   B. Existing Litigation - Conference with Legal Counsel
      [Government Code Section 54956.9(a)]
      Name of Case: Forrest Todd v. Santa Clara Valley Transportation Authority
      WCAB No. SJO 0230477

RECONVENE TO OPEN SESSION

3. CLOSED SESSION REPORT

4. PUBLIC PRESENTATIONS

   This portion of the meeting is reserved for persons desiring to address the Board of Directors on any item within the Board's jurisdiction. Speakers are limited to 2 minutes. The law does not permit Board action or extended discussion of any item not on the agenda except under special circumstances. If Board action is requested, the matter can be placed on a subsequent agenda. All statements that require a response will be referred to staff for reply in writing.

5. ORDERS OF THE DAY – The Consent Agenda is approved with Orders of the Day.

CONSENT AGENDA

6. Approve the Board of Directors Regular Meeting Minutes of March 3, 2011.

7. ACTION ITEM - Authorize the General Manager to amend the historic trolley lease agreement with the California Trolley and Railroad Corporation (CTRC) to return trolleys #2001 and #124 to CTRC.

   Administration and Finance Committee
   The Administration and Finance Committee did not meet in March.

   8. ACTION ITEM - Approve the appointment of Jeffrey Jokinen (2011-2012) to the Committee for Transit Accessibility (CTA) for the specified two-year term, representing persons with disabilities.
9. **ACTION ITEM** - Authorize the General Manager to execute a contract with Carl Warren & Company for Public Liability/Property Damage (PL/PD) Third Party Administrator (TPA) claims services for a three-year term from July 1, 2011 through June 30, 2014, with options for two one year extensions, for a total amount not to exceed $2,779,030.

10. **ACTION ITEM** - Adopt a support position for AB 650 (Blumenfield), which calls for creating the Blue Ribbon Task Force on Public Transportation for the 21st Century to make recommendations to the Governor and Legislature on how to develop, implement and fund a comprehensive, well-coordinated and fully functioning public transit system in California.

11. **ACTION ITEM** - Authorize the General Manager to execute a contract with Callan Associates, Inc. (Callan) to provide investment consulting services, for a period of three years in an amount not to exceed $460,336, with two one-year options to extend for a total contract value not to exceed $770,389.

**Congestion Management Program and Planning Committee**

*Items submitted for the Consent Agenda by the Congestion Management Program and Planning Committee.*

12. **ACTION ITEM** - Approve the programming of FY 2011/12 Transportation Fund for Clean Air Program Manager (TFCA 40%) funds to projects.

13. **ACTION ITEM** - Approve the sale of a 10,616 square feet surface parking lot located at the southwest corner of North First Street and St. James Street in San Jose to the State Administrative Office of the Courts (AOC) at a purchase price of $1,800,000; and authorize the General Manager to execute a Purchase and Sale Agreement (PSA) and other documents necessary to consummate the transaction.

14. **ACTION ITEM** - Authorize the General Manager to execute a contract amendment with Parsons Brinkerhoff, Consulting Engineers, Inc. in the amount of $300,000 to perform additional design services on the SR-237/I-880 Express Connectors Project for a new total contract value not to exceed $2,537,258.

15. **ACTION ITEM** - Approve the $110,000 budget for Fiscal Year 2011/2012 for the Santa Clara Valley Habitat Conservation Plan/Natural Community Conservation Plan and the overall cost allocation for the Plan in the amount of $1,020,092.

**Transit Planning and Operations Committee**

*Items submitted for the Consent Agenda by the Transit Planning and Operations Committee.*

16. **ACTION ITEM** - Adopt a resolution authorizing the General Manager to submit and execute grant applications and agreements, certifications, assurances, and other documents as necessary to the California Emergency Management Agency (Cal EMA) to receive $3,329,471 from the FY10-11 California Transit Security Grant Program-California Transit Assistance Fund (CTSGP-CTAF).
17. ACTION ITEM - Authorize the General Manager to execute an amendment to the Cooperative Agreement with the City of San Jose, in the amount of $150,000, to perform design services during construction of the Capitol Expressway Pedestrian Improvements for a total contract amount of $459,225, and extend the agreement through June 30, 2012. This amendment is 100% funded by the 2010 State Transportation Improvement Program.

18. ACTION ITEM - Authorize the General Manager to execute a contract with Pacific Electric Contracting, Inc., the lowest responsible bidder, in an amount of $381,930 for the construction of the Light Rail Left Hand Turn and Track Intrusion Project Phase IIA. This contract is 80% funded by Federal Grant funds (Section 5309-Fixed Guideway Modernization Formula Grant), with VTA Enterprise funds providing a 20% match.

19. INFORMATION ITEM - Receive Information on April 2011 Transit Service Changes.

Audit Committee
The Audit Committee has no items for this Agenda.

CEREMONIAL ITEMS/SPECIAL REPORTS

20. AWARDS AND COMMENDATION

A. INFORMATION ITEM - Recognize Elinor Yokoi, Engineering Technician III, River Oaks Administration; Lap-Hon Ng, Coach Operator, Cerone Division; and Richard Martinez, Light Rail Maintenance Worker, Guadalupe Division, as Employees of the Month for April 2011; and Dino Guevarra, Sales & Promotion Supervisor, External Affairs Division, as Supervisor of the Quarter for the second quarter of 2011.

B. Safe Driving Award (40 Years) – Jerry Ausano

21. REPORT FROM THE GENERAL MANAGER. (Verbal Report)

- Caltrain Status Update (Verbal Report) (Lawson)

22. REPORT FROM THE CHAIRPERSON. (Verbal Report)


REGULAR AGENDA

25. INFORMATION ITEM - Receive BART Silicon Valley Program Update.
Administration and Finance Committee - Liz Kniss

The Administration and Finance Committee did not meet in March.

26. **ACTION ITEM** - Adopt a resolution authorizing the General Manager or Chief Financial Officer to execute and deliver any and all documents, including Standby Bond Purchase Agreements and a Remarketing Memorandum in connection with the 1976 Sales Tax Revenue Refunding Bonds, 2008 Series A, 2008 Series B and 2008 Series C (the 2008 Bonds), that are required to implement the replacement of Dexia Credit Local with State Street Bank (for the 2008 Series A and 2008 Series C) and with Barclay’s PLC (2008 Series B) as liquidity providers for the 2008 Bonds.

Congestion Management Program and Planning Committee - Chuck Page

The Congestion Management Program and Planning Committee did not submit items for the Regular Agenda.

Transit Planning and Operations Committee - Rich Larsen

The Transit Planning and Operations Committee did not submit items for the Regular Agenda.

Audit Committee - Rose Herrera

The Audit Committee has no items for this Agenda.

**OTHER ITEMS**

27. **ITEMS OF CONCERN AND REFERRAL TO ADMINISTRATION**

28. **INFORMATION ITEM** - Review the Monthly Legislative History Matrix.

29. **REPORTS (UNAPPROVED MINUTES) FROM STANDING COMMITTEES**

   A. Administration and Finance Committee *(Meeting Cancelled)*
   B. Congestion Management Program and Planning Committee
   C. Transit Planning and Operations Committee
   D. Audit Committee *(No Meeting Scheduled)*

30. **REPORTS (UNAPPROVED MINUTES) FROM ADVISORY COMMITTEES**

   A. Committee for Transit Accessibility (CTA) *(No Meeting Scheduled)*
   B. Citizens Advisory Committee (CAC) and 2000 Measure A Citizens Watchdog Committee (CWC)
   C. Bicycle & Pedestrian Advisory Committee (BPAC)
   D. Technical Advisory Committee (TAC)
   E. Policy Advisory Committee (PAC)
31. REPORTS FROM JOINT POWERS BOARDS (JPBs) & REGIONAL COMMISSIONS
   A. Peninsula Corridor JPB
   B. Capitol Corridor JPB
   C. Dumbarton Rail Corridor Policy Committee
   D. Metropolitan Transportation Commission (MTC)
   E. Sunol Smart Carpool Lane Joint Powers Authority
   F. SR 152 Mobility Partnership

32. REPORTS FROM VTA POLICY ADVISORY BOARDS (PABs)
   A. Diridon Station Joint Policy Advisory Board
   B. Downtown East Valley PAB (Meeting Cancelled)
   C. El Camino Real Rapid Transit PAB
   D. Silicon Valley Rapid Transit Corridor & BART Warm Springs Extension PAB (No Meeting Scheduled)

33. ANNOUNCEMENTS

34. ADJOURN in memory of Cameron Beach, Board Member, San Francisco Municipal Transportation Agency (MUNI) and respected transportation professional.
BOARD OF DIRECTORS MEETING
Thursday, March 3, 2011

MINUTES

CALL TO ORDER

The Regular Meeting of the Santa Clara Valley Transportation Authority’s (VTA) Board of Directors was called to order by Chairperson Abe-Koga at 5:37 p.m. in the Board of Supervisors’ Chambers, County Government Center, 70 West Hedding Street, San José, California.

1. ROLL CALL

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Title</th>
<th>Status</th>
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<tbody>
<tr>
<td>Margaret Abe-Koga</td>
<td>Chairperson</td>
<td>Present</td>
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<tr>
<td>Marshall Anstandig</td>
<td>Alternate Board Member</td>
<td>Absent</td>
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<tr>
<td>Xavier Campos</td>
<td>Board Member</td>
<td>Present</td>
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<tr>
<td>Dave Cortese</td>
<td>Ex-Officio Board Member</td>
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<td>Rose Herrera</td>
<td>Board Member</td>
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<td>Ash Kalra</td>
<td>Board Member</td>
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<td>Liz Kniss</td>
<td>Board Member</td>
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<td>Rich Larsen</td>
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<td>Sam Liccardo</td>
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<td>Jamie Matthews</td>
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<td>Pete McHugh</td>
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<td>Chris Moylan</td>
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<td>Chuck Page</td>
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<td>Nancy Pyle</td>
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<td>Chuck Reed</td>
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<td>George Shirakawa</td>
<td>Alternate Board Member</td>
<td>Absent</td>
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<td>Perry Woodward</td>
<td>Board Member</td>
<td>Absent</td>
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<tr>
<td>Ken Yeager</td>
<td>Vice Chairperson</td>
<td>Present</td>
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* Alternates do not serve unless participating as a Member.

A quorum was present.

2. RECESSED TO CLOSED SESSION at 5:39 p.m.

Chairperson Abe-Koga announced that Agenda Item 2.D, Conference with Labor Negotiators, has been removed from the Agenda.

A. Anticipated Litigation-Conference with Legal Counsel
   [Government Code Section 54956.9(b)]
Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9:

One case involving termination of rail service to Clean Harbors Environmental Services, Inc.

B. Conference with Real Property Negotiators
   [Government Code Section 54956.8]

   Property: Remnant parcels of land between Highway 85 and properties located at 262, 264, 266, 268, 270, 272, 274, 276, 278, 282, 286, 290, 294, and 298 Herlong Avenue, San Jose, CA, designated by the Board for Permanent Disposition on March 4, 2010

   Agency Negotiator: Bijal Patel, Deputy Director, Property Development & Management

   Negotiating Parties: The owners of each of the properties specified above

   Under Negotiation: Price and terms of payment

C. Existing Litigation-Conference with Legal Counsel
   [Government Code Section 54956.9(a)]

   Name of Case: Carley Smith v. Santa Clara Valley Transportation Authority WCAB Nos. SJO 0238640, SJO 0242257

D. (Removed from the Agenda.)

   Conference with Labor Negotiators
   [Government Code Section 54957.6]

   VTA Designated Representatives:
   Joseph Smith, Chief Financial Officer
   Bill Lopez, Chief Administrative Officer
   Robert L. Escobar, Human Resources Manager

   Employee Organizations:
   American Federation of State, County and Municipal Employees (AFSCME), Local 101
   Service Employees International Union (SEIU), Local 521
   Transportation Authority Engineers and Architects Association (TAEA), IFPTE, Local 21

RECONVENED TO OPEN SESSION at 5:56 p.m.

   Board Member Herrera left her seat at 5:56 p.m.
3. CLOSED SESSION REPORT

A. Anticipated Litigation-Conference with Legal Counsel
   [Government Code Section 54956.9(b)]
   Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9:
   
   One case involving termination of rail service to Clean Harbors Environmental Services, Inc.
   
   Kathy Paul, Senior Assistant Counsel, reported that VTA’s Board of Directors approved a settlement agreement in the amount of $3,354,000.

B. Conference with Real Property Negotiators
   [Government Code Section 54956.8]
   
   Property: Remnant parcels of land between Highway 85 and properties located at 262, 264, 266, 268, 270, 272, 274, 276, 278, 282, 286, 290, 294, and 298 Herlong Avenue, San Jose, CA, designated by the Board for Permanent Disposition on March 4, 2010
   
   Agency Negotiator: Bijal Patel, Deputy Director, Property Development & Management
   
   Negotiating Parties: The owners of each of the properties specified above
   
   Under Negotiation: Price and terms of payment
   
   There was no Closed Session report for Agenda Item 2.B.

C. Existing Litigation-Conference with Legal Counsel
   [Government Code Section 54956.9(a)]
   
   Name of Case: Carley Smith v. Santa Clara Valley Transportation Authority
   WCAB Nos. SJO 0238640, SJO 0242257
   
   There was no Closed Session report for Agenda Item 2.C.

D. (Removed from the Agenda.)

   Conference with Labor Negotiators
   [Government Code Section 54957.6]
   
   VTA Designated Representatives:
   Joseph Smith, Chief Financial Officer
   Bill Lopez, Chief Administrative Officer
   Robert L. Escobar, Human Resources Manager
Employee Organizations:
American Federation of State, County and Municipal Employees (AFSCME),
Local 101
Service Employees International Union (SEIU), Local 521
Transportation Authority Engineers and Architects Association (TAEA), IFPTE,
Local 21

4. PUBLIC PRESENTATIONS

John Rainville, Interested Citizen, addressed the Board regarding the full launch of the Clipper regional fare collection system.

Roland Lebrun, Interested Citizen, expressed concern about the community outreach and location of the Blossom Hill Pedestrian Overcrossing.

Michael Ludwig, Interested Citizen, addressed the Board about the following: 1) grace period for monthly passes when the Clipper regional fare collection system is fully launched; and 2) suggestion to move the public presentations item later on the agenda.

James Wightman, Interested Citizen, addressed the Board regarding Light Rail to Eastridge Transit Center, and closed-circuit television on Light Rail.

5. ORDERS OF THE DAY

M/S/C (McHugh/Page) to accept the Orders of the Day and the Consent Agenda.

CONSENT AGENDA

6. Board of Directors Regular Meeting Minutes of February 3, 2011

M/S/C (McHugh/Page) to approve the Board of Directors Regular Meeting Minutes of February 3, 2011.

Administration and Finance Committee

Items submitted for the Consent Agenda by the Administration and Finance Committee.

7. Amend the VTA Administrative Code to Reflect Revised Small City Governance Structure

M/S/C (McHugh/Page) to adopt Resolution No. 2011.03.01 amending the VTA Administrative Code to incorporate the recently approved governance structure changes reconfiguring the existing small city groupings to include a new city group comprised of Sunnyvale, Santa Clara and Milpitas, to be effective January 2012.

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.
Congestion Management Program and Planning Committee  
*The Congestion Management Program and Planning Committee did not meet in February 2011.*

8. **2011 Community Design & Transportation Planning Grant Awards**  
   M/S/C (McHugh/Page) to approve the programming of $612,000 in Community Design & Transportation (CDT) Program Planning Grants.

9. **Freeway Performance Initiative Project Development Contract Awards**  
   M/S/C (McHugh/Page) to authorize the General Manager to execute contracts totaling $1,062,160 to (1) BKF Engineers in an amount not to exceed $901,000 and (2) a contract to URS Corporation in an amount not to exceed $161,160 for a two-year contract term to provide environmental planning and engineering design services for Traffic Operations Systems (TOS) and ramp metering improvements on freeway corridors within Santa Clara County.

10. **Silicon Valley Express Lanes Program Update**  
    M/S/C (McHugh/Page) to receive the Silicon Valley Express Lanes Program Update.

11. **SR 237/I-880 Express Connectors – Signage Structure Procurement Contract**  
    M/S/C (McHugh/Page) to authorize the General Manager to execute a contract with Midstate Barrier, Inc., in the amount of $495,597 for the SR 237/I-880 Express Connector - Sign Structure Procurement.

12. **Regional Bike Share Pilot Program – Status Update**  
    M/S/C (McHugh/Page) to receive the Regional Bike Share Pilot Program – Status Update.

13. **Proactive CMP Quarterly Report for October – December 2010**  
    M/S/C (McHugh/Page) to receive the Proactive CMP Quarterly Report for October – December 2010.

14. **Programmed Project Monitoring – Quarterly Report**  
    M/S/C (McHugh/Page) to receive the Programmed Project Monitoring – Quarterly Report.

15. **Bicycle Expenditure Plan – Project Status**  
    M/S/C (McHugh/Page) to receive the Bicycle Expenditure Plan – Project Status report.
16. **I-880/I-280/Stevens Creek Boulevard Project Update**

M/S/C (McHugh/Page) to receive the I-880/I-280/Stevens Creek Boulevard Project Update.

17. **Local Program Reserve: Gilroy High Speed Train Station Selection**

M/S/C (McHugh/Page) to approve the programming of $150,000 in Local Program Reserve (LPR) funds for the Gilroy High Speed Train Station Comparative Visioning project.

**Transit Planning and Operations Committee**

*Items submitted for the Consent Agenda by the Transit Planning and Operations Committee.*

18. **FTA Section 5311 Non-Urbanized Area Grant Program**

M/S/C (McHugh/Page) to adopt Resolution No. 2011.03.02 authorizing the General Manager to submit and execute grant applications and agreements, certifications, assurances, and other documents as necessary to receive funding from the California Department of Transportation (Caltrans) under the Federal Transit Administration (FTA) Section 5311 Non-Urbanized Area Formula Grant Program.

19. **Capitol Expressway Light Rail Project – Pedestrian Improvements Contract**

M/S/C (McHugh/Page) to authorize the General Manager to execute a contract with Gordon N. Ball Inc. in an amount of $7,666,860 for the construction of the Capitol Expressway Light Rail Project, Pedestrian Improvements. This contract is 100% funded by the 2010 State Transportation Improvement Program.

20. **Measure A Semi-Annual Report – December 2010**


**Audit Committee**

*The Audit Committee did not submit items for this Agenda.*
CEREMONIAL ITEMS/SPECIAL REPORTS

22. AWARDS AND COMMENDATION

A. Employees of the Month for March 2011

Chairperson Abe-Koga recognized and presented an award to Vickie Monroe, Administrative Services Assistant III, River Oaks Administration; and Michael Sandez, Coach Operator, Cerone Division; as Employees of the Month for March 2011. Ramon San Miguel, Transit Mechanic, Chaboya Division, was not able to attend.

B. Employees of the Year for 2010

Chairperson Abe-Koga recognized and presented an award to Astrid Canales, Office Specialist II, North Division; Willy Keyner, Coach Operator, North Division; and Jay Operario, Service Mechanic, Chaboya Division, as Employees of the Year for 2010. She also recognized and presented an award Dawn Wright, Transit Division Supervisor, North Division, as Supervisor of the Year for 2010.

C. Resolution of Commendation for Dean Chu

Chairperson Abe-Koga recognized and presented a resolution of Commendation for outgoing Ex-Officio Board Member Chu.

M/S/C (Yeager/Campos) to adopt Resolution of Commendation No. 2011.03.03 for outgoing Ex-Officio Board Member Dean Chu.

23. REPORT FROM THE GENERAL MANAGER

Michael T. Burns, General Manager provided a brief report, highlighting the following: 1) full funding grant agreement for the SVRT project; 2) success of the Clipper regional fare collection system initial launch; and, 3) groundbreaking for the Blossom Hill Pedestrian Overcrossing project.

A. Ridership Report

Joonie Tolosa, Operations Analysis, Reporting and Systems Manager, provided a PowerPoint presentation highlighting the following: 1) ridership for January 2011; 2) routes with flat and ridership growth; and, 3) routes with declining ridership.

B. Marketing Efforts to Increase Ridership

Board Member Kniss took her seat at 6:27 p.m.
Greta Helm, Chief External Affairs Officer, provided a PowerPoint presentation entitled “Stimulating Transit Ridership in a Recovering Economy.” She briefly discussed the strategies and efforts to encourage ridership. She noted American Public Transportation Association (APTA) will conduct a marketing peer review on the week of March 28, 2011.

Board Member Herrera took her seat at 6:33 p.m.
Board Member Kalra took his seat at 6:35 p.m.

Public Comment

Eugene Bradley, Interested Citizen, requested information about the advisory committee recruitment campaign, and suggested staff to conduct outreach to arts and wine festivals throughout the county. Mr. Burns noted that a response will be provided in writing.

Michael Ludwig, Interested Citizen, offered information on the advantages of public transit.

24. REPORT FROM THE CHAIRPERSON

Chairperson Abe-Koga reported on the following highlights from the meeting she had with Advisory Committee Chair and Vice Chair: 1) implementation of Advisory Committee Enhancement (ACE) process recommendation to incorporate comments on the memos; 2) Committee for Transit Accessibility expressed interest to meet more frequently as a task force; 3) strong support to continue sub-committees for the Bicycle and Pedestrian Advisory Committee (BPAC) and Technical Advisory Committee (TAC); 4) monitor SB 375 (Steinberg); and 5) consider all modes of transportation in planning projects. She noted that she plans to meet quarterly with the Advisory Committees.

25. Citizens Advisory Committee (CAC) Chairperson’s Report

Charlotte Powers, CAC Chairperson, expressed appreciation to Chairperson Abe-Koga for meeting with the Advisory Committees, and for the planned Joint Workshop scheduled for May 2011 that will discuss the FY 12-13 budget.

Ms. Powers reported on the following: 1) CAC recommended Board approval of the Local Program Reserve – Gilroy High Speed Train Station Selection; 2) expressed appreciation for the General Manager’s report and Caltrain update; 3) CAC participating on the ridership survey; 4) CAC field trip to test the Clipper fare collection system.


Joe Pirzynski, PAC Chairperson, noted the success of the joint committee meeting with the Chairperson Abe-Koga. He reported on the February 10, 2011 PAC meeting including: 1) General Manager’s report; 2) Caltrain update; 3) marketing report; 4) SVRT project activities; 5) Valley Transportation Plan 2040; 6) 2011 Community Design and Transportation planning grants; and, 7) Local Program Reserve funds for the Gilroy High Speed Rail Train Station Comparative Visioning project.
REGULAR AGENDA

27. **BART Silicon Valley Program Update**

Carolyn Gonot, Chief SVRT Program Officer, reported that the Silicon Valley Berryessa Extension (SVBX) has been recommended for full funding grant agreement by the Federal Transit Administration (FTA). She provided updates on FTA New Starts activities, Real Estate activities, and Design-Build contract.

On order of Chairperson Abe-Koga and there being no objection, the Silicon Valley Rapid Transit (SVRT) Program Update was received.

28. **Options for Caltrain Funding**

Michael T. Burns, General Manager, reported on the progress made by the parties involved with Caltrain in discussing possible short-term funding solutions. He noted that Board Member Moylan attended the meeting and provided his recommendations.

Jim Lawson, provided a brief overview of Caltrain March 3, 2011 meeting: 1) public hearing on fare increase and service cuts to address the $30 million shortfall; 2) the meeting received 84 speaker cards; 3) there was strong support to keep service on the South County; 4) identify a dedicated funding source as a long-term solution to the fiscal problem; and, 5) Caltrain board declared fiscal emergency.

Mr. Lawson provided a PowerPoint presentation highlighting VTA’s staff recommendation for Caltrain funding including: 1) redirect Dumbarton rail funds; 2) Caltrain electrification; 3) right of way purchase; 4) sale of property; 5) regional discretionary funding; and, 6) recommendation.

Vice Chairperson Yeager inquired about the timeline in establishing a solution to the financial problem. He stressed the importance of informing the public about the proposals and to consider their input in making decisions.

Mr. Burns responded that the partner agencies will meet every week to come up with a short term solution in 30 days. He stated that VTA is in a position to match proposals from other partner agencies.

Board Member Kniss expressed support to the options for Caltrain funding. She noted staff to be cautious and protect VTA’s interests.

Board Member Kalra expressed concern that $7.2 million from VTA operating funds will be used to assist Caltrain. Mr. Burns responded that the offer to use VTA operating funds will be conditioned and monitored.

Board Member Liccardo inquired if it will be strategic to propose one option. He commented that funding decision should be established by partner agencies before the discussion on service cuts. Mr. Lawson responded that having more options provides
more leverage. He added that it is important to prepare for the worse, which includes discussion about cutting service.

Board Member Herrera asked which options will most likely be considered to assist Caltrain.

Mr. Lawson responded that the following options will probably be successful:
   1. Right of Way Payment, Resolution # 2011.03.06
   2. Defer Electrification, Resolution # 2011.03.05
   3. Use Regional Discretionary Funds, Resolution # 2011.03.08

Alternate Board Member Matthews stressed the importance of having a unified voice in solving Caltrain’s financial problem. He added that transit oriented developments in each city should be a major factor in analyzing Caltrain’s service.

**Public Comments**

Michael Ludwig, Interested Citizen, suggested having concessionaires at Caltrain stations.

Steve Sergeant, Interested Citizen, supports the idea of having concessionaires. He suggested raising fares and to diligently check riders’ ticket.

Eugene Bradley, Interested Citizen, suggested having corporate sponsors for train and bus stations to generate revenue.

Raphael Mahpour, Interested Citizen, expressed appreciation to staff for providing options for Caltrain funding.

Chris Lepe, representing Transform, expressed appreciation to the Board for working with Friends of Caltrain and the leadership group. He stressed the importance of identifying long term fiscal solutions for transit agencies

M/S/C (Kniss/Herrera) to approve the following resolutions describing strategies to address the funding shortfall projected for Caltrain’s FY2012 Operating Budget:

- Use of Dumbarton Rail Funds, **Resolution No. 2011.03.04**
- Defer Electrification, **Resolution No. 2011.03.05**
- Right of Way Payment, **Resolution No. 2011.03.06**
- Sale of Property, **Resolution No. 2011.03.07**
- Use Regional Discretionary Funds, **Resolution No. 2011.03.08**

Board Member Liccardo left the meeting at 7:38 p.m.
Vice Chairperson Yeager left the meeting at 7:39 p.m.

**Administration and Finance Committee - Liz Kniss**

*Item submitted for the Regular Agenda by the Administration and Finance Committee.*
29. Fiscal Year 2011 Quarterly Statement of Revenues and Expenses for the Period Ending December 31, 2010

M/S/C (Herrera/Page) to review and accept the Fiscal Year 2011 Quarterly Statement of Revenues and Expenses for the period ending December 31, 2010.

Congestion Management Program and Planning Committee - Chuck Page

The Congestion Management Program and Planning Committee did not meet in February 2011.

Transit Planning and Operations Committee - Rich Larsen

Item submitted for the Regular Agenda by the Transit Planning and Operations Committee.

30. Adoption of Express Bus Business Plan

Kevin Connolly, Transportation Planning Manager, provided a PowerPoint presentation highlighting the following: 1) study goals; 2) existing Express bus network; 3) Express bus ridership 2005-2010; 4) Service Design Guidelines 2010; 5) Express bus outreach efforts; 6) online survey companies and commute mode; 7) importance of schedule, passenger survey; 8) importance, perception of Express bus services; 9) VTA Express vs. employer operators; 10) private employer vehicles; 11) business plan recommendation; and, 12) ridership, fare revenue and operating costs.

Ex-Officio Board Member Cortese left the meeting at 7:51 p.m.

Board Member Moylan left the meeting at 7:53 p.m.

Board Member Herrera expressed appreciation for including the Evergreen area in the study. Mr. Connolly responded that through marketing analysis, the Evergreen area scored well in having both low and high income residents, and long commutes.

Public Comments

Eugene Bradley, Interested Citizen, provided historical information on VTA Express buses. He noted that picture of the VTA Express bus was not in the presentation and suggested Express bus midday service.

M/S/C (Kniss/Page) to adopt the Express Bus Business Plan as a basis for service changes in 2012, 2015 and 2018 repositioning VTA Express Service as a more attractive alternative in key commute markets to increase ridership and begin the process of gaining strategic input from VTA customers.

31. Silicon Valley Rapid Transit 2nd Supplemental EIR

Tom Fitzwater, Environmental Planning Manager, provided a PowerPoint presentation highlighting the following: 1) environmental milestones; 2) environmental process schedule; 3) project design changes; 4) 2007 approved project; 5) environmental
findings; 6) no new impacts; 7) mitigated long-term impacts; 8) significant unavoidable impacts; and 9) comments on draft 2nd SEIR.

Michael T. Burns, General Manager, noted the issues raised by the property owners do not affect the requirements for the California Environmental Quality Act (CEQA) document. The issues raised were property issues that will be discussed with the property owners as the project progresses.

Board Member Campos expressed concern about the impacts the SVRT project will bring to the Wrigley Creek Industrial Park and its tenants. The proposed project design will affect operations of the businesses in the area, including potential loss of jobs.

Alternate Board Member McHugh expressed concern about the impacts of the SVRT project to "The Crossing" apartments, storm water flow, and school in the area. He stressed the importance of resolving the issues and to negotiate with the property owners in good faith.

Members of the Board inquired about the possibility of making changes to the EIR once it is approved, and the impact to the project if the EIR is not approved.

Mr. Fitzwater responded that minor changes to the EIR can be done with an addendum. He noted that staff met with the owners of the Wrigley Creek Industrial Park, and the size of the impact to the property was reduced. A map describing the impact to the Wrigley Creek Industrial Park, slide entitled “Walton Property Site Plan,” was presented to the Board.

Carolyn Gonot, Chief SVRT Program Officer, stated that delaying the approval of the EIR will incur significant costs to the project and delay acquisition of properties.

Mr. Burns noted that delaying the approval of the EIR will not change the content of the report. He offered to provide a report to the Board on the status of the property negotiations at the June 2011 Board meeting.

The Board of Directors concurred with Mr. Burns recommendation to agendize the status report on property negotiations at the June 2011 Board of Directors meeting.

Public Comments

Fernando Villa, representing Walton CWCA, owner of the Wrigley Creek Industrial Park in the City of Milpitas, expressed concern about the EIR and the negative impacts it will bring to the property and its tenants.

Thomas Hwang, Senior Vice President for WCV Commercial Properties, expressed concern on the negative impacts the SVRT project will bring to the Wrigley Creek Industrial Park, and suggested relocating the high-voltage substation.

Stan Herzstein, Milpitas Working Group Member, expressed concern about the design of the SVRT project, and noted that it does not address proper land-use.
Norman Matteoni, representing “The Crossings” apartments, expressed concern on the negative impacts of the project to the apartments, drainage system, school, and its general area.

M/S/C (Herrera/Kniss) on a vote of 7 Ayes, to 1 No, to 0 Abstentions to approve design changes to the BART Silicon Valley Project, formerly called the Silicon Valley Rapid Transit Corridor Bay Area Rapid Transit (BART) Extension Project to Milpitas, San Jose and Santa Clara through the following actions:
1. Certify that the Supplemental Environmental Impact Report (SEIR-2):
   a. Meets the requirements of California Environmental Quality Act (CEQA);
   b. Represents the independent judgment of the Lead Agency; and
   c. Was presented to the VTA Board of Directors and that they reviewed and considered it.
2. Adopt:
   a. Findings;  
   b. Facts in Support of Findings; and
   c. Statement of Overriding Considerations.
3. Adopt a Mitigation Monitoring and Reporting Program.
4. Adopt the Recommended Project Description.
5. Agendize the following in the June 2011 Board of Directors Regular meeting: Status of negotiations with impacted property owners.
Alternate Board Member McHugh opposed.

Audit Committee - Rose Herrera  
There were no items submitted for the Regular Agenda by the Audit Committee.

OTHER ITEMS

32. ITEMS OF CONCERN AND REFERRAL TO ADMINISTRATION

There were no Items of Concern and Referral to Administration.

33. MONTHLY LEGISLATIVE HISTORY MATRIX

On order of Chairperson Abe-Koga and there being no objection, the Monthly Legislative History Matrix was accepted as contained in the Agenda Packet.

34. REPORTS (UNAPPROVED MINUTES) FROM STANDING COMMITTEES

A. Administration and Finance Committee

On order of Chairperson Abe-Koga and there being no objection, the February 17, 2011 Administration and Finance Committee Minutes were accepted as contained in the Agenda Packet.
B. **Congestion Management Program and Planning Committee**

There was no report from the Congestion Management Program and Planning Committee.

C. **Transit Planning and Operations Committee**

**On order of Chairperson Abe-Koga** and there being no objection, the February 17, 2011 Transit Planning and Operations Committee Minutes were accepted as contained in the Agenda Packet.

D. **Audit Committee**

**On order of Chairperson Abe-Koga** and there being no objection, the February 3, 2011 Audit Committee Minutes were accepted as contained in the Agenda Packet.

35. **REPORTS (UNAPPROVED MINUTES) FROM ADVISORY COMMITTEES**

A. **Committee for Transit Accessibility (CTA)**

There was no report from the Committee for Transit Accessibility.

B. **Citizens Advisory Committee (CAC) and 2000 Measure A Citizens Watchdog Committee (CWC)**

**On order of Chairperson Abe-Koga** and there being no objection, the February 9, 2011 Citizens Advisory Committee (CAC) and 2000 Measure A Citizens Watchdog Committee (CWC) Minutes were accepted as contained in the Agenda Packet.

C. **Bicycle & Pedestrian Advisory Committee (BPAC)**

**On order of Chairperson Abe-Koga** and there being no objection, the February 9, 2011 Bicycle & Pedestrian Advisory Committee (BPAC) Minutes were accepted as contained in the Agenda Packet.

D. **Technical Advisory Committee (TAC)**

**On order of Chairperson Abe-Koga** and there being no objection, the February 10, 2011 Technical Advisory Committee (TAC) Minutes were accepted as contained in the Agenda Packet.

E. **Policy Advisory Committee (PAC)**

**On order of Chairperson Abe-Koga** and there being no objection, the February 10, 2011 Policy Advisory Committee (PAC) Minutes were accepted as contained in the Agenda Packet.
36. REPORTS FROM JOINT POWERS BOARDS (JPBs) & REGIONAL COMMISSIONS

A. Peninsula Corridor JPB

On order of Chairperson Abe-Koga and there being no objection, the Summary Notes from the March 3, 2011 Peninsula Corridor Joint Powers Board were accepted as contained on the dais.

B. Capitol Corridor JPB

On order of Chairperson Abe-Koga and there being no objection, the Summary Notes from the February 16, 2011 Capitol Corridor Joint Powers Board were accepted as contained on the dais.

C. Dumbarton Rail Corridor Policy Committee

There was no report from the Dumbarton Rail Corridor Policy Committee.

D. Metropolitan Transportation Commission (MTC)

On order of Chairperson Abe-Koga and there being no objection, the Summary Notes from the February 23, 2011 Metropolitan Transportation Committee were accepted as contained on the dais.

E. Sunol Smart Carpool Lane Joint Powers Authority

On order of Chairperson Abe-Koga and there being no objection, the Summary Notes from the February 14, 2011 Sunol Smart Carpool Lane Joint Powers Authority Governing Board were accepted as contained on the dais.

F. SR 152 Mobility Partnership

There was no report from the SR 152 Mobility Partnership.

37. REPORTS FROM VTA POLICY ADVISORY BOARDS (PABs)

A. Diridon Station Joint Policy Advisory Board

On order of Chairperson Abe-Koga and there being no objection, the December 17, 2010 Diridon Station Joint Policy Advisory Board Minutes were accepted as contained in the Agenda Packet.

B. Downtown East Valley PAB

There was no report from the Downtown East Valley PAB.
C. El Camino Real Rapid Transit PAB

There was no report from the El Camino Real Rapid Transit PAB.

D. Silicon Valley Rapid Transit Corridor and BART Warm Springs Extension PAB

There was no report from the Silicon Valley Rapid Transit Corridor and BART Warm Springs Extension PAB.

38. ANNOUNCEMENTS

There were no Announcements.

39. ADJOURNMENT

On order of Chairperson Abe-Koga and there being no objection, the meeting was adjourned at 8:42 p.m.

Respectfully submitted,

Michael Dioresco, Board Assistant
VTA Office of the Board Secretary
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
    Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief Operating Officer, Donald A. Smith Jr.

SUBJECT: Release Historic Trolley 2001 to Trolley Corp.

Policy-Related Action: No
Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Authorize the General Manager to amend the historic trolley lease agreement with the California Trolley and Railroad Corporation (CTRC) to return trolleys #2001 and #124 to CTRC.

BACKGROUND:

In 1987, VTA entered into a 99-year agreement with the San Jose Trolley Corporation (now the California Trolley and Railroad Corporation) to lease six historic trolleys (#1, 73, 124, 129, 531, and 2001) for operation on VTA’s light rail system. The historic trolleys were fully restored by CTRC using funds from donations and corporate grants. The lease amount is a nominal $1 per year for all the vehicles. VTA is responsible for all operating, maintenance and insurance costs for the trolleys while they are in our possession.

These vehicles (with the exception of #2001) use trolley poles to connect to the overhead power lines, not pantographs like VTA’s light rail vehicles, so they can only operate in areas with the pole-compatible overhead power hardware that is installed between the Guadalupe Division on Younger Street and the Convention Center station. They can also loop the Downtown San Jose Transit Mall. In the late 1980s, the then Transit District Board of Supervisors approved $1.9 million to construct the historic trolley maintenance and storage facility at the Guadalupe Division and other improvements such as power switches and trolley pole provisions necessary to operate the service. The historic trolleys are only safety certified to operate in the downtown San Jose area, between Younger Avenue and Convention Center Station. Car 2001, which does have a pantograph, is also certified to operate north of Younger to Old Ironsides. Historic trolleys operate at about 15-20mph, with Car 2001 able to reach about 25mph.
During the first three years, starting in Fiscal Year 1989, daily service for the trolleys was operated as extra service on a route from Younger Street through the Transit Mall to the Convention Center Station. During that time, the City of San Jose provided 50% of operating expenses, $200,000 annually. Given financial constraints, the City of San Jose eliminated their funding participation and since then the amount of service has declined based on VTA’s own financial condition. Since then, various operational plans have been in place including all weekend only service and daily service from Memorial Day through Labor Day. In 2004 service operated Friday evenings and weekends/Holidays from 2:30pm to 10:00pm from Thanksgiving through New Years to coincide with the City of San Jose’s annual Christmas in the Park display. In 2005 through 2008, this same service was operated on Saturdays only. VTA has not operated the trolleys in service from 2009 to the present.

The original lease agreement was amended once in 1999 to return historic trolley #129 to the CTRC. CTRC then sold this car to the Sacramento Regional Transit District. This car was built for Sacramento Gas and Electric and operated there from 1913 to 1948.

Historic trolley #124 was also returned to CTRC in 1999. It now runs on the grounds of Kelley Park in San Jose.

**DISCUSSION:**

The California Trolley and Railroad Corporation has requested that VTA return historic trolley #2001 to them. Their plan is to lease the trolley so it can operate in Portland, Oregon. This would reduce VTA’s historic trolley fleet to three vehicles. The proposed action also memorializes the previous return of car #124 to CTRC.

**ALTERNATIVES:**

There are no practical alternatives.

**FISCAL IMPACT:**

The one dollar ($1.00) annual lease amount for the historic trolleys would not change. Insurance premiums and maintenance costs would be slightly lower as VTA would only need to insure and maintain three trolleys.

Prepared by: James Unites, Deputy Director, Service and Operations Planning

Memo No. 3051
AMENDMENT NO. 2
TO AGREEMENT BETWEEN
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AND
CALIFORNIA TROLLEY AND RAILROAD CORPORATION
FOR THE LEASE OF HISTORICAL TROLLEY CARS

This Amendment No. 2 to the Agreement between the Santa Clara Valley Transportation Authority (VTA), and the California Trolley and Railroad Corporation (TROLLEY CORPORATION), formerly known as the San Jose Trolley Corporation, is agreed to as follows:

The purpose of this Amendment is to revise the contact information, and to reduce the number of leased trolley cars from five to three, as the VTA Board of Directors has approved the return of Car #2001 and Car #124 to the TROLLEY CORPORATION. Accordingly, the subject Agreement is modified as follows:

1. Article I, Project Description, is hereby modified to read as follows: "This lease agreement will provide three historic trolley vehicles and associated parts and equipment, previously obtained and restored by the TROLLEY CORPORATION, to be run on the San Jose Transit Mall and such other sections of the Guadalupe Corridor light rail system as may be permitted by the VTA, with operations and maintenance provided and directed by the VTA.

The trolley vehicles currently leased to the VTA are Car #1, Car #73, and Car #531."

2. Article III, Compensation, is hereby modified to read as follows: "Compensation by the VTA to the TROLLEY CORPORATION as consideration for the lease of the three historic trolley vehicles shall be one dollar ($1.00) per year, due annually on the anniversary of the execution date of this Agreement."

3. Article IV, Responsibilities of District, paragraph 3, is hereby modified to read as follows: "The VTA shall fund the operation and maintenance of the three historic trolley vehicles hereunder."
4. Article V, Responsibilities of the Trolley Corporation, paragraph 5, is hereby modified to read as follows: "The TROLLEY CORPORATION shall be responsible for all debts incurred as a result of the restoration of the three historic trolley vehicles which are the subject of this Agreement."

5. Article X, Notices, is hereby modified to read as follows: "Any and all notices or other communications to either party by the other, shall be given in writing and delivered in person or by deposit in the United States mail, first class postage prepaid, and addressed as follows:

   VTA: Thomas Smith
       Purchasing and Materials Manager
       c/o VTA Contracts Office
       3331 North First Street, Building A
       San Jose, CA 95134-1906
       Phone: (408) 321-7190

   TROLLEY CORPORATION: Rod Diridon, Sr.
       President
       California Trolley and Railroad Corporation
       c/o Mineta Transportation Institute
       210 N. First Street, 4th Floor
       San Jose, CA 95112
       Phone: (408) 924-7560

6. As hereby amended, the terms and conditions of the Agreement and Amendment No. 1 thereto shall remain in full force and effect.

   Santa Clara Valley Transportation Authority
   California Trolley and Railroad Corporation

   By: ____________________________ Date: ____________ By: ____________________________ Date: ____________
   Michael T. Burns
   General Manager
   Rod Diridon, Sr.
   President

Page 2 of 2
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
    Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Board Secretary, Sandra Weymouth

SUBJECT: Committee for Transit Accessibility Appointments

Policy-Related Action: No
Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Approve the appointment of Jeffrey Jokinen (2011-2012) to the Committee for Transit Accessibility (CTA) for the specified two-year term, representing persons with disabilities.

BACKGROUND:

The Committee for Transit Accessibility (CTA) advises the Board of Directors on matters pertaining to paratransit services and accessibility in Santa Clara County. The committee has 21 voting members; 12 are individuals with disabilities, and nine represent agencies or businesses that serve older adults or persons with disabilities. Two ex-officio members also serve on the committee. The CTA bylaws require each Board Member to nominate individual committee members and the Board Chairperson to nominate agency or business members. Members serve two-year terms and must reside within the County.

DISCUSSION:

Jeffery A. Jokinen has been nominated by Alternate Board Member Matthews, and satisfies the membership criteria specified in the CTA Bylaws. Mr. Jokinen uses VTA's bus and light rail service as well as Outreach Paratransit Service. He also facilitates a peer counseling group at the Silicon Valley Independent Living Center. Staff is recommending approval of Mr. Jokinen’s appointment to complete the term commencing January 1, 2011 - December 31, 2012.
**ALTERNATIVES:**

The Board could choose to not ratify this appointment.

**FISCAL IMPACT:**

There is no fiscal Impact as a result of this action.

**STANDING COMMITTEE DISCUSSION/RECOMMENDATION:**

The Administration & Finance Committee’s March 2011 meeting was cancelled and therefore this item was forwarded for Board of Directors consideration without a recommendation from that committee.

Prepared by: Menominee McCarter
Memo No. 3033
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief Administrative Officer, Bill Lopez

SUBJECT: Public Liability/Property Damage Third Party Administration Services Contract Award

Policy-Related Action: No  Government Code Section 84308 Applies: Yes

ACTION ITEM

RECOMMENDATION:

Authorize the General Manager to execute a contract with Carl Warren & Company for Public Liability/Property Damage (PL/PD) Third Party Administrator (TPA) claims services for a three-year term from July 1, 2011 through June 30, 2014, with options for two one year extensions, for a total amount not to exceed $2,779,030.

BACKGROUND:

VTA’s PL/PD Program is self-insured and utilizes the services of a TPA for liability claims adjusting services. The TPA is responsible for the administration, investigation, adjustment, and resolution of litigated and non-litigated PL/PD claims arising primarily out of VTA's bus and rail operations. The TPA is responsible for handling approximately 760 new claims per year and assuming responsibility for 445 pending PL/PD claim files. For fiscal years 2009 and 2010, liability claim payments and claims related expenses averaged $2,558,360 annually.

The incumbent TPA is John Glenn Adjusters & Administrators. The fixed fee for their expiring five-year contract was $2,663,322.00.

DISCUSSION:

A Request for Proposals (RFP) was issued on December 7, 2010. The RFP was advertised in Business Insurance Magazine and posted on the VTA website. In addition, notices were sent to twelve prospective proposers.
A Pre-proposal Conference was held on December 17, 2010 at VTA’s River Oaks offices. Representatives from six prospective proposers attended the conference. On January 10, 2011 VTA received three proposals that were reviewed and rated by the selection panel composed of VTA’s Risk Manager, Claims Supervisor, Claims Analyst, Contracts Administrator and an Operations Division Superintendent.

The selection criteria included qualifications of the firm, qualifications of key project staff, demonstrated understanding of the project as evidenced in the proposer’s work plans, proposed cost and local business preference. Proposals were received from the following firms:

<table>
<thead>
<tr>
<th>PROPOSER</th>
<th>THREE YEAR FIXED FEE</th>
<th>FIXED FEE FOR TWO, ONE YEAR OPTIONS</th>
<th>TOTAL FIVE YEAR FIXED FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl Warren &amp; Company *</td>
<td>$1,660,930</td>
<td>$1,118,100</td>
<td>$2,779,030</td>
</tr>
<tr>
<td>John Glenn Adjusters &amp; Administrators *</td>
<td>$1,917,651</td>
<td>$1,342,549</td>
<td>$3,260,200</td>
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<tr>
<td>Crawford &amp; Company</td>
<td>$2,498,738</td>
<td>$1,770,525</td>
<td>$4,269,263</td>
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</table>

*Finalists

After the selection panel’s evaluation of the proposals, two contractors qualified for final interviews, John Glenn Adjusters & Administrators (the incumbent) and Carl Warren & Company. The third competitor, Crawford and Company, priced their services at more than $1 million higher than the fees submitted by the top 2 proposers and was not interviewed.

On January 31, 2011 and February 1, 2011 the panel members conducted on site interviews and tours of the finalists’ local offices. Based on their performance in both the interview and proposal process as measured against the selection criteria, Carl Warren & Company was selected as the recommended firm for the contract award.

Carl Warren & Company has been in business since 1944 as a multi-line TPA firm and is in sound financial condition. They are licensed and bonded as independent adjusters and appraisers, with eight offices in California. Carl Warren & Company is the contracted claims administrator for numerous self insured public entities, including public transportation agencies such as Long Beach Transit Authority and the California Joint Powers Insurance Authority and their 125 public Transit Authority members. Reference checks were performed with a transit property and another public agency; both indicated that they receive quality professional and responsive service from Carl Warren and Company.

The incumbent, John Glenn Adjusters and Administrators, has comparable qualifications and experience, including a good service performance record with VTA. However, they proposed a fixed fee that is over $480,500 more than the fee proposed by Carl Warren for the same services.
The contract with Carl Warren & Company will be a three-year fixed fee contract with two one-year options. The proposed price for the three-year contract term is not to exceed $1,660,930. Pricing for the two options years will be $1,118,100. The five year contract term is not to exceed $2,779,030.

**ALTERNATIVES:**

The Board could direct staff to select the incumbent, John Glenn Adjusters, based on their performance record.

**SMALL BUSINESS ENTERPRISE (SBE) PARTICIPATION:**

No specific goal has been established for this contract. The contractor has agreed to make every reasonable effort to utilize SBEs in its procurement of ancillary services and products associated with the performance of this contract.

**FISCAL IMPACT:**

This action will authorize up to $2,779,030 for third party administrator claims services over a five year period. Appropriation for the first two years of the contract will be included in the Recommended FY12 & FY13 VTA Transit Enterprise Fund Operating Budget. Appropriation for the remaining contract years will be included in subsequent Biennial Operating Budgets.

**STANDING COMMITTEE DISCUSSION/RECOMMENDATION:**

The Administration & Finance Committee’s March 2011 meeting was cancelled and therefore this item was forwarded for Board of Directors consideration without a recommendation from that committee.

Prepared by: Nanci Eksterowicz
Memo No. 2856
Attachment A
Contract award for Public Liability/Property Damage Third Party Administrator Services
List of Contractor

<table>
<thead>
<tr>
<th>Firm Name</th>
<th>Name</th>
<th>Role</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl Warren and Company</td>
<td>Caryn Siebert</td>
<td>President and CEO</td>
<td>Home Office: 770 Placentia Avenue Placentia, CA. 92870-6832</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>800.572.6900</td>
</tr>
</tbody>
</table>
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief External Affairs Officer, Greta Helm

SUBJECT: Bill Position: AB 650 (Blumenfield)

Policy-Related Action: Yes
Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Adopt a support position for AB 650 (Blumenfield), which calls for creating the Blue Ribbon Task Force on Public Transportation for the 21st Century to make recommendations to the Governor and Legislature on how to develop, implement and fund a comprehensive, well-coordinated and fully functioning public transit system in California.

BACKGROUND:

Sponsored by a coalition of five environmental groups led by the Environmental Defense Fund and TransForm, AB 650 establishes the Blue Ribbon Task Force on Public Transportation for the 21st Century to be comprised of 12 members appointed jointly by the Senate Rules Committee and the speaker of the Assembly. The bill requires that the following stakeholders be represented on the task force:

- Business community.
- Public transit agencies.
- Environmental groups.
- Organized labor.
- Public health community.
- Private transit providers.
- Regional transportation planning agencies.
- Transit advocacy groups.

AB 650 requires the task force, after holding at least nine public listening sessions around the
state to gather information on public transit issues and needs, to prepare a written report to be submitted to the Governor and the Legislature by March 31, 2013. Under the provisions of the legislation, the report must contain findings and recommendations related to the following:

1. The current state of California’s public transit system.
2. Best practices based on a review of public transit systems worldwide.
3. The level and types of public transit needed to meet the goals of: (a) equity of accessibility and ease of use; (b) strong and sustainable local and statewide economies; and (c) environmental and public health, including reduced greenhouse gas and pollutant emissions.
4. The estimated costs of creating the needed public transit system in the near, mid and long terms.
5. Potential sources of funding to sustain the system’s needs, as well as requirements and methods for attaining that funding.

Finally, AB 650 requires the Institute of Transportation Studies of the University of California to provide staffing to the task force, and appropriates $750,000 from the Public Transportation Account to support the task force’s activities.

DISCUSSION:

Public transit is a means to achieving a wide variety of important public policy goals. It provides mobility options for all Californians, is a vital component in building a strong economy for Silicon Valley and the state as a whole, and allows us to become more energy independent and less reliant on foreign oil. Furthermore, an effective public transit system is necessary for California to be able to achieve the greenhouse gas emissions reduction goals and strategies embraced in AB 32 and SB 375. However, over the past decade, state revenues dedicated to public transit have dwindled as lawmakers in Sacramento have struggled to address persistent General Fund deficits. At the same time, public transit agencies throughout California have experienced an erosion of their own local revenue sources because of downturns in the economy. As a result, service reductions, fare increases and employee layoffs, all of which negatively impact our communities, were unavoidable.

It could be argued that in many respects, public transit in California stands at a crossroads. All indicators suggest that demand for public transit will grow in the future as fuel prices rise, as Californians are pressed for ways to cut their travel costs, and as the state strives to reduce the environmental impacts of transportation. However, the sponsors of AB 650 contend that California lacks the strategic vision and corresponding funding plan that are needed to build, maintain and operate a comprehensive, well-coordinated, fully functioning public transit system to meet the anticipated demand.

AB 650 intends for the task force to draw upon existing data and plans, academic research and other reports, and expert testimony and public input in order to: (a) articulate the current state of public transit in California; (b) define the public transit system that the state and our communities need in the future; (c) lay out the costs associated with building, maintaining and
operating that system; and (d) recommend a way to pay for it. It is hoped that the task force’s report will give state and local policymakers a roadmap for how to ensure that sufficient financial resources are provided on an ongoing basis to allow public transit agencies to effectively serve their communities and the state to achieve its important policy goals. We recommend that the Board of Directors support AB 650.

**ALTERNATIVES:**

The Board of Directors could decide to adopt a position for AB 650 that is different from the one being recommended, or could opt to take no position on this bill at this time.

**FISCAL IMPACT:**

There is no fiscal impact associated with this recommendation.

**STANDING COMMITTEE DISCUSSION/RECOMMENDATION:**

The Administration & Finance Committee’s March 2011 meeting was cancelled and therefore this item was forwarded for Board of Directors consideration without a recommendation from that committee.

Prepared by: Kurt Evans, Government Affairs Manager
Memo No. 2789
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief Financial Officer, Joseph T. Smith

SUBJECT: Investment Consultant Services Contract

Policy-Related Action: No  Government Code Section 84308 Applies: Yes

ACTION ITEM

RECOMMENDATION:

Authorize the General Manager to execute a contract with Callan Associates, Inc. (Callan) to provide investment consulting services, for a period of three years in an amount not to exceed $460,336, with two one-year options to extend for a total contract value not to exceed $770,389.

BACKGROUND:

Mercer Investment Consulting (Mercer) has been providing investment consulting services to VTA and the VTA/ATU Pension Board for over 10 years. The type of services provided include quarterly performance monitoring of investment fund managers, asset allocation studies, portfolio structuring and money manager searches in support of VTA/ATU pension funds and VTA operating funds. In October 2010, Mercer notified staff that the firm would no longer support investment consulting services, effective March 31, 2011.
DISCUSSION:

VTA issued a request for proposal (RFP 10-23) for investment consultant services in December 2010. Twelve responses for the RFP were received January 6, 2011 from:

- Alan Biller Meketa Investment Group
- Callan Associates Milliman
- Ennis Knupp IPS
- Graystone Consulting Segal Advisors
- PFM Asset Management LLC Wurts Associates
- Marquette Associates Yanni Partners

All proposals received were considered and reviewed by a panel consisting of a Contract Administrator, the Chief Financial Officer, Deputy Director of Accounting, Employee Services Manager, Finance Manager, and Investment Program Manager. Each proposal was evaluated based on the following criteria:

- Basic cost for evaluating, monitoring, and presenting money managers’ investment performance;
- Qualifications/Experience of the firm and proposed staff in providing required services;
- Demonstrated understanding of VTA and Pension fund needs/requirements;
- Local firm preference.

Each firm was ranked by panel members based on the above qualifications. Based on the evaluations Callan Associates and Segal Advisors ranked first and second, respectively. These firms were interviewed by the VTA/ATU Pension Investment Committee and three additional VTA staff (including the Contract Administrator, Chief Financial Officer, and Finance Manager). The interviews were held on February 3, 2011. As part of the interview process, representatives of Callan Associates and Segal Advisors were evaluated based on the following criteria:

- Impression of Principal Consultant
- Quality of presentation
- Content of presentation
- Answers to questions
- Overall impression of the team
- Combined impression of both written proposal and oral interview

Callan Associates ranked first, followed by Segal; therefore, Staff is recommending Callan Associates be selected to provide investment consulting services.

The contract value includes fees for quarterly performance monitoring ($265,336) and other additional services ($195,000) which could include asset allocation studies, portfolio structuring analysis and money manager searches during the first three years of the contract. Fees for quarterly performance reporting ($195,053) and other additional services ($115,000) are assumed for the remaining two years of the contract, if the General Manager exercises renewal
To the extent that additional services are not needed, funds will not be spent. Exercise of the renewal options would be accomplished based on continued satisfactory performance of the investment consultant. Approximately 67% of the total contract will be funded from ATU Pension Funds; however, this could change depending on the type and quantity of additional services provided and whether they are provided in support of VTA operations or the VTA/ATU Pension Fund.

**ALTERNATIVES:**

The Board could choose not to enter into a contract for investment consulting services; however, the performance monitoring and money manger searches (if required) are highly specialized areas and provide a valuable tool to meet fiduciary responsibilities for VTA’s and the VTA/ATU Pension Investment portfolios.

**FISCAL IMPACT:**

This action will authorize up to $770,389 for Investment Consulting Services over the next five years. Total aggregate costs for the first three years of the contract are estimated at $460,336, of which approximately 67% will be funded from ATU Pension funds, which could change based on actual utilization of additional services. Expenditures for investment manager performance reporting for the current fiscal year are included in the adopted FY 2011 VTA Transit Enterprise Fund Operating Budget. Appropriation for the remaining years of the contract will be included in subsequent budgets.

**STANDING COMMITTEE DISCUSSION/RECOMMENDATION:**

The Administration & Finance Committee’s March 2011 meeting was cancelled and therefore this item was forwarded for Board of Directors consideration without a recommendation from that committee.

Prepared by: Kimberly Koenig, Fiscal Resources Manager
Memo No. 2964
Attachment A

Listing of Investment Consultants

<table>
<thead>
<tr>
<th>FIRM</th>
<th>ADDRESS</th>
<th>CONTACT</th>
<th>TITLE</th>
</tr>
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<tr>
<td>Callan Associates</td>
<td>101 California Street, Suite 3500</td>
<td>Kevin Dunne</td>
<td>Vice President</td>
</tr>
<tr>
<td></td>
<td>San Francisco, CA, 94111</td>
<td>(415)291-4120</td>
<td></td>
</tr>
<tr>
<td>Callan Associates</td>
<td>101 California Street, Suite 3500</td>
<td>Michael Andeberhan</td>
<td>Consultant</td>
</tr>
<tr>
<td></td>
<td>San Francisco, CA, 94111</td>
<td>(415)291-4126</td>
<td></td>
</tr>
</tbody>
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BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief CMA Officer, John Ristow

SUBJECT: 2011 TFCA Program Manager Fund

Policy-Related Action: No  Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Approve the programming of FY 2011/12 Transportation Fund for Clean Air Program Manager (TFCA 40%) funds to projects.

BACKGROUND:

The Transportation Fund for Clean Air (TFCA) is generated by a $4.00 surcharge on vehicle registrations. The Bay Area Air Quality Management District (BAAQMD) administers these funds in the nine-county Bay Area. Funds are available for allocation to alternative fuels, arterial management, bicycle, and trip-reduction projects that reduce vehicle emissions.

BAAQMD returns 40% of these funds to the county in which they are collected for allocation by a “program manager.” This fund is called the TFCA Program Manager Fund (TFCA 40%). VTA is the program manager for Santa Clara County and project sponsors apply directly to VTA for funding. The VTA Board of Directors allocates these funds to projects in Santa Clara County, subject to approval by BAAQMD.

At its December 9, 2004 meeting, the VTA Board of Directors set aside up to 25% of the annual TFCA 40% allocation to bicycle projects in the Countywide Bicycle Expenditure Plan (BEP) for FY2010/11-FY2029/30.

DISCUSSION:

There is a total of $2,195,176 available for TFCA 40% projects this year. VTA received 10
applications from project sponsors requesting a total of $2,423,226. Of these applications, 3 were for BEP projects and 7 were for competitive projects. Attachment A presents staff’s entire recommended FY 2011/12 TFCA 40% program. Attachment B provides a brief description of each project. The recommended project list is based on BAAQMD’s TFCA County Program Manager Fund Expenditure Program Guidance and the VTA Board of Directors’ TFCA 40% Policies and Criteria as revised on December 9, 2010.

BEP Projects:

This year, project sponsors submitted 3 BEP projects. The total grant request of these projects is $214,450. Staff recommends funding the 3 BEP projects as requested.

Competitive Program:

The total grant request for the 7 competitive project applications was $2,208,776, in excess of the $1,980,726 remaining available funds. On February 15, 2011, a scoring subcommittee of the Technical Advisory Committee's Capital Improvement Program Working Group met to evaluate the competitive applications. The committee evaluated the 7 projects, which are ranked below in Attachment A. The two lowest ranked projects are not being recommended for funding this year because the total grant request exceeded the available funds remaining after funding the BEP “set aside” projects. Staff encourages project sponsors to re-apply for funding in the future.

ALTERNATIVES:

The VTA Board may request other programming alternatives. All projects submitted for consideration in the TFCA program must adhere to BAAQMD policies, including cost-effectiveness requirements.

FISCAL IMPACT:

As the program manager for Santa Clara County, VTA distributes the TFCA 40% grant funds directly to the project sponsors, retaining 5% to cover administrative expenses, which staff expects to be approximately $107,000 in FY12. The projected 5% administrative expense and related revenue reimbursement will be included in the Recommended FY12 Congestion Management Program Operating Budget. The grant revenue for the Light Rail Shuttles project, for which VTA is the project sponsor, will be reflected in the Recommended FY12 VTA Transit Enterprise Fund Operating Budget.

ADVISORY COMMITTEE DISCUSSION/RECOMMENDATIONS:

The Technical Advisory Committee (TAC), and the Policy Advisory Committee (PAC) reviewed and discussed the recommendation at their respective March 10, 2011 meetings, unanimously recommending the proposed programming to the VTA Board of Directors for approval.

The Bicycle and Pedestrian Advisory Committee received this memorandum as an information item at its March 9, 2011 meeting. Unfortunately, due to a technical error, Attachment B was missing from the BPAC package. Committee members were also unhappy that BPAC was receiving the item as information, when it included recommendations for Bicycle Expenditure
Program (BEP) funding. BPAC requested that the item be returned to BPAC for consideration and action at the next BPAC meeting. Consequently, a special BPAC meeting is scheduled for March 30, 2011.

**STANDING COMMITTEE DISCUSSION/RECOMMENDATIONS:**

The Congestion Management Program & Planning Committee reviewed and discussed this item at its March 18, 2011 meeting and unanimously recommended the proposed programming to the VTA Board of Directors for approval.

Prepared by: Bill Hough
Memo No. 2957
## Attachment A
Santa Clara County FY 2011/12 TFCA 40% Program

<table>
<thead>
<tr>
<th>Rank</th>
<th>Project Sponsor</th>
<th>Project Name</th>
<th>Total Cost</th>
<th>Grant Request</th>
<th>Match %</th>
<th>TFCA Cost/Ton</th>
<th>Grant Recommended*</th>
<th>Total Score</th>
</tr>
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<tr>
<td>1</td>
<td>Santa Clara</td>
<td>Traffic Signal Timing Project</td>
<td>$1,636,000</td>
<td>$1,168,128</td>
<td>29%</td>
<td>$65,430</td>
<td>$1,168,128</td>
<td>80</td>
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<td>2</td>
<td>S.C. County</td>
<td>Almaden/Capitol Weekend Traffic Responsive Signal Timing</td>
<td>$120,000</td>
<td>$96,000</td>
<td>20%</td>
<td>$22,648</td>
<td>$96,000</td>
<td>77</td>
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<td>3</td>
<td>VTA</td>
<td>Light Rail Shuttes</td>
<td>$1,381,184</td>
<td>$557,000</td>
<td>40%</td>
<td>$89,963</td>
<td>$557,000</td>
<td>76</td>
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<tr>
<td>4</td>
<td>Santa Clara</td>
<td>Stevens Creek Colorized Bike Lanes</td>
<td>$85,000</td>
<td>$59,200</td>
<td>30%</td>
<td>$43,966</td>
<td>$59,200</td>
<td>66</td>
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<td>5</td>
<td>Mountain View</td>
<td>Permanente Creek Trail</td>
<td>$330,000</td>
<td>$100,000</td>
<td>70%</td>
<td>$63,126</td>
<td>$100,000</td>
<td>63</td>
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**Unfunded Competitive Projects**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Project Sponsor</th>
<th>Project Name</th>
<th>Total Cost</th>
<th>Grant Request</th>
<th>Match %</th>
<th>TFCA Cost/Ton</th>
<th>Grant Recommended*</th>
<th>Total Score</th>
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</thead>
<tbody>
<tr>
<td>6</td>
<td>Santa Clara</td>
<td>Scott Boulevard Bike Lanes</td>
<td>$196,000</td>
<td>$102,650</td>
<td>48%</td>
<td>$89,999</td>
<td>$0</td>
<td>62</td>
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<tr>
<td>7</td>
<td>Morgan Hill</td>
<td>Butterfield South Extension</td>
<td>$10,456,900</td>
<td>$125,400</td>
<td>99%</td>
<td>$89,955</td>
<td>$0</td>
<td>48</td>
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**Subtotal Competitive:**

|                          | $14,205,084 | $2,208,378 | $11,996,706 | $1,980,328 |

**BEP projects**

<table>
<thead>
<tr>
<th>Project</th>
<th>Match %</th>
<th>TFCA Cost/Ton</th>
<th>Grant Recommended*</th>
<th>Total Score</th>
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<tr>
<td>San Jose Park/San Fernando/San Antonio</td>
<td>30%</td>
<td>$38,605</td>
<td>$43,000</td>
<td>N.A.</td>
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<td>San Jose Hedding Street Bike Lanes</td>
<td>30%</td>
<td>$31,980</td>
<td>$86,450</td>
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<td>Sunnyvale Pastoria Avenue Bike Lanes</td>
<td>20%</td>
<td>$89,429</td>
<td>$85,000</td>
<td>N.A.</td>
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</table>

**Subtotal BEP:**

|                          | $291,250 | $214,450 | $76,800 | $214,450 |

**Total**

|                          | $14,496,334 | $2,422,828 | $12,073,506 | $2,194,778 |

*NOTE: “Grant Recommended” amounts are subject to revision due to verification of adequate TFCA interest and BAAQMD cost-effectiveness requirements.*
Recommended:

Santa Clara  Traffic Signal Timing Project
City will install communications infrastructure for traffic signals on El Camino Real, Scott Boulevard and De La Cruz Boulevards to improve signal timing to reduce vehicle stop/start times and delays. Project scored well in reducing congestion, countywide significance and number of people served. It is also located in a community of concern.

S.C. County  Almaden/Capitol Weekend Traffic Responsive Signal Timing
County will develop and implement weekend traffic responsive signal timing system on Almaden and Capitol Expressways. Project scored well in reducing congestion, countywide significance and number of people served. It is also located in a community of concern.

VTA  Light Rail Shuttles
VTA will use TFCA funds to help support operations of Downtown Area Shuttle (DASH) and the IBM/Hitachi shuttles. Project scored well in reducing congestion, countywide significance and mode shift. The DASH shuttle is also located in a community of concern.

Santa Clara  Stevens Creek Colorized Bike Lanes
City will add bicycle lanes to Stevens Creek Boulevard between Calvert Drive and the south on-ramp to Lawrence Expressway. This project scored well on mode shift; making a dangerous part of Stevens Creek Boulevard safer for bicyclists. It was also more cost effective than the Scott Boulevard project.

Mountain View  Permanente Creek Trail
City will extend Permanente Creek Trail from Old Middlefield Way to Rock Street and Crittenden Middle School, making it much safer for bicyclists. This project’s cost effectiveness score was less than Stevens Creek but higher than Scott Boulevard and Butterfield South.

San Jose  Park/San Fernando/San Antonio Bikeway (BEP Project)
City will construct bikeway improvements on Park Avenue from Newhall to Montgomery and San Antonio Street from 17th to Jackson. This BEP project will improve safety for bicyclists.

San Jose  Hedding Street Bike Lanes (BEP Project)
City will construct class 2 bicycle lanes with pavement markings on Hedding Street between Park Avenue and 17th Street. This BEP project will improve safety for bicyclists.

Sunnyvale  Pastoria Avenue Bike Lanes (BEP Project)
City will construct class 2 bicycle lanes on Pastoria Avenue between El Camino Real and Evelyn Avenue. This BEP project will improve safety for bicyclists.

Not Recommended:

Santa Clara  Scott Boulevard Bike Lanes
City proposes to construct bicycle lanes along Scott Boulevard between Centeral Expressway and Monroe Street. This project would improve safety for bicyclists but scored lower on cost effectiveness.

Morgan Hill  Butterfield South Extension
City proposes to construct bicycle lanes as part of the extension of Butterfield Boulevard from Tennant Avenue to Watsonville Road. This project did not score well in community benefits because it was a smaller component of a road extension project and also scored low in cost effectiveness.
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
    Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief CMA Officer, John Ristow

SUBJECT: Sale of N. First St. and St. James St. Property

Policy-Related Action: Yes  Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Approve the sale of a 10,616 square feet surface parking lot located at the southwest corner of North First Street and St. James Street in San Jose to the State Administrative Office of the Courts (AOC) at a purchase price of $1,800,000; and authorize the General Manager to execute a Purchase and Sale Agreement (PSA) and other documents necessary to consummate the transaction.

BACKGROUND:

VTA owns an approximately 10,616 square surface parking lot at the southwest corner of North First Street and St. James Street located in San Jose (Lot). A site plan of the Lot is shown on the attached Exhibit A. The Lot is not necessary for VTA’s current or anticipated future transit needs, and the VTA Board of Directors declared the property "excess" at its March 2010 public meeting.

The Santa Clara County Superior Court (Superior Court), the oversight of which has been assumed by the State Administrative Office of the Courts (AOC), acquired an adjacent 1.7-acre lot from Santa Clara County for a future court expansion. The Superior Court has interest in acquiring the VTA Lot as a part of this expansion plan and discussions related to such a transaction have ensued for several years between VTA, the Superior Court, and Santa Clara County. The VTA Board approved transaction terms for the sale of the Lot to Santa Clara County almost a year ago.

Santa Clara County subsequently decided not to pursue the acquisition of the property, and the
AOC agreed to pursue this property on behalf of the Superior Court. VTA and AOC staff have reached tentative sale terms, presented in detail below. VTA staff requests that the VTA Board approve the sale of the Lot to AOC on these terms and authorize the General Manager to execute a Purchase and Sale Agreement (PSA) and other documents necessary to consummate this transaction.

**DISCUSSION:**

**Proposed Terms**

The terms of the proposed transaction are outlined below:

**Purchase Price:** $1,800,000 (approximately $170/SF)

**Payment:** All cash at close of escrow

**Closing Date:** On or before June 30, 2011

**Closing Costs/Taxes:** Customary prorations

**Other Terms:** VTA to remove existing underground storage tanks and associated monitoring wells and terminate existing lease with Victory Parking prior to Closing Date

**VTA Approvals:** VTA Board approval of price and terms (scheduled for April 7, 2011)

**State Approvals:** Public Works Board site selection approval (occurred on January 14, 2011); Department of General Services Appraisal Review of appraisal (occurred in January 2011); Public Works Board approval of Purchase Acquisition Agreement (scheduled for May 13, 2011)

**Valuation**

Staff believes that VTA benefits by consummating the transaction now at the negotiated purchase price rather than holding the Lot for a future sale or development project. The purchase price is based on an appraisal performed by an independent appraiser engaged by AOCS who determined the value of the Lot as of January 29, 2010 to be $1,800,000 (approximately $170/SF). While this appraisal is more than a year old, market conditions in this area have not improved in the last year.

From a residual land value calculation (what a developer would use to value a property by calculating the development costs against the future development revenue), the Lot would likely generate the same amount of revenue to VTA as the proposed transaction in more favorable market conditions. The current General Plan designation for the Lot is General Commercial with an overlay of the St James Square City Landmark and National Register Historic District. Due to the historic overlay, the height and density of any potential development on the Lot will be limited. Given these land use constraints, a 4-story condominium project with 2 levels of underground parking is likely the maximum development that can occur on the Lot. If VTA were to retain the Lot and develop this prototype in an improved market, the residual land value is projected to be $1,850,000. However, this income would only be possible if the downtown...
The current annual income generated from the Lot does not justify a long term hold strategy either. VTA currently generates approximately $30,000 annually from the Lot through a lease with a private parking management company. While VTA would lose this ongoing income, this revenue stream, even if sustainable on a permanent basis, would take over 60 years to equal the current proposed purchase price.

Costs

The primary cost that VTA will incur immediately is the removal of underground storage tanks (USTs) on the Lot and associated monitoring wells. AOC retained Bureau Veritas in 2009 to perform a Phase II Environmental Analysis on the Lot and found that a gasoline station was previously located on the property. As a result, there are existing monitoring wells and underground fuel storage tanks that must be removed for any development to occur on the site. The total cost of this work is expected to be approximately $122,000. This is a reasonable transaction cost for VTA to bear, as any prospective buyer of the Lot would very likely expect VTA to either remove the USTs prior to title transfer or deduct the cost of such work from the purchase price.

Next Steps

If approved by the VTA Board, VTA staff will complete the UST removal from the Lot and finalize a Purchase Acquisition Agreement reflecting the terms and work with AOC staff. Concurrently, the AOC staff will proceed with the State acquisition process, which includes presenting a Purchase Acquisition Agreement reflecting the terms and conditions to the California State Public Works Board for final approval on May 13, 2011. Close of escrow is anticipated to happen shortly thereafter, but no later than the end of this fiscal year on June 30, 2011.

ALTERNATIVES:

The Board can deny the sale of the Lot at this time or approve the sale with modified terms. If denied, the Lot will remain in the Real Estate Inventory and continue to generate a small amount of revenue from its existing parking lease. If approved with modified terms, the negotiation process with the State will considerably lengthen and depending on the modified terms may cause the State to lose interest in the Lot. Also, VTA will have incurred current costs to remediate the property, which costs will be difficult to capture again until favorable market conditions return.

FISCAL IMPACT:

Execution of the proposed PSA would result in additional revenue to VTA. Current Board policy established with the adoption of the Joint Development Policy states that revenue received from property sales and long term property leases is to be placed in a special account in order to provide funds to continue development of VTA property for the long term fiscal benefit to VTA operating budgets.
STANDING COMMITTEE DISCUSSION/RECOMMENDATIONS

The Congestion Management Program and Planning Committee heard this item at their March 18, 2011 meeting. The committee voted unanimously to approve the item and move to the full Board of Directors for consideration.

Prepared by: Jennifer Rocci
Memo No. 2991
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief Engineering & Construction Officer, Robinson, Chief CMA Officer, Ristow

SUBJECT: SR-237/I-880 Express Connectors Design Contract Amendment

Policy-Related Action: No  Government Code Section 84308 Applies: Yes

ACTION ITEM

RECOMMENDATION:

Authorize the General Manager to execute a contract amendment with Parsons Brinkerhoff, Consulting Engineers, Inc. in the amount of $300,000 to perform additional design services on the SR-237/I-880 Express Connectors Project for a new total contract value not to exceed $2,537,258.

BACKGROUND:

At its December 11, 2008 meeting, the VTA Board of Directors approved the Silicon Valley Express Lanes Program (Program) which included State Route 237, State Route 85 and US Route 101 Corridors.

The SR 237/I-880 Express Connectors Project is VTA's initial effort to implement a congestion pricing system to allow use of unused, available capacity on the carpool direct connectors at the SR 237/I-880 interchange to provide congestion relief. The congestion pricing system will allow solo commuters to use the available capacity on the carpool connector ramps for a fee. The fee would change dynamically in response to the existing congestion levels and the available capacity on the carpool connector ramps. The SR 237/I-880 Express Connector Project is scheduled to open in late 2011 for an estimated total cost of $11.3 million.

An initial contract was executed with Parsons Brinkerhoff in January of 2009 for $284,685 to start the project. At the May 7, 2009 Board meeting, the Board authorized an amendment to the contract with Parsons Brinkerhoff for services associated with final civil design work and
implementation of the SR 237/I-880 Express Connectors for a revised contract value of $2,000,000. To control project costs, this revised contract value reflected a detailed design scope anticipating two submittals of documents to Caltrans and certain specific assumptions for the design of the facility.

Since that time, additional work from the Parsons Brinkerhoff team (PB team) was required beyond the originally scoped effort. Caltrans required Traffic forecasts and additional analysis exceeding the two submittals assumed in the base contract. The development of the Systems Engineering documents and the Request for Proposals for the System Integration contract required more customization than originally anticipated. These work items were accomplished using the General Manager's authorized contingency limit of 15% above the Board authorized amount. The current contract value reflecting the previous amendment is $2,237,258.

As work on the project progressed further, the need for additional increased effort from the PB team was identified by VTA staff. The key factors driving this increase above that originally planned and amended are: 1.) Increasing the western limit of the SR 237 Express Lane facility from Zanker Road to North First Street based on the traffic operations report. This requires additional design effort and 2.) To maintain the planned opening schedule in Fall of 2011, several additional tasks not contemplated in the original contract scope. Both of the factors required additional services as described below:

- Additional traffic analysis tables, charts and diagrams to convey the traffic simulation output for review by Caltrans;
- Additional geotechnical investigation for an added traffic detection location. This location was identified during the traffic analysis when the originally planned westbound SR 237 end point near Zanker Road was found to be inadequate;
- Prepare an additional bid package for early procurement of sign structures in order to meet planned opening date in late 2011;
- Additional investigation to locate utilities not previously known or anticipated to be in the area.
- Additional hours required to complete construction documents and coordinate inclusion of 17 different required design elements for toll and communication systems equipment.

VTA staff recommends an amendment to the PB team contract in the amount of $300,000 for a new total contract value not to exceed $2,537,258 as the most cost effective and efficient way to meet the project requirements. The project budget is sufficient to accommodate the recommended contract amendment through use of project budget contingency.

**ALTERNATIVES:**

There is no practical alternative to this amendment. Since the PB team is currently fully engaged in numerous tasks required for implementation of this project, changing course at this time would result in delays and additional costs. The System Integration contract and the sign structure procurement contract are underway and the civil construction contract is nearly ready
for advertisement, so terminating work would delay delivery of the balance of the project.

FISCAL IMPACT:

This action will authorize up to an additional $300,000 for design services. Sufficient appropriation for this change is available in the FY11 Adopted VTP Highway Improvement Program Fund Capital Budget.

DISADVANTAGED BUSINESS ENTERPRISE (DBE) PARTICIPATION:

This contract was originally awarded with a 3% UDBE goal in which contractor committed to 3% UDBE participation. A total of 0.5% UDBE participation has been achieved to date on this contract along with a 4.5% DBE participation.

STANDING COMMITTEE DISCUSSION/RECOMMENDATION:

The Congestion Management Program and Planning Committee heard this item at their March 18, 2011 meeting. The committee voted unanimously to approve the item and move to the full Board of Directors for consideration.

Prepared by: Leo Scott
Memo No. 2998
# Attachment A

**SR 237 / I-880 Express Connectors Design Contract Amendment**  
*List of Consultants*

<table>
<thead>
<tr>
<th>Firm Name</th>
<th>Name</th>
<th>Role</th>
<th>Location</th>
</tr>
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<tbody>
<tr>
<td>Parsons Brinkerhoff &amp; Assoc.</td>
<td>Jack Tone</td>
<td>Principal</td>
<td>San Francisco</td>
</tr>
<tr>
<td>Baymetrics</td>
<td>Jor-Shan Choi</td>
<td>Sub-Consultant</td>
<td>Richmond</td>
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<tr>
<td>Diaz Yourman &amp; Associates</td>
<td>Tim Stimac</td>
<td>Sub-Consultant</td>
<td>Oakland</td>
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<tr>
<td>Ohlone Tribe Consulting</td>
<td>Alan Lowenthal</td>
<td>Sub-Consultant</td>
<td>Sacramento</td>
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<tr>
<td>Wilbur Smith Associates</td>
<td>Kris Wuestefield</td>
<td>Sub-Consultant</td>
<td>New Haven, CT</td>
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BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority  
    Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief CMA Officer, John Ristow

SUBJECT: HCP Cost Allocation and Budget Approval

Policy-Related Action: No  Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Approve the $110,000 budget for Fiscal Year 2011/2012 for the Santa Clara Valley Habitat Conservation Plan/Natural Community Conservation Plan and the overall cost allocation for the Plan in the amount of $1,020,092.

BACKGROUND:

On July 31, 2001, VTA received a letter of Formal Endangered Species Consultation (Biological Opinion) issued by the United States Fish and Wildlife Service (USFWS), which required VTA to commit to two major actions before proceeding with construction of the U.S. 101 Widening, the State Route 85/U.S. 101 South Interchange, and Consolidated Biological Mitigation Projects. One action required the purchase of 333 acres of bay checkerspot butterfly habitat. VTA completed the habitat purchase in January 2005.

The second major action, which is the subject of this memorandum, required the City of San Jose (City), the County of Santa Clara (County), the Santa Clara Valley Water District (SCVWD), and VTA, collectively known as the Local Partners, to provide individual financial commitments to assist with the development of a Habitat Conservation Plan/Natural Community Conservation Plan (HCP/NCCP). In 2005, the Cities of Gilroy and Morgan Hill also joined the Local Partners in the preparation of an HCP/NCCP including a financial participation. The Memorandum of Understanding (MOU) among the Local Partners requires each governing body to approve an annual budget for the HCP/NCCP. Previously, the VTA Board of Directors approved the Cost Allocation and Budget on May 5, 2005, June 1, 2006, November 1, 2007, October 2, 2008, June 4, 2009, and May 6, 2010.
It is anticipated that the HCP/NCCP planning process will be complete in early 2012. When the HCP/NCCP is implemented, it will provide the means for conservation of specified plant and animal species, thereby contributing to their recovery while allowing for compatible and appropriate development to occur. The HCP/NCCP includes land acquisition for conservation of natural resources, biological diversity, and ecosystem function; habitat enhancement, restoration and creation; and species-specific measures to enhance populations. The adoption of the HCP/NCCP will enable VTA and the other partners to receive expedited permits and approvals from the USFWS and the California Department of Fish and Game for projects covered under the Plan.

DISCUSSION:

The Fiscal Year 2011/2012 HCP/NCCP budget and cost allocation is provided in Attachment A. The allocation has been reviewed by the HCP/NCCP Management Team and Governing Body Liaison Group, which consist of representatives from each participating agency. San Jose City Council Member Ash Kalra is VTA’s representative on the Governing Body Liaison Group. Each of the Local Partners has or is in the process of taking the HCP/NCCP budget and cost allocation to their respective governing bodies for review and approval.

The County of Santa Clara serves as the lead agency and fiscal agent for the project including managing consultants. This Board action increases VTA’s contribution for consultant costs in Fiscal Year 2011/2012 by $110,000. Table 1 includes a summary of Fiscal Year 2011/2012 costs. This Board action also increases VTA’s total contribution to the development of the HCP/NCCP to $1,020,092, which covers consultants’ costs only.

Table 1. Fiscal Year 2011/2012 HCP/NCCP Budget Proposal

<table>
<thead>
<tr>
<th>Expense</th>
<th>Purpose</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources Law Group contract amendment</td>
<td>Additional legal services</td>
<td>$80,000</td>
</tr>
<tr>
<td>Wilddan Financial Services contract amendment</td>
<td>Additional economic modeling / forecasting services</td>
<td>$15,000</td>
</tr>
<tr>
<td>Contract balance from prior years</td>
<td>Contract balance reimbursement to the County of Santa Clara</td>
<td>$187,000</td>
</tr>
<tr>
<td>2nd partner new contract</td>
<td>New contract manager (a role currently filled by the County of Santa Clara) to oversee the completion of the HCP/NCP and to potentially serve as the Executive Director when the HCP/NCPP is approved</td>
<td>$149,000</td>
</tr>
<tr>
<td>Land Use Planning contract amendment</td>
<td>Additional Program Manager services during the transition to a permanent Executive Director</td>
<td>$35,000</td>
</tr>
<tr>
<td>Additional plan consulting expenses (estimate)</td>
<td>Contingency for consulting services</td>
<td>$150,000</td>
</tr>
<tr>
<td>Final documents printing</td>
<td>Printing costs for the HCP/NCCP, Environmental Impact Statement/Environmental Impact Report, and Implementing Agreement documents</td>
<td>$26,000</td>
</tr>
<tr>
<td>Miscellaneous Costs</td>
<td>Document filing fees, public noticing, services and supplies</td>
<td>$8,000</td>
</tr>
<tr>
<td><strong>Total for all Local Partners</strong></td>
<td></td>
<td><strong>$650,000</strong></td>
</tr>
<tr>
<td><strong>VTA’s Share for Fiscal Year 2011/2012</strong></td>
<td></td>
<td><strong>$110,000</strong></td>
</tr>
</tbody>
</table>
VTA has currently budgeted $1,150,000 for consultants (as mentioned above) plus staff time to support the HCP/NCCP. As of February 9, 2011, $1,036,027 has been incurred, or 90.1% of the total budget.

ALTERNATIVES:

The VTA Board could choose to not approve the budget and cost allocations. Not approving the budget and cost share would terminate VTA’s participation in the HCP/NCCP and require that VTA's cost share be picked up by the other partners. Terminating participation would also require VTA to pursue permits under the federal Endangered Species Act and California Endangered Species Act without the expedited process provided by the HCP/HCCP, which would result in additional cost and time to obtain permits.

FISCAL IMPACT:

The appropriation for this expenditure will be included in the future FY 12/13 VTA Budget with funding provided through previous approvals in the 1996 Measure B Transportation Improvement Program.

STANDING COMMITTEE DISCUSSION/RECOMMENDATIONS:

The Congestion Management Program and Planning Committee heard this item at their March 18, 2011 meeting. The committee voted unanimously to approve the item and move to the full Board of Directors for consideration.

Prepared by: Ann Calnan
Memo No. 2965
## HCP/NCCP Cost Allocation FY 2010/11 Proposal --- 2.01.11

<table>
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<tr>
<th></th>
<th>Previous</th>
<th>FY 2004/05</th>
<th>FY 2005/06</th>
<th>FY 2006/07</th>
<th>FY 2007/08</th>
<th>FY 2008/09</th>
<th>FY 2009/10</th>
<th>* FY 2010/11</th>
<th>Previous Total 2004/05- 2010/11</th>
<th>** FY 2011/12 Proposal</th>
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<tr>
<td><strong>GRANTS</strong></td>
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<td>USFWS Section 6</td>
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<td>240,384</td>
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<td><strong>LOCAL PARTNER FUNDING</strong></td>
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<td>County of Santa Clara</td>
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<tr>
<td>Total County Funding</td>
<td></td>
<td>136,226</td>
<td>136,226</td>
<td>123,600</td>
<td>120,559</td>
<td>116,255</td>
<td>89,631</td>
<td>167,595</td>
<td>890,092</td>
<td>130,000</td>
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<tr>
<td>City of San Jose</td>
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<td>Total City Funding (includes MOU facilitator-$10,000 in 2003)</td>
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<td>133,726</td>
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<td>167,595</td>
<td>890,092</td>
<td>130,000</td>
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<td>SCVWD</td>
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<td>Total District Funding (includes MacTec Contract-$50,000 in 2004)</td>
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<td>123,726</td>
<td>123,600</td>
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<td>VTA</td>
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<td>Total Authority Funding</td>
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<td>136,226</td>
<td>136,226</td>
<td>123,600</td>
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<td>City of Gilroy</td>
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<td>55,000</td>
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<td>61,800</td>
<td>79,949</td>
<td>64,685</td>
<td>44,815</td>
<td>83,797</td>
<td>445,046</td>
<td>65,000</td>
<td>510,046</td>
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<td>City of Morgan Hill</td>
<td></td>
<td>55,000</td>
<td>55,000</td>
<td>61,800</td>
<td>79,949</td>
<td>64,685</td>
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<td>83,797</td>
<td>445,046</td>
<td>65,000</td>
<td>510,046</td>
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<td>HCP/NCCP Local Funding</td>
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<tr>
<td>Total Section 6 Funding</td>
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<td>240,384</td>
<td>281,579</td>
<td>401,285</td>
<td>184,400</td>
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<td>1,107,648</td>
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</tbody>
</table>

* FY 2010/11 costs include County bridge loans of $28,800/agency to Gilroy and Morgan Hill. Gilroy and Morgan Hill committed to each pay $54,997 in FY 2010/11. The County anticipates repayment of the $28,800/agency in FY 2011/12.

** FY 2011/12 costs include repayment to County for consultant costs incurred in previous fiscal years, totaling $282,000.

Actual FY 2011/12 cost share for County would be $73,600 ($650,000 - $282,000 = $368,000 x 20% = $73,600).
Gilroy and Morgan Hill's costs include the $65,000 payment for FY 2011/12 (10% share) plus the $28,800 repayment of the County bridge loan, for a total FY 2011/12 cost of $93,800 for each city.
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief CMA Officer, John Ristow

SUBJECT: FY10-11 California Transit Security Grant Program

Policy-Related Action: No  Government Code Section 84308 Applies: No

Resolution

ACTION ITEM

RECOMMENDATION:

Adopt a resolution authorizing the General Manager to submit and execute grant applications and agreements, certifications, assurances, and other documents as necessary to the California Emergency Management Agency (Cal EMA) to receive $3,329,471 from the FY10-11 California Transit Security Grant Program-California Transit Assistance Fund (CTSGP-CTAF).

BACKGROUND:

The Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, approved by California voters as Proposition 1B at the November 7, 2006 general election, authorizes the issuance of nearly $20 billion in general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects.

The State of California has appropriated $60 million of the Proposition 1B funds to the FY10-11 California Transit Security Grant Program-California Transit Assistance Fund (CTSGP-CTAF). VTA is eligible to receive $3,329,471 of these funds, which are administered by the California Emergency Management Agency (CalEMA). Funds are allocated to each eligible transit system based on a formula that considers population and relative fare revenue collections.

The FY10-11 CTSGP-CTAF includes a requirement that eligible transit systems applying for funding adopt a Governing Body Resolution authorizing the submittal and execution of grant applications and agreements, certifications, assurances, and other documents as necessary to obtain financial assistance provided by Cal EMA.
DISCUSSION:

Cal EMA has allocated $3,329,471 to VTA to implement eligible transit security or safety projects. Projects eligible for these funds include the following:

(A) Capital projects that provide increased protection against a security or safety threat, including, but not limited to the following:

1. Construction or renovation projects that are designed to enhance the security of public transit stations, tunnels, guideways, elevated structures or other transit facilities and equipment.

2. Explosive device mitigation and remediation equipment.

3. Chemical, biological, radiological and nuclear explosives search, rescue or response equipment.

4. Interoperable communications equipment.

5. Physical security enhancement equipment.

6. The installation of fencing, barriers, gates or related security enhancements that are designed to improve the physical security of transit stations, tunnels, guideways, elevated structures or other transit facilities and equipment.

7. Other security and safety related projects approved by Cal EMA.

(B) Capital projects that increase the capacity of transit operators to prepare for disaster-response transportation systems that can move people, goods, emergency personnel and equipment in the aftermath of a disaster.

(C) Other allowable costs under California Government Code 16727 (a) include costs directly related to construction or acquisition, including, but not limited to, planning, engineering, construction management, architectural, and other design work, environmental impact reports and assessments, required mitigation expenses, appraisals, legal expenses, site acquisitions, necessary easements, and warranties.

In March 2011, VTA submitted grant applications to Cal EMA for the following projects:
(a) CCTV Surveillance Equipment and Related Connectivity Infrastructure; and (b) Radio System Installation at the North Bus Operating Division. The final approval of funding for these projects is pending Cal EMA’s receipt of a VTA Board adopted resolution authorizing the General Manager to execute the grant application and agreement, certifications, assurances, and other necessary documents.

ALTERNATIVES:

The Board of Directors could choose not to accept the grant or select qualifying security and safety projects. Cal EMA has final approval authority over the projects.
FISCAL IMPACT:

$3,329,471 will be available to VTA for eligible capital transit security or safety projects. Appropriation for these projects will be included in the Recommended FY 2012 and FY 2013 VTA Transit Enterprise Fund Capital Budget.

STANDING COMMITTEE DISCUSSION/RECOMMENDATION:

The Transportation Planning and Operations Committee considered this item on March 17, 2011 and unanimously recommended that the Board approve it.

Prepared by: Mike Tasosa
Memo No. 2979
Resolution No. ______________

FY10-11 CALIFORNIA TRANSIT SECURITY GRANT PROGRAM - CALIFORNIA TRANSIT ASSISTANCE FUND (CTSGP-CTAF)

FY 2010-11 Proposition 1B 6361-0002

RESOLUTION AUTHORIZING THE SUBMITTAL AND EXECUTION OF GRANT APPLICATIONS AND AGREEMENTS, CERTIFICATIONS AND ASSURANCES AND OTHER DOCUMENTS AS MAY BE NECESSARY FOR THE PURPOSE OF OBTAINING FINANCIAL ASSISTANCE PROVIDED BY THE STATE OF CALIFORNIA EMERGENCY MANAGEMENT AGENCY

WHEREAS, the State of California Emergency Management Agency (Cal EMA) provides financial assistance through the State Transit Assistance (STA) funds to eligible grantees, and

WHEREAS, the Metropolitan Transportation Commission is the recipient of State Transit Assistance funds in the nine-county San Francisco Bay Area, and

WHEREAS, the Santa Clara Valley Transportation Authority (VTA) is an eligible grantee for the California Transit Security Grant Program – California Transit Assistance Fund (CTSGP-CTAF) funding through Cal EMA;

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the Santa Clara Valley Transportation Authority that the General Manager or the Chief Operating Officer or the Chief Congestion Management Agency Officer are hereby authorized to file and execute grant applications and agreements, certifications and assurances, and other documents as may be necessary for the purpose of obtaining financial assistance provided by the State of California Emergency Management Agency.

PASSED AND ADOPTED by the Santa Clara Valley Transportation Authority Board of Directors on April 7, 2011 by the following vote:

AYES:

NOES:

ABSENT:
I HEREBY CERTIFY AND ATTEST that the foregoing resolution was duly and regularly introduced, passed and adopted by the vote of the Board of Directors of the Santa Clara Valley Transportation Authority, California, at a meeting of said Board of Directors on the date indicated, as set forth above.

Date: ____________

____________________________
Sandra Weymouth, Board Secretary

APPROVED AS TO FORM:

____________________________
Kevin D. Allmand, General Counsel
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
    Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief Engineering & Construction Officer, Mark S. Robinson

SUBJECT: Capitol Expressway Light Rail Project - Pedestrian Improvements
         Amendment to Cooperative Agreement with the City of San Jose

Policy-Related Action: No
Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Authorize the General Manager to execute an amendment to the Cooperative Agreement with the City of San Jose, in the amount of $150,000, to perform design services during construction of the Capitol Expressway Pedestrian Improvements for a total contract amount of $459,225, and extend the agreement through June 30, 2012. This amendment is 100% funded by the 2010 State Transportation Improvement Program.

BACKGROUND:

The first phase of improvements on Capitol Expressway include pedestrian and bus stop improvements from Capitol Avenue to Quimby Road. The City of San Jose has designed the street lighting and landscaping for this phase of the project under a cooperative agreement between VTA and the City, approved by the VTA Board on May 6, 2010. City staff has worked with VTA as a part of integrated design team reporting to the VTA project manager. This approach has worked well for the project, with agencies working closely in a cost effective fashion.

The original agreement included design services through final design and did not include design services during construction. The City Department of Public Works has submitted a proposal to provide design services during construction for their design elements, which VTA staff has reviewed and determined to be acceptable for the anticipated level of effort that will be required.
DISCUSSION:

The City staff has designed street lighting and landscaping for the project. Since City staff has a strong understanding of the design requirements of these elements and has performed the design work, VTA believes that having City-provided design services during construction will result in project cost savings and better support the aggressive construction schedule. The City proposal to perform design services during construction is at competitive rates when compared to similar design services rendered on other recent projects. The City will be reimbursed on a time and materials basis and will provide approximately 1150 hours of services.

ALTERNATIVES:

The Board of Directors can elect not to authorize amending the Cooperative Agreement with the City for design services during construction for the project and instead have a private consultant perform these services. This approach would not be as cost effective as the approach being recommended.

FISCAL IMPACT:

This action will authorize up to $150,000 of additional expenditures for the City of San Jose to perform design services during construction on the Capitol Expressway pedestrian and bus improvements. Appropriation for this project is included in 2000 Measure A Transit Improvement Program FY 2010/11 Adopted Biennial Budget. This amendment is funded by the 2010 State Transportation Improvement Program.

STANDING COMMITTEE DISCUSSION/RECOMMENDATION:

The Transit Planning & Operations Committee considered this item on March 17, 2011. Staff reported on the positive results of having City of San Jose staff perform the design of the street lighting and landscaping on the project, and how this amendment will now have City staff provide design support during the construction phase. Committee Member Liccardo expressed his appreciation to staff for working cooperatively with the City in this new approach for design. Committee Member Larsen asked if this arrangement, having City staff perform design, resulted in project cost savings. VTA staff responded that savings were realized by avoiding one review and revise iteration that would have occurred if a third party had performed the design for City review. The Committee unanimously recommended approval of this item, and that it be placed on the Consent Agenda for the April 17, 2011 Board meeting.

Prepared by: Ken Ronsse, Deputy Director
Memo No. 2989
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief Engineering & Construction Officer, Mark S. Robinson

SUBJECT: Light Rail Left Hand Turn and Track Intrusion Project Phase IIA Contract

Policy-Related Action: No  Government Code Section 84308 Applies: No

ACTION ITEM

RECOMMENDATION:

Authorize the General Manager to execute a contract with Pacific Electric Contracting, Inc., the lowest responsible bidder in an amount of $381,930 for the construction of the Light Rail Left Hand Turn and Track Intrusion Project Phase IIA. This contract is 80% funded by Federal Grant funds (Section 5309-Fixed Guideway Modernization Formula Grant), with VTA Enterprise funds providing a 20% match.

BACKGROUND:

In 2006, VTA established a work group consisting of representatives from Operations, Engineering & Construction, and Risk Management, to conduct studies to improve safety along the light rail operating right-of-way, particularly related to left hand turn and track intrusion incidents. Incidents have resulted in injuries, damage to VTA equipment, and service disruptions. Studies were performed in November 2006 and May 2007 with the recommendation that VTA make various improvements such as relocate left turn lane stop bars/limit lines, install additional signage, install bollards (rigid posts) to help direct vehicular traffic, replace existing “single flash” active train approaching sign with a “dual flash” sign that adds a “no left turn” icon, and install additional pavement markings (e.g. left turn arrows, keep clear, delineation striping) at certain intersections.

In 2009, recommendations were implemented at 9 high-priority at-grade LRT crossings. Those crossings were First Street/Brokaw Road, Capitol Avenue/McKee Road, First Street/Tasman Drive, First Street/Burton Road, First Street/Charcot Avenue, Hostetter Road/Capitol Avenue, Lawrence Expressway/Tasman Drive, First Street/Karina Court, Woz Way/West San Carlos
Street.

In February 2010, the Work Group issued a study update with recommendations for the next round of improvements and recommended locations.

This contract is to implement various safety enhancements at 17 priority locations on the light rail system. The work consists of replacing existing active train approaching signs with new single dual flash signs (no left hand turn icon and active train approaching alternating sign), installing new vehicle detector traffic loops, striping, warning signs, pavement markers and pavement markings, and installing fencing.

The 17 priority locations are:

- N. 1st Street & I-880 SB Ramp
- N. 1st Street & Rosemary Street
- N. 1st Street & Metro Drive
- N. 1st Street & Old Bayshore
- N. 1st Street & Trimble Road
- Tasman Drive & I-880 SB Ramp
- Great Mall Parkway & Thompson Street
- Capitol Avenue & Berryessa Road
- Capitol Avenue & McKee Mall Entrance
- Capitol Avenue & Alum Rock Avenue
- Capitol Avenue & I-680 NB Ramp
- N. 1st Street & Taylor Street
- Fence at Civic Center Station
- Civic Center Drive & Campbell Avenue
- Fence at Bascom Station
- Capital Avenue & McKee Road
- Fence at KB Homes (Sunol Street/Auzerais Avenue)

The work of this contract is located in the City of San Jose, City of Milpitas, City of Campbell and County of Santa Clara.

**DISCUSSION:**

The Light Rail Left Hand Turn and Track Intrusion Project Phase IIA contract was advertised on January 20, 2011. Three bids were opened on February 25, 2011 with the following results:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Bid Amount</th>
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</thead>
<tbody>
<tr>
<td>Pacific Electric Contracting, Inc.</td>
<td>$381,930</td>
</tr>
<tr>
<td>Republic Intelligent Transportation Services, Inc.</td>
<td>$490,039</td>
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<tr>
<td>SCQ Construction</td>
<td>$547,467</td>
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<tr>
<td>Engineer’s Estimate</td>
<td>$610,997</td>
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</table>
Pacific Electric Contracting, Inc. is the lowest responsible and responsive bidder. The bid is 37% under the Engineer’s Estimate. VTA staff has completed a bid analysis, has determined the bid to be fair and reasonable, and recommends award of this contract to Pacific Electric Contracting, Inc. VTA continues to benefit from a very competitive local construction market, receiving multiple bids at extremely low prices on many of our contracts.

Construction is anticipated to begin in April 2011 with completion by December 2011.

**ALTERNATIVES:**

There are no practical alternatives to the recommended action. Delay in awarding this contract could jeopardize grant funding.

**FISCAL IMPACT:**

This action will authorize $381,930 for construction of Phase IIA of a larger Light Rail Left Turn and Track Intrusion Project. Appropriation for this project is included in the VTA Transit Enterprise Capital Program FY 2010 and FY 2011 Adopted Biennial Budget. This contract is 80% funded by Federal Grant funds (Section 5309-Fixed Guideway Modernization Formula Grant), with VTA Enterprise funds providing a 20% match.

**DISADVANTAGED BUSINESS ENTERPRISE (DBE) PARTICIPATION:**

Based on identifiable subcontracting opportunities, a DBE goal of 17% was established for this contract. Contractor has met the goal and has committed to 85% DBE participation on this contract.

**STANDING COMMITTEE DISCUSSION/RECOMMENDATION:**

The Transit Planning & Operations Committee considered this item on March 17, 2011. Staff noted this was the second phase of VTA’s program to enhance the safety at light rail at-grade crossings and along the rail corridors. Committee Member Campos asked if VTA had any experience working with the successful bidder, and if the very low bid was reasonable or raised any concerns. VTA has not contracted with the low bidder before, but as part of the bid review process determined the low bidder both responsible and responsive, with no items raising any concerns. Staff added that the process for establishing the Engineer’s Estimate was being reviewed as estimates need to better reflect the current bidding climate. The Committee unanimously recommended approval of this item, and that it be placed on the Consent Agenda for the April 7, 2011 Board meeting.

Prepared by: Ken Ronsse, Deputy Director
Memo No. 1251
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
    Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief Operating Officer, Donald A. Smith Jr.

SUBJECT: April 2011 Transit Service Changes

FOR INFORMATION ONLY

BACKGROUND:

VTA implements service changes quarterly (January, April, July, and October). Major changes are typically planned for January and July, while minor changes are implemented in April and October. Proposed service changes that meet any of the criteria listed below are submitted to the VTA Board of Directors for review and approval. Changes requiring formal approval include:

- The establishment of a new or elimination of a transit line.
- A change that impacts 25% or more of a line’s route miles or revenue vehicle hours.
- Proposed changes that are anticipated to be controversial with a particular community or interested parties.

Service change proposals not meeting the criteria for formal approvals described above are handled at staff level and are still subject to an appropriate level of public and community review and comment. The changes to be implemented on April 4, 2011 are minor.

DISCUSSION:

The following service changes will take effect on Monday, April 4, 2011.

Line 11- This line will be shown as a 2-way route and will operate northbound and southbound. No schedule changes will be made.

Line 14- Minor weekday and weekend schedule changes will be made.
Line 17- This line will be shown as a 2-way route and will operate northbound and southbound. No schedule changes will be made.

Line 18- This line will be shown as a 2-way route and will operate northbound and southbound. Minor weekday schedule changes will be made.

Line 19- This line will be shown as a 2-way route and will operate northbound and southbound. Minor weekend schedule changes will be made.

Line 26- Minor weekday and weekend schedule changes will be made due to the interchange construction on Tully at Highway 101.

Line 53- Minor schedule changes will be made.

Line 54- Minor weekday schedule changes will be made.

Line 63- Minor weekday and weekend schedule changes will be made.

Line 66- Minor weekend schedule changes will be made.

Line 68- Minor weekend schedule changes will be made.

DASH- This line will be shown as a 2-way route and will operate eastbound and westbound. No schedule changes will be made.

**STANDING COMMITTEE DISCUSSION/RECOMMENDATIONS:**

The Transit Planning & Operations Committee reviewed this information item on March 17, 2011. VTA staff explained minor service adjustments are planned on some routes to reflect traffic conditions or improve transfer connections between routes. The Committee also discussed the public comment request to add bus service to Willow Glen Way and Almaden Road to serve senior citizen housing complexes. Member Liccardo offered to work with VTA staff to set up a public meeting on the subject. VTA staff indicated that one meeting has been held and that they are familiar with the issue. VTA staff would provide an update on this request on or before the next TPO Committee meeting. This item will be placed on the consent calendar for the April 17, 2011 VTA Board meeting.

Prepared By: James Unites, Deputy Director, Service and Operations Planning
Memo No. 2895
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief Administrative Officer, Bill Lopez

SUBJECT: Employees of the Month for April 2011

FOR INFORMATION ONLY

BACKGROUND:

Elinor Yokoi, Engineering Technician III in the Engineering and Construction Division at River Oaks, is the Administration Award Winner for April. Elinor has been with VTA for over 31 years, and she displays a high level of professionalism as she performs complex technical computer drafting and other duties. Currently, Elinor provides vital technical support on the Capitol Expressway Light Rail, Pedestrian Improvements Project. Her great attitude and attention to detail support VTA’s vision of providing effective transportation solutions for our community. Congratulations to Elinor Yokoi, Administration Employee of the Month for April!

Lap-Hon Ng, Cerone Division Coach Operator, is April’s Operations Award Winner. Lap-Hon has been with VTA for nearly 11 years, and consistently meets the high performance standards of his job. Lap-Hon is an outstanding Coach Operator who has earned the Million Mile Safe Driving award, and is known by his peers as a conscientious and caring driver. Praised by customers for his patience and helpfulness, he is also recognized by his supervisors for displaying exceptional courtesy and professionalism, making him an excellent role model to his fellow Operators. Congratulations to Lap-Hon Ng, Operations Employee of the Month for April!

Richard Martinez, Light Rail Maintenance Worker at Guadalupe Division, is our Maintenance Employee of the Month for April. Richard has been with VTA for over 10 years. In his current assignment, Richard performs maintenance and repairs of light rail stations, park and ride lots, fences, guard rails and other trackside areas. He takes great pride in his work and ensures that the light rail stations in his care are maintained in excellent condition. Richard exemplifies VTA’s value of quality job performance, and is very deserving of this award. Congratulations to Richard Martinez, Maintenance Employee of the Month for April!
Dino Guevarra, Sales & Promotion Supervisor in VTA’s External Affairs Division, is Supervisor of the Quarter for the second quarter of 2011. Dino joined VTA in 1999, and in his current position manages a range of projects including several promotional campaigns that have resulted in measurable ridership gains. His marketing skills have also created growth and visibility of the Eco Pass Program and VTA fare media, resulting in increased revenue. Recognized by his Division leadership as a key member of the management team, Dino is viewed by his staff as an inspiring leader who sets a great example for others. He is clearly an asset to his Division as well as to VTA. Congratulations to Dino Guevarra, Supervisor of the Quarter!

Prepared By: Mitsuno Baurmeister
Memo No. 3044
The Santa Clara Valley Transportation Authority (VTA) Board of Directors has designated BART Silicon Valley as the priority project in the 2000 Measure A Program. The 16-mile extension of Bay Area Rapid Transit (BART) into Santa Clara County is being implemented under agreement with BART, by VTA’s Silicon Valley Rapid Transit Program. The project will be delivered in phases, and progress on the first phase is moving towards full funding and construction award.

The first phase, identified as the Silicon Valley Berryessa Extension (SVBX) Project, is a $2.1 billion, 10-mile, two-station (Milpitas and Berryessa) project. The SVBX project runs in the rail corridor that VTA purchased and extends the regional BART system from the future BART Warm Springs Station in Fremont to the Berryessa area of north San Jose.

Achievement of recent milestones include advancement into the Federal New Starts Program, authority to pursue design build as the project delivery method and receipt of federal environmental clearance. These accomplishments have resulted in an increase of project activities. To ensure the VTA Board of Directors is informed of key project activities, BART Silicon Valley staff will provide monthly program updates.

Significant BART Silicon Valley Project activities and progress during March 2011 include:

**FTA New Starts Activities**

The recent recommendation for the Silicon Valley Berryessa Extension to receive a full funding grant agreement (FFGA) is based on the Federal Transit Administration’s (FTA) indication that the project has met the technical and procedural requirements for an FFGA.

On March 21, 2011, FTA sent to Congress the required 10-Day notice of its intent to approve the SVBX project into the Final Design phase of the New Starts program. That notice was sent to the committee staffs of the Senate and House appropriations and authorization committees. If there are no comments or questions received from Congress within 10 calendar days, FTA will have the authority to issue approval to VTA in the form of a formal letter.
**Real Estate Activities**

The appraisal process continues on track for the impacted properties. Appraisals have been started for 14 properties and an additional 5-7 currently are scheduled to begin in April. Many of these appraisals require review by the FTA before offers are made. Staff anticipates that the review process will be completed allowing 2 to 3 offers to be made by the beginning of May. In addition, VTA SVRT Real Estate staff continues to send letters to tenants potentially in need of relocation as a result of the Project. The letters generally describe the relocation benefits and assistance tenants may be eligible to receive along with the process for becoming eligible to receive such benefits.

**Design Build Contract**

VTA is scheduled to issue the RFP for the C700 Line, Track, Stations, and Systems (LTSS) contract on March 25, 2011 to pre-qualified teams. The pre-qualified teams are KSG Constructors, Skanska-Shimmick-Herzog, Tutor Perini and Parsons SVBX, and Walsh/Flatiron/Comstock. Responses to the RFP are anticipated in late August, with evaluation occurring in September and October. Board authorization to award the C700 contract is anticipated to occur in November 2011.

**Residential Noise Insulation Program**

The Residential Noise Insulation Program will be implemented to mitigate project noise at residences in the project corridor where typical mitigation, such as sound wall construction, do not fully reduce noise levels above the ground floor of multi-level buildings. The Residential Noise Insulation Program will assist in reducing these levels above the ground floor with additional mitigation such as improved windows and/or doors. Based on noise studies conducted in the project corridor, approximately 425 residences (including single-family and individual units in multi-family residences) will be exposed to noise in excess of the FTA criteria and will be eligible to participate in the program.

Staff plans to implement this program in the spring with outreach to residents and property owners documenting the need, determining noise mitigation required, and preparing for installation of the improvements. By starting this project in the spring, the mitigation measures will be in place when construction begins.

**City Coordination**

**City of Milpitas**

Staff is working closely with the City to develop an agreement for utility modifications within Milpitas. The negotiations are nearing completion and address City-owned utility systems directly impacted by project construction, as well as cooperative efforts to upgrade certain city utilities in the project area on a cost-share basis. Other active discussions involving the City include construction phasing and level of improvement in Piper Drive where extensive relocations of utilities and freight rail tracks will occur, and review of the draft Maintenance of Traffic and Access (MOTA) Plan for use in the Design Build RFP.

**City of San Jose**

VTA has reached agreement, subject to City Council concurrence, to allow the Design Build Contractor the option of full closure of the intersection of Sierra Road and Lundy Avenue for a period of up to 9 months, which is projected to shorten the overall duration of construction at this complex crossing by about 9 months. Traffic detours would be in place during the closure period.
Staff is also advancing separate cooperative agreements with City of San Jose regarding road and utility infrastructure in the Berryessa station area, construction of a storm drain siphon at the BART crossing of Trimble Road and reconstruction of Upper Penitencia Creek within the Berryessa station campus. The latter agreement is a multi-party agreement also involving the Santa Clara Valley Water District and will provide both environmental mitigation and flood control benefits for the project.

**BART Silicon Valley Communications and Outreach Update**

Project communications and outreach efforts for March included the development of updated collateral including fact sheets, maps and presentation formats. Staff also produced and distributed 33,000 copies of the BART Silicon Valley Update Newsletter, which includes an overall update on BART Silicon Valley, the Berryessa Extension, Mission, Warren and Kato Road Grade separations and upcoming related project work in several creeks.

Prepared By: Kevin Kurimoto
Memo No. 2838
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief Financial Officer, Joseph T. Smith

SUBJECT: VTA 2008 Bonds: Substitution of Liquidity Provider

Policy-Related Action: No   Government Code Section 84308 Applies: Yes

Resolution

ACTION ITEM

RECOMMENDATION:

Adopt a resolution authorizing the General Manager or Chief Financial Officer to execute and deliver any and all documents, including Standby Bond Purchase Agreements and a Remarketing Memorandum in connection with the 1976 Sales Tax Revenue Refunding Bonds, 2008 Series A, 2008 Series B and 2008 Series C (the 2008 Bonds), that are required to implement the replacement of Dexia Credit Local with State Street Bank (for the 2008 Series A and 2008 Series C) and with Barclay’s PLC (2008 Series B) as liquidity providers for the 2008 Bonds.

BACKGROUND:

The 2008 Bonds were issued as uninsured variable rate demand bonds (VRDBs) in June 2008. VRDBs are long term bonds that pay interest at rates that are reset weekly by remarketing agents. VRDBs provide investors with the option to “put” the bonds back to the issuer (in effect sell them back) at each interest reset date. If this occurs, remarketing agents remarket the bonds to other investors. VRDBs are supported by liquidity agreements from banks with high short-term ratings in order to assure bondholders that there is a source of funding to buy their bonds back if they cannot be readily remarketed.

When the 2008 Bonds were initially issued, VTA engaged Dexia Credit Local (“Dexia”) to provide liquidity for the Bonds. Dexia entered into a standby bond purchase agreement with an initial term of 3 years, expiring on June 24, 2011. Dexia’s annual fee for the liquidity facility is 0.45% of the outstanding principal amount of the 2008 Bonds plus one month of interest. This
fee equates to approximately $755,578 per year.

In a letter dated July 21, 2010, Dexia informed the Authority it will not renew its liquidity facility beyond the original June 24, 2011 expiration date, as it was exiting the municipal finance industry. Therefore, Staff needed to obtain a replacement provider for Dexia.

**DISCUSSION:**

With the assistance of VTA’s financial advisor, Peter Ross of Ross Financial, VTA canvassed the universe of highly rated liquidity banks to replace Dexia. Four banks responded with offers to provide liquidity for VTA: Barclays PLC, State Street Bank, Union Bank and U.S. Bank. Of the four banks that responded, Staff selected Barclays PLC and State Street Bank to replace Dexia. None of the banks that responded can provide a commitment for all three series of the outstanding 2008 Bonds.

Barclay’s annual pricing was the lowest among the four banks with an annual fee of 0.575% of the outstanding principal amount on the 2008 Bonds, Series B and State Street’s proposal 0.69% of the outstanding principal amount of the 2008 Series A and Series C Bonds tied for the second lowest fee.

Both Barclays and State Street (collectively, the “Banks”) have agreed to provide liquidity for a three-year term. Annual liquidity costs will be $1,092,932 for the first year (declining thereafter as principal is repaid), representing an annual increase of $337,354 compared to current costs. To evidence their agreement to provide liquidity, the Banks will enter in separate standby bond purchase agreements with VTA. These agreements will be similar to the one that VTA entered into with Dexia in 2008. However, because of the tighter regulatory pressure and scrutiny under which banks currently operate, greater demands will be placed on VTA in terms of reporting and maintenance of ratings and financial condition. In addition, the Banks are requiring greater rights to terminate or suspend their obligations in the event of a major deterioration in VTA’s financial condition and its ability to repay the 2008 Bonds and other senior outstanding debt obligations. Substantially complete agreements are provided in Attachments D and E.

Because there is a change in the liquidity providers for the 2008 Bonds, VTA is required to provide an updated disclosure document to investors. Attachment C is a Remarketing Memorandum that meets the updated disclosure requirements and is in substantially complete form.

The Remarketing Memorandum is a disclosure document that is required by the Securities Exchange Commission (SEC) under Rule 10b-5. Pursuant to this rule, it is a violation to make any untrue statement of material fact or omit to state a material fact. **It is a fiduciary responsibility of the Board to insure that the disclosure document is accurate.** The Board should bring to the attention of Staff any discrepancies noted in the attached Remarketing Memorandum.

**ALTERNATIVES:**

The Remarketing Memorandum is required to facilitate the change from Dexia to Barclays PLC
and State Street Bank as liquidity providers to the 2008 Bonds. If approval of the Remarketing Memorandum is not obtained, or not obtained in a timely fashion, VTA may not be able to implement the change in liquidity provider upon expiration of the existing arrangement with Dexia. In such instance, the 2008 Bonds will be tendered in full to Dexia and VTA will be required to repay the outstanding 2008 Bonds (in the amount of $166.2 million) over a five year period or refund/remarket them with other obligations.

**FISCAL IMPACT:**

Liquidity fees for the 2008 Bonds are estimated to be approximately $1,092,932 million annually, which is approximately $337,354 above current costs. Transaction expenses are approximately $125,000 and cover costs related to bond counsel, bank counsel, rating fees, and financial advisor fees. Appropriation for this substitution of liquidity and the annual fees for the current year are available in the Adopted FY 2011 VTA Transit Enterprise Fund Operating Budget. Appropriation for annual fees for subsequent periods will be included in future budgets.

**STANDING COMMITTEE DISCUSSION/RECOMMENDATION:**

The Administration & Finance Committee’s March 2011 meeting was cancelled and therefore this item was forwarded for Board of Directors consideration without a recommendation from that committee.

Prepared by: Michael Gurantz, Senior Financial Analyst
Memo No. 2902
<table>
<thead>
<tr>
<th>Bank</th>
<th>Contact</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays Capital Inc.</td>
<td>Jay Saakvitne</td>
<td>Managing Director</td>
</tr>
<tr>
<td>745 Seventh Avenue, 19th Floor New York, NY 10019</td>
<td>Tel: (212) 528-1053</td>
<td></td>
</tr>
<tr>
<td></td>
<td><a href="mailto:james.saakvitne@barclayscapital.com">james.saakvitne@barclayscapital.com</a></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fax: (917) 265-1353</td>
<td></td>
</tr>
<tr>
<td>State Street Financial Center</td>
<td>Tim Batler</td>
<td>Senior Managing Director</td>
</tr>
<tr>
<td>5th Floor, One Lincoln Street Boston, MA 02111</td>
<td>Tel: (617) 664-1587</td>
<td></td>
</tr>
<tr>
<td></td>
<td><a href="mailto:tlbatler@statestreet.com">tlbatler@statestreet.com</a></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fax: (617) 350-4020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Michael Murray</td>
<td>Vice President</td>
</tr>
<tr>
<td></td>
<td>Tel: (617) 664-4921</td>
<td></td>
</tr>
<tr>
<td></td>
<td><a href="mailto:mfmurray@statestreet.com">mfmurray@statestreet.com</a></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fax: (617) 350-4020</td>
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</tbody>
</table>
Resolution No. ______

RESOLUTION OF THE BOARD OF DIRECTORS OF SANTA CLARA VALLEY TRANSPORTATION AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A REMARKETING MEMORANDUM AND STANDBY BOND PURCHASE AGREEMENTS IN CONNECTION WITH ITS $66,575,000 SANTA CLARA VALLEY TRANSPORTATION AUTHORITY SALES TAX REVENUE REFUNDING BONDS, 2008 SERIES A, $49,790,000 SANTA CLARA VALLEY TRANSPORTATION AUTHORITY SALES TAX REVENUE REFUNDING BONDS, 2008 SERIES B AND $49,790,000 SANTA CLARA VALLEY TRANSPORTATION AUTHORITY SALES TAX REVENUE REFUNDING BONDS, 2008 SERIES C, AND THE EXECUTION AND DELIVERY OF RELATED DOCUMENTATION

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 payable from the proceeds of a retail transactions and use tax (the “1976 Sales Tax”), authorized pursuant to a ballot measure approved in 1976 by the voters of the County of Santa Clara, which comprises the territory of the Authority, which 1976 Sales Tax was levied by the Authority pursuant to Section 100250 et seq. of the Law and does not expire;

WHEREAS, the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series A (the “2008 Series A Bonds”), Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series B (the “2008 Series B Bonds”) and Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series C (the “2008 Series C Bonds” and, together with the 2008 Series A Bonds and the 2008 Series B Bonds, the “Bonds”) were issued by the Authority on June 26, 2008 pursuant to an Indenture, dated as of November 1, 1997 (as supplemented and amended, the “Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”);

WHEREAS, the Authority, with the advice of Ross Financial (the “Authority Financial Advisor”), has selected State Street Bank and Trust Company (“State Street”) as the liquidity provider for the 2008 Series A Bonds and the 2008 Series C Bonds and Barclays Bank plc (“Barclays” and, together with State Street, the “Liquidity Providers”) as the liquidity provider for the 2008 Series B Bonds;

WHEREAS, there has been prepared and distributed to the Board a proposed form of remarketing memorandum describing the Bonds and related matters (the “Remarketing Memorandum”), to be used in connection with the remarketing of the Bonds;
WHEREAS, there has been prepared and distributed to the Board, proposed forms of standby bond purchase agreements (each a “Standby Bond Purchase Agreement”), to be entered into between the Authority and the respective Liquidity Provider in connection with the related Series of the Bonds;

WHEREAS, the Board now deems it necessary and advisable and in the financial interest of the Authority (i) to approve the form of, and to authorize the execution and delivery of the Remarketing Memorandum, (ii) to approve the distribution of the Remarketing Memorandum, (iii) to approve the form of, and to authorize the execution and delivery of the Standby Bond Purchase Agreements, and (iv) to authorize the taking of various other actions in connection with therewith; and

WHEREAS, all acts, conditions and things required by the Law and the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions 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 transactions 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 proposed form of Remarketing Memorandum, attached hereto as Attachment B-1, 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 such form of Remarketing Memorandum with the minutes of this meeting. The General Manager of the Authority or the Chief Financial Officer of the Authority, or any designee appointed by either (each an “Authorized Officer”), acting alone, is hereby authorized and directed to execute and deliver the Remarketing Memorandum in substantially the form of the Remarketing Memorandum attached hereto as Attachment B-1, 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 Remarketing Memorandum. The Authority hereby authorizes the distribution of the Remarketing Memorandum in connection with the remarketing of the Bonds.

Section 3. The proposed form of Standby Bond Purchase Agreement with State Street, attached hereto as Attachment B-2, and the terms and provisions thereof, which are hereby incorporated by reference, are hereby approved. The Secretary is directed to file a copy of such form of Standby Bond Purchase Agreement with the minutes of this meeting. Each Authorized Officer, acting alone, is hereby authorized and directed to execute and deliver the Standby Bond Purchase Agreement in substantially the form of such Standby Bond Purchase Agreement attached hereto as Attachment B-2, 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 such Standby Bond Purchase Agreement.

Section 4. The proposed form of Standby Bond Purchase Agreement with Barclays, attached hereto as Attachment B-3, and the terms and provisions thereof, which are hereby incorporated by reference, are hereby approved. The Secretary is directed to file a copy of such form of Standby Bond Purchase Agreement with the minutes of this meeting. Each Authorized Officer, acting alone, is hereby authorized and directed to execute and deliver such Standby Bond Purchase Agreement in substantially the form of the Standby Bond Purchase Agreement attached hereto as Attachment B-3, 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 such Standby Bond Purchase Agreement.

Section 5. 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 and certificates concerning the contents of the Remarketing Memorandum, 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, and to carry out, consummate and perform the duties of the Authority set forth in this Resolution and all other documents executed in connection with the remarketing of the Bonds.

Section 6. The General Counsel of the Authority is authorized and directed to provide such opinions, on behalf of the Authority, as are required to consummate any of the transactions authorized by this Resolution.

Section 7. 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 to select one or more additional or replacement liquidity providers from time to time for one or more Series of Bonds, to execute and deliver any replacement or substitution for any Standby Bond Purchase Agreement in effect with respect to one or more Series of Bonds and to terminate any existing Standby Bond Purchase Agreement entered into in connection with one or more Series of Bonds.

Section 8. 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 to select one or more additional or replacement remarketing agents from time to time for one or more Series of Bonds, to execute and deliver any amendment to or any replacement or substitution for any remarketing agent agreement in effect with respect to one or more Series of Bonds and to terminate any existing remarketing agent agreement entered into in connection with one or more Series of Bonds.

Section 9. All actions heretofore taken by the members of the Board, each Authorized Officer, the General Counsel of the Authority or any other officers, agents or employees of the Authority, with respect to the remarketing of the Bonds and the other
transactions contemplated hereby and by the Remarketing Memorandum, are hereby ratified, confirmed and approved.

Section 10. 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 7th day of April, 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

______________________________
Margaret Abe-Koga, Chairperson
Santa Clara Valley Transportation Authority

ATTEST:

______________________________
Board Secretary

Approved as to Form:

______________________________
General Counsel
REMARKETING MEMORANDUM DATED APRIL __, 2011

REMARKETED ISSUE – BOOK-ENTRY ONLY

$166,155,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
SALES TAX REVENUE REFUNDING BONDS

<table>
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<td>$66,575,000</td>
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Dated: June 26, 2008
Price: 100%
Due: June 1, 2026

The 2008 Series Bonds are secured on a parity with certain other bonds and obligations secured by the 1976 Sales Tax. The Authority may issue additional bonds and incur other obligations secured by the 1976 Sales Tax on a parity with the 2008 Series Bonds, subject to compliance with the provisions set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

The 2008 Series Bonds are subject to optional and mandatory tender for purchase and optional and mandatory redemption prior to maturity, as more fully described herein. See “THE 2008 SERIES BONDS” herein.


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 to read this entire Remarketing Memorandum to obtain information essential to making an informed investment decision with respect to the 2008 Series Bonds.

On June 26, 2008, the original issuance date of the 2008 Series Bonds, Orrick, Herrington & Sutcliffe LLP rendered its opinion that based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the 2008 Series 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. The opinion of Orrick, Herrington & Sutcliffe LLP has not been updated as of the date of this Remarketing Memorandum. A copy of the approving opinion of Orrick, Herrington & Sutcliffe LLP delivered in connection with the original issuance of the 2008 Series Bonds is attached hereto as Appendix F.

Fulbright & Jaworski L.L.P. is serving as Bond Counsel and Disclosure Counsel in connection with this remarketing of the 2008 Series Bonds. As Bond Counsel to the Authority, Fulbright & Jaworski L.L.P. is not providing any opinion to the Owners with respect to the validity or enforceability of the 2008 Series Bonds or with respect to any tax matters in connection with 2008 Series Bonds. Certain legal matters will be passed on for the Authority by its General Counsel, for the Liquidity Facility Providers by Nixon Peabody LLP.

Goldman, Sachs & Co.
Remarketing Agent
2008 Series A Bonds

Barclays Capital
Remarketing Agent
2008 Series B Bonds

Morgan Stanley
Remarketing Agent
2008 Series C Bonds
No dealer, salesman or any other person has been authorized by the Santa Clara Valley Transportation Authority (the “Authority”) to give any information or to make any statements or representations, other than those contained in this Remarketing Memorandum, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. The information set forth herein has been obtained from the Authority and other sources which are believed to be reliable. This Remarketing Memorandum does not constitute an offer to sell or solicitation of an offer to buy any of the 2008 Series Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Remarketing Memorandum is not to be construed as a contract with the purchasers of the 2008 Series Bonds. Statements contained in this Remarketing Memorandum which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Remarketing Agents have provided the following sentence for inclusion in the Remarketing Memorandum. The Remarketing Agents have reviewed the information in this Remarketing Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agents do not guarantee the accuracy or completeness of such information.

CUSIP is a registered trademark of the American Bankers Association. CUSIP data on the cover hereof and 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. None of the Authority, the Remarketing Agents or Ross Financial, the Financial Advisor to the Authority, is responsible for the selection or correctness of the CUSIP numbers set forth herein.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Remarketing Memorandum constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority in any way. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when any of its expectations, or events, conditions or circumstances on which such statements are based occurs.
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Board of Directors
Margaret Abe-Koga, Chairperson
Ash Kalra
Rich Larsen
Chuck Page
Chuck Reed
Xavier Campos

Ken Yeager, Vice-Chairperson
Rose Herrera
Liz Kniss
Chris Moynan
Sam Liccardo
Perry Woodward

Dave Cortese, Ex-Officio

Alternate Board Members
Jamie Matthews
Pete McHugh
George Shirakawa
Marshall Anstandig
Nancy Pyle

Administrative Staff
Michael Burns, General Manager
Kevin Allmand, General Counsel
Sandra Weymouth, Secretary of the Board
Greta Helm, Chief External Affairs Officer
Carolyn Gonot, Chief Silicon Valley Rapid Transit Project Program Officer
Bill Lopez, Chief Administrative Officer
Gary Miskell, Chief Information Officer
John Ristow, Chief Congestion Management Agency Officer
Mark S. Robinson, Chief Engineering and Construction Officer
Joseph T. Smith, Chief Financial Officer
Donald Smith, Chief Operations Officer

SPECIAL SERVICES

Financial Advisor
Ross Financial
San Francisco, California

Bond Counsel and Disclosure Counsel
Fulbright & Jaworski L.L.P.
Los Angeles, California

Trustee
U.S. Bank National Association
San Francisco, California
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REMARKETING MEMORANDUM

$166,155,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
SALES TAX REVENUE REFUNDING BONDS

$66,575,000 Variable Rate Demand Bonds 2008 Series A
$49,790,000 Variable Rate Demand Bonds 2008 Series B
$49,790,000 Variable Rate Demand Bonds 2008 Series C

INTRODUCTION

General

This Remarketing Memorandum, which includes the cover page and the appendices hereto, sets forth certain information in connection with the remarketing by the Santa Clara Valley Transportation Authority (the “Authority”) of $66,575,000 of Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series A, $49,790,000 of Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series B and $49,790,000 of Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series C (collectively, the “2008 Series Bonds”). The 2008 Series Bonds were issued pursuant to the Indenture, dated as of November 1, 1997, as supplemented and amended, including by a Seventh Supplemental Indenture, dated as of June 1, 2008 (the “Seventh Supplemental Indenture”), each between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Indenture as so supplemented and amended and as further supplemented and amended from time to time pursuant to its terms is hereinafter referred to as the “Indenture.” All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,” or, if not defined therein, shall have the meanings assigned to such terms in the Indenture.

Authority for Issuance

The 2008 Series Bonds, were issued by the Authority under and pursuant to the Santa Clara Valley Transportation Authority Act, being Sections 100000 et seq. of the California Public Utilities Code and the provisions of the Revenue Bond Law of 1941, being Section 54300 et seq. of the California Government Code as referenced in the Santa Clara Valley Transportation Authority Act (collectively, the “Act”).

Purpose and Application of Proceeds

The 2008 Series Bonds were issued to refund on a current basis $67,565,000 aggregate principal amount of the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2005 Series A (the “2005 Series A Bonds”), $50,510,000 aggregate principal amount of the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2005 Series B (the “2005 Series B Bonds”) and $50,510,000 aggregate principal amount of the 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, collectively, the “Prior Bonds”). In addition, a portion of the proceeds of the 2008 Series Bonds were used to pay the costs of issuance of the 2008 Series Bonds.
Security

The 2008 Series Bonds are limited obligations of the Authority secured by a pledge of senior lien sales tax revenues (the “1976 Sales Tax Revenues”) derived from a one-half of one percent (0.5%) retail transactions and use tax (the “1976 Sales Tax”), imposed in accordance with the Act and the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251 et seq.), net of an administrative fee paid to the California State Board of Equalization (the “Board of Equalization”) in connection with the collection and disbursement of the 1976 Sales Tax. The 1976 Sales Tax was approved by more than two-thirds of the electorate of the County of Santa Clara (the “County”) voting on the ballot measure by special election in 1976 and does not expire. The 2008 Series Bonds are further secured by a pledge of certain amounts held by the Trustee under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of 1976 Sales Tax Revenues and Certain Amounts Held by Trustee” herein.

The 2008 Series Bonds are secured by the 1976 Sales Tax Revenues on a parity basis with:

- the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2001 Series A (the “2001 Series Bonds”), $3,455,000 of which are currently outstanding,
- the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2007 Series A (the “2007 Series Bonds”), $24,525,000 of which are currently outstanding; and
- regularly scheduled payments to be made by the Authority pursuant to interest rate swap agreements originally entered into in connection with the Prior Bonds (the “Swap Agreements”).

The 2001 Series Bonds, the 2007 Series Bonds and the Swap Agreements are hereinafter referred to as the “Existing 1976 Senior Lien Obligations.”

Additional Bonds and other obligations secured by a pledge of the 1976 Sales Tax Revenues on a parity with the 2008 Series Bonds and the Existing 1976 Senior Lien Obligations may hereafter be issued or incurred. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds and Parity Debt” herein. The Existing 1976 Senior Lien Obligations, the 2008 Series Bonds and any additional bonds hereafter authorized by, and at any time Outstanding under the Indenture, are referred to collectively herein as the “Bonds.”

Limited Obligations


Liquidity Facilities

Pursuant to a Standby Bond Purchase Agreement, dated as of April 1, 2011 (the “State Street Liquidity Facility”), between the Authority and State Street Bank and Trust Company (“State Street”),
State Street will provide funds for the purchase of the 2008 Series A Bonds and the 2008 Series C Bonds that are tendered for optional or mandatory purchase but are not remarketed. Pursuant to a Standby Bond Purchase Agreement, dated as of April 1, 2011 (the “Barclays Liquidity Facility” and, together with the State Street Liquidity Facility, the “Liquidity Facilities”), between the Authority and Barclays Bank plc (“Barclays Bank” and, together with State Street, the “Liquidity Facility Providers”), Barclays Bank will provide funds for the purchase of the 2008 Series B Bonds that are tendered for optional or mandatory purchase but are not remarketed. The State Street Liquidity Facility is not available to provide liquidity support for the 2008 Series A Bonds and the Barclays Liquidity Facility is not available to provide liquidity support for the 2008 Series A Bonds or the 2008 Series C Bonds. Each of the Liquidity Facilities will expire on April __, 2014, unless extended or earlier terminated upon the occurrence of certain events (in accordance with their respective terms) including termination at the direction of the Authority. Under certain circumstances described herein, the obligation of the Liquidity Facility Providers to provide funds for the purchase of 2008 Series Bonds may be terminated immediately without notice to the Owners of the 2008 Series Bonds and without a mandatory tender of the 2008 Series Bonds. Under the Liquidity Facilities, Special Events of Default are Automatic Termination Events under the Indenture. See “THE LIQUIDITY FACILITY PROVIDERS AND THE LIQUIDITY FACILITIES” herein.

Swap Agreements

In connection with the issuance of the Prior Bonds, the Authority entered into the Swap Agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P., Citibank, N.A., New York, and Morgan Stanley Capital Services Inc. (each a “Counterparty” and, collectively, the “Counterparties”), respectively. Each Swap Agreement took effect on the date of issuance of the series of the Prior Bonds to which such Swap Agreement relates and is scheduled to terminate on June 1, 2026. Under the terms of each of the Swap Agreements, the Authority has agreed to pay to each of the Counterparties a fixed rate of interest and each of the Counterparties has agreed to pay to the Authority a floating rate of interest, based on amortizing notional amounts corresponding to the Prior Bonds and tied to a formula based on a percentage of USD-LIBOR-BBA. In connection with the refunding of the Prior Bonds, the rate of the Swap Agreements were adjusted based on market conditions to enable the swaps to be qualified hedges with respect to the 2008 Series Bonds. See “OUTSTANDING 1976 SALES TAX OBLIGATIONS – Swap Agreements” herein.

References

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

THE AUTHORITY

The Authority is an independent public agency responsible for bus and light rail operations in the County, regional commuter and inter-city rail service, ADA paratransit service, congestion management, specific highway improvement and other transportation projects, and countywide transportation planning and funding. A map showing the Authority’s bus and rail transit service area is set forth on the page prior to the table of contents to this Remarketing Memorandum. The Authority was created in 1972 pursuant to the Santa Clara County Transit District Act. Prior to January 1, 1995, the County Board of Supervisors served as the Board of Directors of the Authority. Effective January 1, 1995, pursuant to State legislation, the Authority has operated under a separate Board of Directors composed of representatives of the County
and cities within the County. On January 1, 2000, pursuant to State legislation, the Authority’s name was officially changed from the Santa Clara County Transit District.

For a more complete description of the Authority and its operations, see APPENDIX A – “SANTA CLARA VALLEY TRANSPORTATION AUTHORITY.”

THE 2008 SERIES BONDS

This Remarketing Memorandum provides information with respect to the 2008 Series Bonds while bearing interest at Weekly or Daily Rates only. Owners and prospective purchasers of the 2008 Series Bonds should not rely on this Remarketing Memorandum for information concerning 2008 Series Bonds bearing interest at rates other than the Weekly or Daily Rates. During the term of the Barclays Liquidity Facility, the 2008 Series B Bonds that are not Bank Bonds may bear interest only at Weekly Rates.

Each 2008 Series Bonds will be remarketed independently of each other Series. The definitions and provisions described herein shall apply generally to each 2008 Series Bonds while bearing interest at Weekly or Daily Rates unless otherwise noted.

General

The 2008 Series Bonds are dated their date of delivery (June 26, 2008) and will mature on June 1, 2026, subject to prior redemption. The 2008 Series Bonds currently bear interest at Weekly Rates. During a Weekly Rate Period, interest on the 2008 Series Bonds shall be payable on first Business Day of each month and shall be computed on the basis of a 365/366-day year for the actual number of days elapsed. The 2008 Series Bonds were issued in fully registered form without coupons and are registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”) New York, New York, the initial Securities Depository for the 2008 Series Bonds.

The 2008 Series Bonds are in book-entry only form pursuant to a book-entry system (the “Book-Entry System”). While the 2008 Series Bonds are in the Book-Entry System, the provisions described in APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” shall apply and the term “Owner” as used herein shall refer to DTC or its nominee as the registered owner of the 2008 Series Bonds. Payments to beneficial owners of the 2008 Series Bonds, including payment of Purchase Price to the beneficial owners of the 2008 Series Bonds, will be made in accordance with the provisions described in APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.”

Unless otherwise specified herein, all references to a particular time are to New York City Time.

Determination of Interest Rate on 2008 Series Bonds

Interest on the 2008 Series Bonds will initially be calculated based on a Weekly Rate. From time to time, the Authority may convert any Series of the 2008 Series Bonds from one interest rate mode (each, a “Mode”) to a different Mode, which may be a Daily Mode, a Flexible Mode, a Term Rate Mode, a Fixed Rate Mode or an ARS Mode (other than any Series of 2008 Series Bonds in a Fixed Rate Mode). As set forth below under the subcaption “Conversion to Other Interest Rate Modes,” the Authority may effect a change in Mode with respect to all of any Series of 2008 Series Bonds by following the procedures set forth in the Indenture and described under this caption. The interest rate during any particular period (an “Interest Period”) will be determined by the applicable Remarketing Agent as described below and will be in effect for, and adjust at the expiration of, the applicable Interest Period.
Determination of Interest Rates During the Daily Mode and the Weekly Mode

The interest rate for 2008 Series Bonds in the Daily Mode or Weekly Mode shall be the rate of interest per annum determined by the applicable Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the applicable Remarketing Agent under then-existing market conditions, would result in the sale of such 2008 Series Bonds in the Daily Rate Period or Weekly Rate Period, as applicable, at a price equal to 100% of the principal amount thereof. The interest rate shall not exceed the Maximum Rate.

During the Daily Mode, the applicable Remarketing Agent shall establish the Daily Rate by 10:00 A.M. on each Rate Determination Date. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Rate Determination Date. The applicable Remarketing Agent shall make the Daily Rate available no less frequently than once each week by telephone or Electronic Means to the Authority, each other Notice Party and to any Beneficial Owner requesting such rate.

During the Weekly Mode, the applicable Remarketing Agent shall establish the Weekly Rate by 5:00 P.M. on each Rate Determination Date. The Weekly Rate shall be in effect during the applicable Weekly Rate Period. The Remarketing Agent shall make the Weekly Rate available no later than 5:00 P.M. on the Business Day following the Rate Determination Date by telephone or Electronic Means to the Authority, each other Notice Party and to any Beneficial Owner requesting such rate.

In the event: (i) the applicable Remarketing Agent fails or is unable to determine the interest rate for any 2008 Series Bond, (ii) the method by which the applicable Remarketing Agent determines the interest rate with respect to any 2008 Series Bond shall be held to be unenforceable by a court of law of competent jurisdiction, or (iii) the applicable Remarketing Agent suspends its remarketing effort in accordance with the applicable Remarketing Agreement, then the affected 2008 Series Bonds shall bear interest during each subsequent Interest Period at the Alternate Rate in effect on the first day of such Interest Period. The provisions of the Indenture described in the immediately preceding sentence shall continue to apply to the affected 2008 Series Bonds until such time as the events described in clauses (i), (ii) or (iii) above are no longer applicable to such 2008 Series Bonds and the applicable Remarketing Agent again determines the interest rate. In the case of clause (ii) above, the applicable Remarketing Agent shall again make such determination at such time as there is delivered to the applicable Remarketing Agent and the Authority an opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determination.

Conversion to Other Interest Rate Modes

General. The 2008 Series Bonds currently bear interest at a Weekly Rate. The Indenture provides that the Authority may elect to adjust the interest rate on any Series of 2008 Series Bonds to a Daily Rate, a Flexible Rate, a Term Rate, a Fixed Rate or an ARS Rate, in each case in accordance with the provisions set forth in the Indenture and the Liquidity Facilities.

Notice to Owners. Notice of the proposed change in Mode, unless otherwise specified in the Indenture, shall be given by the Trustee to the Holders of the affected Series of 2008 Series Bonds not less than the 15th day next preceding the applicable Mode Change Date; provided that no notice need be given for a Mode Change Date occurring on the first Business Day following the last day of a Flexible Rate Period or a Term Rate Mode or on a Substitution Date. Such notice shall state the Mode to which the conversion will be made (hereinafter referred to as the “New Mode”) and the proposed Mode Change Date and, if applicable, shall be combined with the notice of mandatory purchase required to be delivered by the Trustee pursuant to the provisions of the Indenture. If the Book-Entry System is no longer in
effect, such notice shall also provide information with respect to required delivery of 2008 Series Bond certificates and procedures for payment of Purchase Price.

**Determination of Interest Rates.** The New Mode shall commence on the Mode Change Date and the interest rate(s) (together, in the case of a change to the Flexible Mode, with the Interest Period(s)) shall be determined by the applicable Remarketing Agent (or the Authority in the case of the Interest Period for 2008 Series Bonds being converted to the Term Rate Mode) in the manner provided in the Indenture.

**Conditions Precedent.** In the case of a change from the Daily or Weekly Mode, the Mode Change Date shall be any Business Day.

The following items shall have been delivered to the Authority, the Trustee and the applicable Remarketing Agent on or prior to the Mode Change Date:

1. in the case of a change from any Mode other than a change from a Daily Mode to a Weekly Mode or a change from a Weekly Mode to a Daily Mode, a Favorable Opinion of Bond Counsel, dated the Mode Change Date; and

2. if there is to be a Liquidity Facility delivered in connection with such change, evidence that such Alternate Liquidity Facility is in an amount equal to the Required Stated Amount and meets such other requirements as are specified in the Indenture.

**Failure to Satisfy Conditions Precedent to a Mode Change.** In the event the conditions described above have not been satisfied by the applicable Mode Change Date, then the New Mode shall not take effect (although any mandatory purchase shall be made on such date if notice has been sent to the Holders stating that such 2008 Series Bonds would be subject to mandatory purchase on such date). If the failed change in Mode was from the Daily Mode, the affected 2008 Series Bonds shall remain in the Daily Mode, and if the failed change in Mode was from the Weekly Mode, the affected 2008 Series Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of the Indenture on and as of the failed Mode Change Date.

**Rescission of Election.** Notwithstanding anything in the Indenture to the contrary, the Authority may rescind any election made by the Authority to change a Mode as described above prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to such Mode Change Date. If the Trustee receives notice of such rescission prior to the time the Trustee has given notice to the holders of the Converted Portion, then such notice of change in Mode shall be of no force and effect. If the Trustee receives notice from the Authority of rescission of a Mode change after the Trustee has given notice thereof to the Holders of the affected 2008 Series Bonds, then if the proposed Mode Change Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date. If the proposed change in Mode was from the Daily Mode, the affected 2008 Series Bonds shall remain in the Daily Mode, and if the proposed change in Mode was from the Weekly Mode, the affected 2008 Series Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of the Indenture on and as of the proposed Mode Change Date. If the applicable Remarketing Agent is unable to determine the interest rate on the proposed Mode Change Date, the provisions of the Indenture describing the determination of interest rates in the event of the failure of the applicable Remarketing Agent to set the interest rate shall apply. See “Determination of Interest Rate on 2008 Series Bonds” above.
Optional Tender and Mandatory Purchase Provisions

**Book-Entry Tenders.** All tenders for purchase during any period in which the 2008 Series Bonds are registered in the name of Cede & Co. (or the nominee of any successor Securities Depository) shall be subject to the terms and conditions set forth in the Representations Letter delivered by the Authority to DTC and to any regulations promulgated by DTC (or any successor Securities Depository). Beneficial Holders will not have any rights to tender 2008 Series Bonds directly to the Trustee.

**Optional Tender.** Subject to the provisions of the Indenture relating to Book-Entry Tenders described above, Beneficial Holders of 2008 Series Bonds in a Daily Mode or a Weekly Mode may elect to have their 2008 Series Bonds (or portions of those 2008 Series Bonds in amounts equal to Authorized Denominations) purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a Tender Notice to the Trustee by the Tender Notice Deadline. Immediately upon receipt of a Tender Notice, the Trustee shall notify the applicable Remarketing Agent and provide the applicable Remarketing Agent with a copy of such Tender Notice.

Upon immediate termination without notice of a Liquidity Facility provided in connection with any Series of 2008 Series Bonds due to the reduction in the long-term rating assigned to such Series of 2008 Series Bonds below “Baa3” by Moody’s and “BBB-” by Standard & Poor’s or the withdrawal or suspension of such long-term ratings for credit-related reasons relating to the credit of the Authority, notwithstanding any other provision of the Indenture to the contrary, no 2008 Series Bond of the affected Series shall be purchased as described above until such time as a Liquidity Facility meeting the requirements of the Indenture is provided by the Authority with respect to such Series of 2008 Series Bonds.

**Mandatory Purchase on Mandatory Purchase Date.** Subject to the provisions of the Indenture relating to Book-Entry Tenders described above, the 2008 Series Bonds shall be subject to mandatory purchase on each Mandatory Purchase Date. The Trustee shall give notice of such mandatory purchase by mail to the Holders of the 2008 Series Bonds subject to mandatory purchase no less than 15 days prior to the applicable Mandatory Purchase Date.

Any notice shall state the Mandatory Purchase Date, the Purchase Price, and shall identify which Series of the 2008 Series Bonds are to be purchased. Such notice shall also state that interest on 2008 Series Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2008 Series Bond shall not affect the validity of the mandatory purchase of any other 2008 Series Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Owner.

**Termination or Suspension of Liquidity Facilities Prior to Expiration Date**

The obligation of the Liquidity Facility Providers to provide funds for the purchase of tendered Bonds pursuant to the respective Liquidity Facilities will be terminated or suspended without prior notice upon the occurrence of certain defaults as is set forth in the respective Liquidity Facilities. See “THE LIQUIDITY FACILITY PROVIDERS AND THE LIQUIDITY FACILITIES” herein. The Trustee will provide notice to the Owners of the affected 2008 Series Bonds as soon as practicable after receipt of notice of such termination or suspension from the Liquidity Facility Providers.
Source of Funds for Purchase of 2008 Series Bonds

The Trustee shall purchase tendered 2008 Series Bonds from the tendering Owners at the applicable Purchase Price by wire transfer in immediately available funds. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and neither the Trustee nor the applicable Remarketing Agent shall be obligated to provide funds from any other source:

(a) immediately available funds on deposit in the applicable Remarketing Proceeds Account;
(b) immediately available funds on deposit in the applicable Liquidity Facility Account; and
(c) in the Authority’s sole discretion, moneys of the Authority that may lawfully be used for such purpose.

Insufficient Funds for Tenders

If sufficient funds are not available to pay the Purchase Price of all tendered 2008 Series Bonds to be purchased on any Purchase Date (such 2008 Series Bonds being hereinafter referred to as the “Tendered Variable Rate Bonds”), then (i) no purchase shall be consummated on such Purchase Date; (ii) all such Tendered Variable Rate Bonds shall be returned to the Owners thereof; (iii) all remarketing proceeds shall be returned to the applicable Remarketing Agent for return to the Persons providing such moneys; and (iv) such insufficiency shall not constitute an Event of Default under the Indenture.

All such Tendered Variable Rate Bonds of the applicable Series shall bear interest at the Maximum Rate during the period of time (such period being hereinafter referred to as a “Delayed Remarketing Period”) from and including the applicable Purchase Date to (but not including) the date that all such Tendered Variable Rate Bonds are successfully remarkedeted.

The Authority may direct the conversion of such Tendered Variable Rate Bonds to a different Mode during the Delayed Remarketing Period in accordance with the provisions of the Indenture described above under the subcaption “Conversion to Other Interest Rate Modes”; provided that the Authority shall not be required to comply with the notice requirements set forth in the Indenture and described herein under such caption.

During a Delayed Remarketing Period, the applicable Remarketing Agent shall continue to use its best efforts to remarket such Tendered Variable Rate Bonds. Once the applicable Remarketing Agent has advised the Trustee that the Remarketing Agent has a good faith belief that it is able to remarket all of the Tendered Variable Rate Bonds, the Trustee will give notice by mail to the Owners of such Tendered Variable Rate Bonds not later than 5 Business Days prior to the Purchase Date, which notice will state: (i) that such Tendered Variable Rate Bonds will be subject to mandatory tender for purchase on the proposed Purchase Date; (ii) the proposed Purchase Date; (iii) the Mode to be applicable to such Tendered Variable Rate Bonds from and after the proposed Purchase Date; (iv) the procedures for such mandatory tender for purchase; (v) the Purchase Price applicable to such Tendered Variable Rate Bonds; and (vi) the consequences of a failed remarketing.

During the Delayed Remarketing Period, the Trustee may, upon direction of the Authority, apply amounts on deposit in the Redemption Fund to the redemption of such Tendered Variable Rate Bonds, as a whole or in part on any Business Day during the Delayed Remarketing Period, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium. Notwithstanding any provisions of the Indenture to the contrary, the
Trustee shall give five Business Days’ notice of such redemption to the Owners of the 2008 Series Bonds to be redeemed.

During the Delayed Remarketing Period, interest on such Tendered Variable Rate Bonds shall be paid to the Owners thereof (i) on the first Business Day of each calendar month occurring during such Delayed Remarketing Period and (ii) on the day after the last day of such Delayed Remarketing Period.

Redemption

Optional Redemption of 2008 Series Bonds in the Daily Mode or the Weekly Mode. While in the Daily Mode or the Weekly Mode, 2008 Series Bonds are subject to optional redemption by the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price equal to the principal amount thereof, plus, accrued interest, if any, to the date fixed for redemption of such 2008 Series Bonds; provided that Liquidity Facility Bonds of the applicable Series of 2008 Series Bonds shall be redeemed prior to any other 2008 Series Bonds of such Series.

Mandatory Sinking Fund Redemption of 2008 Series Bonds. The 2008 Series A Bonds shall be redeemed by mandatory sinking fund redemption, without premium, on June 1 in each of the years and in the principal amounts set forth below:

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<th>Year</th>
<th>Principal Amount</th>
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<td>2021</td>
<td>4,710,000</td>
</tr>
<tr>
<td>2022</td>
<td>6,055,000</td>
</tr>
<tr>
<td>2023</td>
<td>6,245,000</td>
</tr>
<tr>
<td>2024</td>
<td>6,450,000</td>
</tr>
<tr>
<td>2025</td>
<td>6,655,000</td>
</tr>
<tr>
<td>2026*</td>
<td>6,875,000</td>
</tr>
</tbody>
</table>

*Maturity.

The 2008 Series B Bonds shall be redeemed by mandatory sinking fund redemption, without premium, on June 1 in each of the years and in the principal amounts set forth below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$ 380,000</td>
</tr>
<tr>
<td>2012</td>
<td>1,395,000</td>
</tr>
<tr>
<td>2013</td>
<td>1,425,000</td>
</tr>
<tr>
<td>2014</td>
<td>1,360,000</td>
</tr>
<tr>
<td>2015</td>
<td>1,365,000</td>
</tr>
<tr>
<td>2016</td>
<td>3,045,000</td>
</tr>
<tr>
<td>2017</td>
<td>3,135,000</td>
</tr>
<tr>
<td>2018</td>
<td>3,230,000</td>
</tr>
<tr>
<td>2019</td>
<td>$3,325,000</td>
</tr>
<tr>
<td>2020</td>
<td>3,425,000</td>
</tr>
<tr>
<td>2021</td>
<td>3,525,000</td>
</tr>
<tr>
<td>2022</td>
<td>4,530,000</td>
</tr>
<tr>
<td>2023</td>
<td>4,680,000</td>
</tr>
<tr>
<td>2024</td>
<td>4,830,000</td>
</tr>
<tr>
<td>2025</td>
<td>4,990,000</td>
</tr>
<tr>
<td>2026*</td>
<td>5,150,000</td>
</tr>
</tbody>
</table>

*Maturity.
The 2008 Series C Bonds shall be redeemed by mandatory sinking fund redemption, without premium, on June 1 in each of the years and in the principal amounts set forth below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal Amount</th>
<th>Year</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$380,000</td>
<td>2019</td>
<td>$3,325,000</td>
</tr>
<tr>
<td>2012</td>
<td>1,395,000</td>
<td>2020</td>
<td>3,425,000</td>
</tr>
<tr>
<td>2013</td>
<td>1,425,000</td>
<td>2021</td>
<td>3,525,000</td>
</tr>
<tr>
<td>2014</td>
<td>1,360,000</td>
<td>2022</td>
<td>4,530,000</td>
</tr>
<tr>
<td>2015</td>
<td>1,365,000</td>
<td>2023</td>
<td>4,680,000</td>
</tr>
<tr>
<td>2016</td>
<td>3,045,000</td>
<td>2024</td>
<td>4,830,000</td>
</tr>
<tr>
<td>2017</td>
<td>3,135,000</td>
<td>2025</td>
<td>4,990,000</td>
</tr>
<tr>
<td>2018</td>
<td>3,230,000</td>
<td>2026*</td>
<td>5,150,000</td>
</tr>
</tbody>
</table>

*Maturity.

No notice of redemption is required to be given with respect to any redemption occurring on a Mandatory Purchase Date.

**Notice of Redemption; Conditional Notice.** Notice of redemption shall be mailed by the Trustee, not less than 15 nor more than 30 days prior to the redemption date, to each Owner and each of the Repositories. A copy of such notice shall also be provided to each of the Notice Parties. Notice of redemption to the Holders, the Repositories and the applicable Notice Parties shall be given by first class mail. Failure by the Trustee to give notice to any Notice Party or any one or more of the Repositories or failure of any Owner, any Notice Party or any Repository to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

With respect to any notice of optional redemption of 2008 Series Bonds, unless, upon the giving of such notice, such 2008 Series Bonds shall be deemed to have been paid in accordance with the provisions of the Indenture, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such 2008 Series Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such 2008 Series Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

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

**Effect of Redemption.** Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2008 Series Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2008 Series Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the 2008 Series Bonds so called for redemption shall cease to accrue, said 2008 Series Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said 2008 Series Bonds shall have no
rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the redemption date.

All 2008 Series Bonds redeemed pursuant provisions of the Indenture shall be cancelled upon surrender thereof.

**Mandatory Purchase in Lieu of Redemption.** Each Owner, by purchase and acceptance of any 2008 Series Bond irrevocably grants to the Authority the option to purchase such 2008 Series Bond, on any date such 2008 Series Bond is subject to optional redemption provided in the Indenture at a purchase price equal to the Redemption Price then applicable to such 2008 Series Bond plus accrued interest thereon to the date of purchase. In order to exercise such option, the Authority shall deliver to the Trustee a Favorable Opinion of Bond Counsel and shall direct the Trustee to provide notice of mandatory purchase in lieu of redemption, such notice to be provided, as and to the extent applicable, in accordance with the provisions of the Indenture relating to the mandatory purchase of 2008 Series Bonds on Mandatory Purchase Dates. On the date fixed for purchase of any 2008 Series Bond pursuant to the provisions of the Indenture described herein, the Authority shall pay the purchase price of such 2008 Series Bond to the Trustee in immediately available funds and the Trustee shall pay the same to the Holders of 2008 Series Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such 2008 Series Bonds in accordance with the written instructions of the Authority. No Owner may elect to retain a 2008 Series Bond subject to mandatory purchase pursuant to the provisions of the Indenture described herein.

In the event that the Authority lacks sufficient funds to pay the purchase price of any 2008 Series Bond subject to mandatory purchase in lieu of redemption on the date fixed for such purchase, the Authority shall cancel such mandatory purchase in lieu of redemption and shall return each such 2008 Series Bond to the Owner who shall have tendered such 2008 Series Bond for mandatory purchase in lieu of redemption. The Trustee shall give notice that such mandatory purchase was not effected promptly following the date fixed for such purchase. Any failure to pay the purchase price of any 2008 Series Bond subject to mandatory purchase in lieu of redemption shall not constitute an Event of Default under the Indenture.

**Special Considerations Relating to the 2008 Series Bonds**

**The Remarketing Agents Are Paid by the Authority.** The responsibilities of each Remarketing Agent include determining the interest rate from time to time and remarketing 2008 Series Bonds of the applicable Series that are tendered by the owners thereof for optional or mandatory purchase (subject, in each case, to the terms of the Remarketing Agreement entered into by such Remarketing Agent), all as further described in this Remarketing Memorandum. Each Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agents may differ from those of existing Owners and potential purchasers of 2008 Series Bonds.

**The Remarketing Agents Routinely Purchase 2008 Series Bonds for their Own Accounts.** Each Remarketing Agent acts as a remarketing agent for a variety of variable rate demand obligations in addition to the 2008 Series Bonds for which it serves as Remarketing Agent and, in its sole discretion, routinely purchases such obligations for its own account. Each Remarketing Agent is permitted, but not obligated, to purchase tendered 2008 Series Bonds for its own account and, in its sole discretion, routinely acquires such tendered 2008 Series Bonds in order to achieve a successful remarketing of the 2008 Series Bonds (i.e., because there otherwise are not enough buyers to purchase the 2008 Series Bonds) or for other reasons. However, no Remarketing Agent is obligated to purchase 2008 Series Bonds, and may cease doing so at any time without notice. If a Remarketing Agent ceases to purchase 2008 Series Bonds, it may be necessary for the Trustee to draw on the applicable Liquidity Facility. Each Remarketing Agent
may also make a market in the 2008 Series Bonds by routinely purchasing and selling 2008 Series Bonds
other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales
must be at fair market value, which may be at or below par. However, no Remarketing Agent is required
to make a market in any 2008 Series Bonds. Each Remarketing Agent may also sell any 2008 Series
Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into
derivative arrangements with affiliates or others in order to reduce its exposure to the 2008 Series Bonds.
The purchase of 2008 Series Bonds by the Remarketing Agents may create the appearance that there is
greater third party demand for the 2008 Series Bonds in the market than is actually the case. The
practices described above also may result in fewer 2008 Series Bonds being tendered in a remarketing.

2008 Series Bonds May Be Offered at Different Prices on Any Date Including a Rate
Determination Date. Pursuant to each Remarketing Agreement, each Remarketing Agent is required to
determine the minimum rate of interest which, in its opinion, under then-existing market conditions,
would result in the sale of the applicable 2008 Series Bonds at a price equal to 100% of the principal
amount thereof on the applicable Rate Determination Date. At the time a new interest rate becomes
effective, the applicable Remarketing Agent is required to use its best efforts to remarket the applicable
2008 Series Bonds at par. Each interest rate will reflect, among other factors, the level of market demand
for the applicable 2008 Series Bonds (including whether the applicable Remarketing Agent is willing to
purchase 2008 Series Bonds for its own account). There may or may not be 2008 Series Bonds tendered
and remarketed on a Rate Determination Date, the applicable Remarketing Agent may or may not be
able to remarket any 2008 Series Bonds tendered for purchase on such date at par and each Remarketing
Agent may sell 2008 Series Bonds at varying prices to different investors on such date or any other date.
No Remarketing Agent is obligated to advise purchasers in a remarketing if it does not have third party
buyers for all of the 2008 Series Bonds at the remarketing price. In the event a Remarketing Agent owns
any 2008 Series Bonds for its own account, it may, in its sole discretion in a secondary market transaction
outside the tender process, offer such 2008 Series Bonds on any date, including the Rate Determination
Date, at a discount to par to some investors.

The Ability to Sell 2008 Series Bonds other than through Tender Process May Be Limited.
Each Remarketing Agent may buy and sell 2008 Series Bonds other than through the tender process.
However, no Remarketing Agent is obligated to do so and may cease doing so at any time without notice
and may require Owners that wish to sell their 2008 Series Bonds to instead tender their 2008 Series
Bonds through the Trustee with appropriate notice. Thus, investors who purchase the 2008 Series Bonds,
whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008 Series
Bonds other than by tendering the 2008 Series Bonds in accordance with the tender process.

Under Certain Circumstances, a Remarketing Agent May Be Removed, Resign or Cease
Remarking the 2008 Series Bonds, without a Successor Being Named. Under certain circumstances, a
Remarketing Agent may be removed, may resign or may cease its remarketing efforts, without a
successor having been named, subject to the terms of the applicable Remarketing Agreement. In the
event there is no Remarketing Agent for a 2008 Series Bonds, the Trustee may assume certain duties as
described in the Indenture.

Dealing in 2008 Series Bonds by the Authority. To the extent permitted by law, the Authority
may in good faith buy, sell, own, hold and deal in any Bonds offered and sold by a Remarketing Agent
pursuant to a Remarketing Agreement, and such Remarketing Agent may in good faith remarket and sell
to the Authority any 2008 Series Bonds offered and sold by a Remarketing Agent pursuant to a
Remarking Agreement on the same basis as and without preference or priority over any other purchaser
or prospective purchaser of 2008 Series Bonds.
DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements on the 2008 Series Bonds and parity debt.

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>2008 Series Bonds Principal</th>
<th>2008 Series Bonds Interest&lt;sup&gt;(1)(2)&lt;/sup&gt;</th>
<th>2008 Series Bonds Annual Debt Service&lt;sup&gt;(2)&lt;/sup&gt;</th>
<th>Existing Debt Annual Debt Service&lt;sup&gt;(3)(3)&lt;/sup&gt;</th>
<th>Combined Debt Service&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
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<tr>
<td>2013</td>
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<tr>
<td>2014</td>
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<td></td>
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<tr>
<td>2015</td>
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<td>2016</td>
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<td>2017</td>
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<td>2024</td>
<td></td>
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<tr>
<td>2025</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>2026</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Debt service is calculated based on the fixed rate under the Swap Agreements of 3.145%.

<sup>(2)</sup> Totals may not add due to rounding.

<sup>(3)</sup> Includes debt service on the Existing 1976 Senior Lien Obligations.
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are limited obligations of the Authority secured by a pledge of 1976 Sales Tax Revenues and certain amounts held by the Trustee in the funds and accounts established under the Indenture. The Authority shall not be required to advance any moneys derived from any source other than 1976 Sales Tax Revenues and amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts in the Rebate Fund and any Purchase Fund for Bonds subject to purchase, and pledged under the Indenture, including interest earnings on such amounts, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of the Indenture.


Pledge of 1976 Sales Tax Revenues and Certain Amounts Held by Trustee

All 1976 Sales Tax Revenues are irrevocably pledged by the Authority on a senior lien basis to secure the punctual payment of the principal of, premium, if any, and interest on the Bonds and Parity Debt, each in accordance with their terms, and the 1976 Sales Tax Revenues shall not be used for any other purpose while any of the Bonds or Parity Debt remain Outstanding, except as permitted by the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, as described below. Notwithstanding the foregoing, payment of Purchase Price of the 2008 Series Bonds is not secured by a pledge of 1976 Sales Tax Revenues. Pursuant to the Indenture, the pledge of 1976 Sales Tax Revenues constitutes a first lien to secure the Bonds and Parity Debt and regularly scheduled payments on the Swap Agreements (hereinafter referred to as the “Parity Swap Payments”). The pledge of 1976 Sales Tax Revenues is irrevocable until all Bonds issued under the Indenture, including the 2008 Series Bonds, and all Parity Debt are no longer Outstanding.

The 1976 Sales Tax Revenues pledged to the payment of the Bonds and Parity Debt shall be applied without priority or distinction of one over the other and the 1976 Sales Tax Revenues shall constitute a trust fund for the security and payment of the Bonds and Parity Debt; but nevertheless out of 1976 Sales Tax Revenues certain amounts may be applied for other purposes as provided in the Indenture.


Additionally, there are pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds in accordance with their terms all amounts held by the Trustee under the Indenture (except for amounts held in the Rebate Fund and any Purchase Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.
Revenue Fund; Allocation of 1976 Sales Tax Revenues

As long as any Bonds are Outstanding or any Parity Debt remains unpaid, the Authority has assigned the 1976 Sales Tax Revenues to the Trustee and shall cause the Board of Equalization to transmit the same directly to the Trustee. The 1976 Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Owners of the Bonds and Parity Debt. The Trustee shall forthwith deposit all 1976 Sales Tax Revenues in the Revenue Fund, maintained and held in trust by the Trustee, when and as such 1976 Sales Tax Revenues are received by the Trustee. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts; Allocation of 1976 Sales Tax Revenues.” Investment income on amounts held by the Trustee (other than amounts held in the Rebate Fund or for which particular instructions are provided) shall also be deposited in the Revenue Fund.

In each month while Bonds remain Outstanding, the Trustee is required to set aside receipts of 1976 Sales Tax Revenues 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 Debt shall be made on a parity basis each month, as provided in the Indenture):

1. **Interest Fund.** The Indenture requires the Trustee to make monthly deposits in the Interest Fund in an amount equal to one-sixth of the aggregate half-yearly amount of interest (calculated at the rate of 12% per annum if the actual rate of interest is not known) becoming due and payable on Outstanding Bonds during the ensuing six-month period. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of 1976 Sales Tax Revenues.”

2. **Principal Fund; Sinking Accounts.** The Indenture also requires the Trustee to make monthly deposits in the Principal Fund in an amount equal to at least (a) one-sixth of the aggregate semiannual amount of principal, accreted value, if applicable, and mandatory sinking account payments becoming due and payable within the next six months on Outstanding Bonds having semiannual maturity dates and mandatory sinking account redemption, plus (b) one-twelfth of the aggregate yearly amount of principal, accreted value, if applicable, and mandatory sinking account payments becoming due and payable within the next twelve months on Outstanding Bonds having annual maturity dates and mandatory sinking account redemption.

After the allocations described above have been made on a monthly basis, any funds remaining in the Revenue Fund are transferred by the Trustee to Wells Fargo Bank, National Association, as successor trustee (the “Junior Lien Trustee”) under that certain Indenture, dated as of March 1, 1998 (as supplemented and amended pursuant to its terms, the “Junior Lien Indenture”), between the Authority and the Junior Lien Trustee. Such funds are to be applied by the Junior Lien Trustee as specified in the Junior Lien Indenture to the payment of the principal of, redemption premium, if any, and interest on bonds issued, and parity debt incurred, pursuant to the Junior Lien Indenture, and reserve fund requirements with respect thereto. As of the date of this Remarketing Memorandum, obligations issued or incurred pursuant to the Junior Lien Indenture consist of the Santa Clara County Transit District Junior Lien Sales Tax Revenue Bonds, 1998 Series A (the “1998 Junior Lien Bonds”) and the Santa Clara County Transportation Authority Junior Lien Sales Tax Revenue Bonds, 2000 Series A (the “2000 Junior Lien Bonds” and, together with the 1998 Junior Lien Bonds, collectively, the “Junior Lien Obligations”). After payment of Junior Lien Obligations, any remaining funds are available to pay termination payments, if any, under the Swap Agreements.
Liquidity Facility Providers’ fees and expenses are paid on a basis subordinate to the Bonds, but prior to any payments on the Junior Lien Obligations.

After making the foregoing allocations, all remaining funds are available to the Authority for any lawful Authority purposes.

**Bond Reserve Fund**

The Bond Reserve Requirement as of any date of calculation shall be zero dollars ($0), except that if 1976 Sales Tax Revenues during the immediately preceding Fiscal Year do not cover Maximum Annual Debt Service by at least 3.00 times, the Authority shall be required to fund the Bond Reserve Fund in an amount equal to the amount specified in the definition of Bond Reserve Requirement set forth in the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

In the event the Authority shall be required to fund the Bond Reserve Fund, the Bond Reserve Requirement with respect to any Series of Bonds bearing interest at a fixed rate means an amount not less than the lesser of: (i) 10% of the aggregate original principal amount of such Series (less any original issue discount); (ii) 125% of Average Annual Debt Service for such Series; or (iii) 100% of Maximum Annual Debt Service for such Series as of any date of calculation. The Bond Reserve Requirement for any Series of 2008 Series Bonds shall have the same meaning, provided, however, that the assumed fixed rate to be utilized in calculating the Bond Reserve Requirement shall be calculated in the following manner: (i) if a Swap Agreement (or another variable to fixed rate swap) relates to such Series of 2008 Series Bonds, then the assumed fixed rate shall be the fixed rate payable by the Authority under such Swap Agreement or such other swap; and (ii) if there is no variable to fixed rate swap that relates to such Series of 2008 Series Bonds which satisfies (i) above, then the assumed fixed rate to be utilized shall be the rate set forth in the first Revenue Bond Index published by The Bond Buyer during January of the year immediately following the Fiscal Year in which 1976 Sales Tax Revenues did not equal at least 3.00 times Maximum Annual Debt Service.

Except as otherwise permitted by the Indenture, at such time as the Bond Reserve Fund is required to be funded due to a decrease in the coverage of 1976 Sales Tax Revenues over Maximum Annual Debt Service below 3.00 times, the Authority shall make or cause to be made, within one year, a deposit or deposits into the Bond Reserve Fund equal to the Bond Reserve Requirement. Additionally, except as otherwise provided in the Indenture, the Trustee shall make deposits to the Bond Reserve Fund equal to the sum of (i) one-twelfth (1/12th) of the aggregate amount of each unreplenished prior withdrawal from the Bond Reserve Fund and (ii) the full amount of any deficiency due to any required valuation of the investments in the Bond Reserve Fund. In lieu of a cash deposit, the Authority may fulfill all or a portion of its obligation to fund the Bond Reserve Fund by depositing a letter of credit, surety bond or insurance policy, as provided in the Indenture. For a more complete discussion of the Bond Reserve Fund provisions, see APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts; Allocation of 1976 Sales Tax Revenues – Bond Reserve Fund” and “– Funding and Application of Bond Reserve Fund.”

**Additional Bonds and Parity Debt**

The Authority may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of 1976 Sales Tax Revenues on a parity with the Bonds, subject to compliance with the terms and provisions set forth in the Indenture.
Issuance of Additional Series of Bonds. The Authority may by Supplemental Indenture establish one or more Series of Bonds payable from 1976 Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, but only upon compliance by the Authority with the provisions of the Indenture. Certain of the applicable provisions of the Indenture are described below:

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

(b) The Supplemental Indenture providing for the issuance of such Series of additional Bonds shall require that the balance in the Bond Reserve Fund, forthwith upon the receipt of the proceeds of the sale of Bonds of such Series, be increased, if necessary, to an amount at least equal to the Bond Reserve Requirement with respect to all Bonds to be considered Outstanding upon the issuance of Bonds of such Series. Said deposit may be made from the proceeds of the sale of Bonds of such Series or from other funds of the Authority or from both such sources or in the form of a letter of credit or surety bond or insurance policy as described under “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funding and Application of Bond Reserve Fund.”

(c) The Authority shall have placed on file with the Trustee the report of the Authority, certifying that the lesser of (i) the amounts of 1976 Sales Tax Revenues for a period of twelve (12) consecutive months during the eighteen (18) months immediately preceding the date on which such Bonds will become outstanding, or (ii) the estimated 1976 Sales Tax Revenues for the Fiscal Year in which the Bonds are to be issued, will equal at least 2.00 times Maximum Annual Debt Service for all Series of Bonds and Parity Debt then Outstanding and the additional Series of Bonds then proposed to be issued.

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

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture summarized above under the subcaption “Issuance of Additional Series of Bonds”; provided, that Maximum Annual Debt Service on all Bonds and Parity Debt Outstanding following the issuance of such refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds and Parity Debt Outstanding prior to the issuance of such refunding Bonds.

Parity Debt. As defined in the Indenture, “Parity Debt” means any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money or interest rate swap agreement having an equal lien and charge upon the 1976 Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). As defined in the Indenture, the Parity Swap Payments constitute Parity Debt. The Authority may issue or incur additional Parity Debt payable on a parity with the Bonds and which will have, when issued, an equal lien and charge upon the 1976 Sales Tax Revenues, provided that the conditions to the issuance of such Parity Debt set forth in the Indenture and any other authorizing instruments are satisfied, including the coverage test described in subsection (c) above under the subcaption “Issuance of Additional Series of Bonds,” unless such Parity Debt is for refunding purposes, in which case the coverage test shall not apply.
Subordinate Obligations

The Authority may issue obligations which are subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all other Parity Debt, and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of 1976 Sales Tax Revenues after the prior payment of all amounts then required to be paid from funds in the Revenue Fund for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt, as the same become due and payable.

OUTSTANDING 1976 SALES TAX OBLIGATIONS

Bonds Outstanding. As of April 1, 2011, the aggregate principal amount of Bonds Outstanding was $194,135,000, comprised of $3,455,000 aggregate principal amount of 2001 Series Bonds, $24,525,000 aggregate principal amount of 2007 Series Bonds and $166,155,000 aggregate principal amount of 2008 Series Bonds.

Swap Agreements. The Authority has entered into the Swap Agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P., Citibank, N.A., New York, and Morgan Stanley Capital Services Inc., respectively. Pursuant to the terms of the Swap Agreements, the Authority agreed to pay to the counterparties a fixed rate of interest of 3.145% and the counterparties agreed to pay the Authority a floating rate of interest equal to the lower of 1-month London Interbank Offered Rate (“LIBOR”) or a rate equal to the greatest of 63.5% of 1-month LIBOR or 55.5% of 1-month LIBOR plus 0.44%. The initial notional amounts of the Swap Agreements are $66,575,000 with respect to the 2008 Series A Bonds, $49,790,000 with respect to the 2008 Series B Bonds and $49,790,000 with respect to the 2008 Series C Bonds, respectively. The Authority’s obligation to make regularly scheduled payments of interest to the counterparties under the Swap Agreements is payable from and secured by 1976 Sales Tax Revenues on a parity basis with the Bonds.

The terms of the Swap Agreements do not alter or affect any of the obligations of the Authority with respect to the payment of principal of or interest on the 2008 Series Bonds. Neither the Holders nor the Beneficial Owners of the 2008 Series Bonds have any rights under the Swap Agreements or against the Counterparties. Payments due to the Authority from the Counterparties are not pledged to the payment of principal of or interest on the 2008 Series Bonds.

Under certain circumstances, including a downgrade of the Authority’s revenue bond ratings below investment grade, the Swap Agreements may be terminated, at which time the Authority may be required to make a substantial termination payment to the applicable Counterparty. Termination payments payable pursuant to the Swap Agreements are secured by a lien on 1976 Sales Tax Revenues subordinate to the lien which secures the Bonds, Parity Obligations and Subordinate Obligations. It cannot be predicted at this time what the value of such termination payments owed by the Authority would be if any of the Swap Agreements were to be terminated; however, such termination payments could be substantial. To the extent that the Authority did not have sufficient funds on hand to make any such payment, it is likely that the Authority would seek to borrow such amounts through the issuance of additional Bonds or otherwise. For a further discussion regarding the Authority’s existing swaps (including swaps that have liens on the 1976 Sales Tax) and potential risks in connection therewith, see APPENDIX B – “AUTHORITY AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2010, Note 7(d) and 7(e).”
THE LIQUIDITY FACILITY PROVIDERS AND THE LIQUIDITY FACILITIES

The Liquidity Facility Providers

The following information has been provided by the respective Liquidity Facility Providers for use in this Remarketing Memorandum. This information has not been independently verified by the Authority. No representation is made by the Authority as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

**State Street Bank and Trust Company.** State Street Bank and Trust Company is a wholly-owned subsidiary of State Street Corporation (the “Corporation”). The Corporation (NYSE: STT) is a leading specialist in providing institutional investors with investment servicing, investment management and investment research and trading. With $18.79 trillion in assets under custody and $1.91 trillion in assets under management, the Corporation operates in 25 countries and more than 100 markets worldwide. The assets of State Street at December 31, 2009 accounted for approximately 98% of the consolidated assets of the Corporation. At December 31, 2009, the Corporation had total assets of $157.94 billion, total deposits (including deposits in foreign offices) of $90.06 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately $10.8 billion and total equity capital of $14.49 billion.

State Street’s Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2009, as submitted to the Federal Reserve Bank of Boston, are incorporated by reference herein and shall be deemed to be a part hereof.

In addition, all reports filed by State Street pursuant to 12 U.S.C. §324 after the date of this Remarketing Memorandum shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and State Street is set forth in the Corporation’s Annual Report or Form 10-K for the year ended December 31, 2009. The annual report can be found on the Corporation’s web site, [www.statesstreet.com](http://www.statesstreet.com). Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Remarketing Memorandum are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The State Street Liquidity Facility is an obligation of State Street and not of the Corporation.

Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Remarketing Memorandum to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Remarketing Memorandum.

State Street hereby undertakes to provide, without charge to each person to whom a copy of this Remarketing Memorandum has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Remarketing Memorandum by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.
Neither State Street nor its affiliates make any representation as to the contents of this Remarketing Memorandum (except as to this Remarketing Memorandum to the extent it relates to State Street), the suitability of the 2008 Series Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations.

**Barclays Bank plc.** Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from “Barclays Bank International Limited” to “Barclays Bank PLC”.

Barclays Bank PLC and its subsidiary undertakings (taken together, the “Group”) is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-1+ by Standard & Poor’s, P-1 by Moody’s and F1+ by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated AA- by Standard & Poor’s, Aa3 by Moody’s and AA- by Fitch Ratings Limited.

Based on the Group's unaudited financial information for the year ended 31 December 2010, the Group had total assets of £1,490,038 million (2009: £1,379,148 million), total net loans and advances (total net loans and advances include balances relating to both bank and customer accounts) of £465,741 million (2009: £461,359 million), total deposits (total deposits include deposits from bank and customer accounts) of £423,777 million (2009: £398,901 million), and total shareholders' equity of £62,641 million (2009: £58,699 million) (including non-controlling interests of £3,467 million (2009: £2,774 million)). The profit before tax from continuing operations of the Group for the year ended 31 December 2010 was £6,079 million (2009: £4,559 million) after impairment charges and other credit provisions of £5,672 million (2009: £8,071 million). The financial information in this paragraph is extracted from the unaudited [Preliminary Results Announcement] of the Group for the year ended 31 December 2010.

**The Liquidity Facilities**

*THIS SECTION IS SUBJECT TO CHANGES FROM THE RATING AGENCIES TO THE SBBPAS*

**The State Street Liquidity Facility.** The State Street Liquidity Facility secures only payment of the purchase price of the 2008 Series A Bonds and the 2008 Series C Bonds tendered for purchase as described herein and does not otherwise secure payment of the principal of or interest on the 2008 Series Bonds.

**General.** State Street and the Authority entered into the State Street Liquidity Facility in connection with the 2008 Series A Bonds and the 2008 Series C Bonds. The State Street Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Certain words or terms used in the following summary are defined herein below and other words or terms not defined herein below are defined elsewhere in this Remarketing Memorandum, in the State Street Liquidity Facility or the Indenture and reference thereto is made for such definitions. The following summary of the State Street Liquidity Facility does not purport to be comprehensive or definitive and is
subject to all of the terms and provisions of the State Street Liquidity Facility to which reference is made hereby. Investors are urged to obtain and review a copy of the State Street Liquidity Facility in order to understand all of the terms of the document.

The State Street Liquidity Facility requires State Street to provide funds for the purchase of the 2008 Series A Bonds and the 2008 Series C Bonds that have been tendered and not remarketed subject to certain conditions described below. The State Street Liquidity Facility does not guarantee the payment of principal of or interest nor redemption premium, if any, on the 2008 Series A Bonds and the 2008 Series C Bonds in the event of non-payment of such interest, principal or redemption premium, if any, by the Authority.

The obligation of State Street pursuant to the State Street Liquidity Facility to provide funds for the purchase of the 2008 Series A Bonds and the 2008 Series C Bonds that have been tendered and not remarketed shall end on the earliest of (i) May 2, 2014, as such date may be extended from time to time in accordance with the State Street Liquidity Facility; (ii) the date on which no 2008 Series A Bonds or 2008 Series C Bonds are Outstanding; (iii) the close of business on the Business Day immediately following the Conversion Date; (iv) the close of business on the thirtieth (30th) day following the date on which the Authority and the Trustee receive a notice from State Street that the State Street Liquidity Facility is being terminated following certain events of default under the State Street Liquidity Facility, or if such thirtieth (30th) day is not a Business Day, the next succeeding Business Day; (v) the date on which State Street Available Commitment has been reduced to zero or terminated in its entirety at the option of the Authority and (vi) immediately and without notice following certain events of default under the State Street Liquidity Facility under the circumstances described below under “Events of Default and Remedies.” The period referred to in the preceding sentence is hereinafter referred to as the “State Street Commitment Period.”

Subject to the terms and conditions of the State Street Liquidity Facility, State Street agrees from time to time during the State Street Commitment Period to purchase, with its own funds, 2008 Series A Bonds and 2008 Series C Bonds that have been tendered for purchase and not remarketed, at the Purchase Price on a Purchase Date. State Street’s obligation is limited to an amount equal to the aggregate principal amount of the 2008 Series A Bonds and the 2008 Series C Bonds then Outstanding plus an amount equal to at least 34 days of interest at the per annum rate of twelve percent (12%) on the 2008 Series A Bonds and the 2008 Series C Bonds.

The obligation of State Street to purchase the 2008 Series A Bonds and the 2008 Series C Bonds on any date is subject to the satisfaction of the following conditions, unless waived in writing by the State Street: (i) no Event of Default or Default described in paragraphs 1, 2 or 3 below shall have occurred and be continuing; and (ii) State Street shall have timely received a notice of purchase.

Events of Default not Resulting in Immediate Termination or Suspension. (a) Each of the following Events of Default shall constitute a “Notice Termination Event”:

(i) Payments. The Authority shall fail to pay any amount owed to State Street pursuant to the State Street Liquidity Facility (other than amounts described in paragraph 2(a)(i) or in paragraph 3(a)(i) below); or

(ii) Other Payments. The Authority shall fail to pay when due any amount owing under the State Street Liquidity Facility; or

(iii) Representations. Any material representation or warranty made by or on behalf of the Authority in the State Street Liquidity Facility, the Indenture or in any other Related
Document or in any certificate or statement delivered thereunder are incorrect or untrue in any material respect when made or deemed to have been made; or

(iv) Certain Covenants. The Authority shall default in the due performance or observance of any of the covenants set forth in the State Street Liquidity Facility; or

(v) Other Covenants. The Authority shall default in the due performance or observance of any other term, covenant or agreement contained in the State Street Liquidity Facility (other than those referred to in paragraphs 1(a)(i), 1(a)(ii), 1(a)(iv) above and paragraphs 2(a)(i) and 3(a)(i) below), the Indenture or any other Related Document and such default shall remain unremedied for a period of thirty (30) days after the Authority has received notice thereof; or

(vi) Cross Default. (A) Except as otherwise provided in paragraph 2(a)(vi) below, any “Event of Default” as defined in the Indenture shall occur and be continuing, or (B) any “Event of Default” shall occur and be continuing under any documentation entered into by the Authority with any Person or Persons that undertakes to make loans or extend credit or liquidity to the Authority related to Parity Obligations or in connection with any Interest Rate Swap Agreement; or

(vii) Invalidity of Parity Obligations. (A) Any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of any Parity Obligation shall find or rule, in a judicial or administrative proceeding, that any provision of the Act or the Indenture, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on any Parity Obligation or (2) the Sales Tax Revenues securing said Parity Obligation, is not valid or not binding on, or enforceable against, the Authority; or (B) the State shall (1) have taken any official action, or has duly enacted any statute, (2) make a claim in a judicial or administrative proceeding or (3) contest in a judicial or administrative proceeding that (x) the Authority has no further liability or obligation under any Parity Obligation to pay, when due, the principal of or interest on said Parity Obligation or (y) any provision of the Act or the Indenture relating to or otherwise affecting the Authority’s ability or obligation to pay, when due, the principal of or interest on any Parity Obligation or the Sales Tax Revenues securing said Parity Obligation is illegal, invalid or unenforceable against the Authority; or

(b) Remedies. Upon the occurrence of any Event of Default, State Street shall have all remedies provided at law or equity, including, without limitation, specific performance; and in addition, State Street, in its sole discretion, may do one or more of the following:

(i) declare all obligations of the Authority to State Street under the State Street Liquidity Facility and under the Fee Letter to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are hereby expressly waived; or

(ii) give written notice of such Event of Default and termination of the Agreement (a “Notice of Termination Date”) to the Trustee, the Authority and the Remarketing Agents requesting a Default Tender; provided, that the obligation of State Street to purchase Eligible Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the State Street Available Commitment shall terminate and State Street is under no obligation under the State Street Liquidity Facility to purchase Eligible Bonds; or
(iii) exercise any right or remedy available to it under any other provision of the State Street Liquidity Facility; or

(iv) exercise any other rights or remedies available under the Indenture and any other Related Document, any other agreement or at law or in equity; provided, further, however, State Street shall not have the right to terminate its obligation to purchase Eligible Bonds except as provided in this paragraph 1(b).

Notwithstanding anything to the contrary in the State Street Liquidity Facility, no failure or delay by State Street in exercising any right, power or privilege under the State Street Liquidity Facility, the Indenture and any other Related Document or under the 2008 Series A Bonds and the 2008 Series C Bonds and no course of dealing between the Authority and State Street shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise hereof or thereof or the exercise of any other right, power or privilege. The rights and remedies in the State Street Liquidity Facility is cumulative and not exclusive of any rights or remedies which State Street would otherwise have.

Events of Default Resulting in Immediate Termination. Each of the following Events of Default shall also constitute a “Special Event of Default”:

(i) Payment Default. The Authority shall fail to pay when due (A) any principal or sinking fund requirement due on any Bond (including any State Street Bank Bonds other than principal due on any State Street Bank Bonds following the acceleration thereof pursuant to paragraph 1(b) above or paragraph 2(b) below)) and (B) any interest on any Bond (including any State Street Bank Bonds); or

(ii) Judgments. One or more final, unappealable judgment(s) against the Authority for the payment of money, which judgment(s) is payable from or enforceable pursuant to a lien upon, or an attachment against, any or all of the Sales Tax Revenues, the operation or result of which judgment(s), individually or in the aggregate, equal or exceed $10,000,000 and which judgment(s) shall remain unpaid, undischarged, unbonded or undismissed for a period of sixty (60) days; or

(iii) Insolvency. (A) The Authority shall commence any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to the 2008 Series A Bonds and the 2008 Series C Bonds or any Parity Obligation, or (2) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Sales Tax Revenues, or the Authority shall make a general assignment for the benefit of its creditors; or (B) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A) above or in paragraph 3(a)(ii) below; or (C) the Authority shall admit in writing its inability to pay its debts as they become due or becomes insolvent within the meaning of Section 101(32) of the United States Bankruptcy Code of 1978, as it may be amended from time to time (Title 11 of the United States Code), and any successor statute thereto; or

(iv) Validity. (A) The Authority, pursuant to official action on the part of its governing body, contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) that it has any further liability or obligation under or with respect to any provision of the Act, the State Street
Liquidity Facility, the Indenture, the 2008 Series A Bonds and the 2008 Series C Bonds or any Parity Obligation relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2008 Series A Bonds and the 2008 Series C Bonds (including any State Street Bank Bonds) or on any Parity Obligation or (2) the Sales Tax Revenues securing said 2008 Series A Bonds and the 2008 Series C Bonds and Parity Obligation; or (B) the Authority, pursuant to official action on the part of its governing body, contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) the legality, validity or enforceability of any provision of the State Street Liquidity Facility, the 2008 Series A Bonds and the 2008 Series C Bonds, the Act, the Indenture or any Parity Obligation relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2008 Series A Bonds and the 2008 Series C Bonds (including any State Street Bank Bonds) or on any Parity Obligation or (2) the Sales Tax Revenues securing said 2008 Series A Bonds and the 2008 Series C Bonds or any Parity Obligation; or (C) any provision of the Act, the State Street Liquidity Facility, the Indenture or the 2008 Series A Bonds and the 2008 Series C Bonds relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2008 Series A Bonds and the 2008 Series C Bonds (including any State Street Bank Bonds) or (2) the Sales Tax Revenues securing said 2008 Series A Bonds and the 2008 Series C Bonds shall, at any time, and for any reason, cease to be valid and binding on the Authority, or are declared to be null and void, invalid or unenforceable, in each case, as the result of a final nonappealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the Authority; or (D) a debt moratorium or comparable extraordinary restriction on repayment of principal or interest on any debt shall have been declared or imposed (whether or not in writing) with respect to the 2008 Series A Bonds and the 2008 Series C Bonds (including any State Street Bank Bonds); or

(v) **Ratings.** Moody’s, Standard & Poor’s and any other Rating Agency then rating the 2008 Series A Bonds and the 2008 Series C Bonds shall have (A) assigned the 2008 Series A Bonds and the 2008 Series C Bonds a long-term rating below “Baa3” by Moody’s and “BBB-” by Standard & Poor’s (or comparable rating in the case of another Rating Agency), (B) withdrawn their long-term ratings of the 2008 Series A Bonds and the 2008 Series C Bonds for any credit related reasons or (C) suspended their long-term ratings of the 2008 Series A Bonds and the 2008 Series C Bonds for any credit related reasons; provided, however, that any downgrade, withdrawal or suspension described in any of the foregoing provisions of this paragraph 2(a)(v) shall not be deemed an Event of Default under the State Street Liquidity Facility if said downgrade, withdrawal or suspension, as the case may be, will be attributable to the downgrade, withdrawal or suspension of the long-term ratings assigned to any bond insurance or other credit enhancement provided by a Person other than the Authority; or

(vi) **Parity Obligations Payment Default.** The Authority shall fail to make any payment in respect of principal or interest on any Parity Obligation, issued and outstanding or to be issued, when due (i.e., whether upon said Parity Obligation’s scheduled maturity, required prepayment, acceleration pursuant to the Indenture, upon demand or otherwise, except as such payments may be accelerated, demanded or required to be prepaid under the State Street Liquidity Facility), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Obligation.

(b) **Remedies.** In addition to the remedies set forth in paragraph 1(b) above, upon the occurrence of a Special Event of Default, the State Street Available Commitment shall immediately be reduced to zero, in which case the obligations of State Street under the State Street Liquidity Facility shall immediately terminate and expire without requirement of notice by State Street; provided, that (i) the Event of Default described in paragraph 2(a)(i) above will not qualify as a “Special Event of Default” under the State Street Liquidity Facility if the failure to pay the principal of, or interest on, a State Street
Bank Bond is due solely to an acceleration of all of the State Street Bank Bonds by State Street for any reason other than nonpayment as described in paragraph 2(a)(i) above and (ii) the Suspension Events described in paragraph 3(a) below will not qualify as “Special Events of Default” unless and until the conditions described in said paragraph 3(b) for such qualification have been satisfied. After such termination or expiration, State Street shall deliver promptly to the Authority, the Trustee and the applicable Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

Events of Default Resulting in Immediate Suspension.(a) Each of the following Events of Default shall also constitute a “Suspension Event”:

(i) **Payment Default.** The Authority shall fail to pay when due any principal payment due on any State Street Bank Bonds during the Bank Bond Amortization Period pursuant to the State Street Liquidity Facility; or

(ii) **Involuntary Bankruptcy Proceeding.** (A) There is commenced against the Authority any case, proceeding or other action of a nature referred to in paragraph 2(a)(iii)(A) above which (1) results in an order for such relief or in the appointment of a receiver or similar official or (2) remains undischarged, undischarged or unbonded for a period of sixty (60) days; or (B) there is commenced against the Authority, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Sales Tax Revenues, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or

(iii) **Initiation of Legal Proceedings.** (A) Any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of the State Street Liquidity Facility, the 2008 Series A Bonds and the 2008 Series C Bonds, the Act or the Indenture shall find or rule, in a judicial or administrative proceeding, that any provision of the State Street Liquidity Facility, the 2008 Series A Bonds and the 2008 Series C Bonds, the Act or the Indenture, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2008 Series A Bonds and the 2008 Series C Bonds (including any State Street Bank Bonds) or (2) the Sales Tax Revenues securing said 2008 Series A Bonds and the 2008 Series C Bonds, is not valid or not binding on, or enforceable against, the Authority; or (B) the State shall (1) have taken any official action, or has duly enacted any statute, (2) make a claim in a judicial or administrative proceeding or (3) contest in a judicial or administrative proceeding that (x) the Authority has no further liability or obligation under the State Street Liquidity Facility, under the 2008 Series A Bonds and the 2008 Series C Bonds, the Act or the Indenture to pay, when due, the principal of or interest on the 2008 Series A Bonds and the 2008 Series C Bonds (including any State Street Bank Bonds) or (y) any provision of the State Street Liquidity Facility, the 2008 Series A Bonds and the 2008 Series C Bonds, the Act or the Indenture relating to or otherwise affecting the Authority’s ability or obligation to pay, when due, the principal of or interest on the 2008 Series A Bonds and the 2008 Series C Bonds (including any State Street Bank Bonds) or any provision of the State Street Liquidity Facility, the 2008 Series A Bonds and the 2008 Series C Bonds, the Act or the Indenture relating to or otherwise affecting the Authority’s ability or obligation to pay, when due, the principal of or interest on the 2008 Series A Bonds and the 2008 Series C Bonds (including any State Street Bank Bonds) or the Sales Tax Revenues securing said 2008 Series A Bonds and the 2008 Series C Bonds is illegal, invalid or unenforceable against the Authority.

(b) **Remedies.** In addition to the remedies set forth in paragraphs 1(b)(iii) and 1(b)(iv) above but subject to paragraphs 3(b)(i)-(iv) below (as applicable), in the case of a Suspension Event, the obligation of State Street to purchase Eligible Bonds under the State Street Liquidity Facility will be immediately suspended without notice or demand and, thereafter, State Street will be under no obligation to purchase Eligible Bonds until the State Street Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, State Street shall notify the Authority, the
Trustee and the applicable Remarketing Agent of such suspension and the effective date of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that State Street shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the State Street Available Commitment or its obligation to purchase Eligible Bonds pursuant to the State Street Liquidity Facility.

(i) Upon the occurrence of an Event of Default described in paragraph 3(a)(i) above, State Street’s obligations to purchase Eligible Bonds will be suspended immediately and automatically and remain suspended until the Authority cures the Event of Default resulting in said suspension or the date on which State Street’s obligations under the State Street Liquidity Facility have terminated or expired in accordance with the terms hereof (the “Termination Date”), whichever is the first to occur. If the Authority shall cure the Event of Default described in paragraph 3(a)(i) prior to the Termination Date, then the State Street Available Commitment and the obligations of State Street under the State Street Liquidity Facility shall thereupon be reinstated (unless the State Street Commitment Period shall otherwise have been terminated, suspended or expired as provided in the State Street Liquidity Facility). Notwithstanding the foregoing, if the Authority shall not have cured the Event of Default resulting in said suspension prior to the Termination Date, then the State Street Available Commitment and the obligations of State Street to purchase Eligible Bonds shall terminate on the Termination Date without notice or demand and, thereafter, State Street will be under no obligation to purchase Eligible Bonds.

(ii) Upon the occurrence of an Event of Default described in paragraph 3(a)(ii)(A)(1) above, State Street’s obligation to purchase Eligible Bonds will be suspended immediately and automatically and remain suspended until said case, proceeding or other action referred to therein is either dismissed, discharged or bonded or the Termination Date occurs, whichever is first. In the event that said Event of Default shall have been dismissed, discharged or bonded prior to the Termination Date, then the State Street Available Commitment and the obligation of State Street to purchase Eligible Bonds will be reinstated and the terms of the State Street Liquidity Facility shall continue in full force and effect as if there had been no such suspension (unless the State Street Commitment Period shall otherwise have been terminated, suspended or expired as provided in the State Street Liquidity Facility). In the event that said Event of Default shall not have been dismissed, discharged or bonded prior to the Termination Date, then the State Street Available Commitment and the obligation of State Street to purchase Eligible Bonds shall terminate on such Termination Date without notice or demand and, thereafter, State Street will be under no obligation to purchase Eligible Bonds.

(iii) Upon the occurrence of a Default described in paragraph 3(a)(ii)(A)(2) above, State Street’s obligations to purchase Eligible Bonds will be immediately and automatically suspended and remain suspended until the case, proceeding or other action referred to therein is either dismissed, discharged or bonded within sixty (60) days from the commencement of such case, proceeding or action, or the Termination Date occurs, whichever is first. In the event that said Suspension Event shall have been dismissed, discharged or bonded within the sixty (60) day period described therein and prior to the Termination Date, then the State Street Available Commitment and the obligation of State Street to purchase Eligible Bonds will be reinstated and the terms of the State Street Liquidity Facility shall continue in full force and effect as if there had been no such suspension (unless the State Street Commitment Period shall otherwise have been terminated, suspended or expired as provided in the State Street Liquidity Facility). In the event that said Suspension Event shall not have been dismissed, discharged or bonded within such sixty (60) day period when the Termination Date occurs, then the State Street Available Commitment and the obligation of State Street to purchase Eligible Bonds shall terminate on the Termination
Date without notice or demand and, thereafter, State Street will be under no obligation to purchase Eligible Bonds.

(iv) Upon the occurrence of a Default described in paragraph 3(a)(ii)(B) above, State Street’s obligations to purchase Eligible Bonds will be immediately and automatically suspended and remain suspended until the case, proceeding or other action referred to therein is either vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the commencement of such case, proceeding or action, or the Termination Date occurs, whichever is first. In the event that said Suspension Event shall have been vacated, discharged, or stayed or bonded pending appeal within the sixty (60) day period described therein and prior to the Termination Date, then the State Street Available Commitment and the obligation of State Street to purchase Eligible Bonds will be reinstated and the terms of the State Street Liquidity Facility shall continue in full force and effect as if there had been no such suspension (unless the State Street Commitment Period shall otherwise have been terminated, suspended or expired as provided in the State Street Liquidity Facility). In the event that said Suspension Event shall not have been vacated, discharged, or stayed or bonded pending appeal within such sixty (60) day period when the Termination Date occurs, then the State Street Available Commitment and the obligation of State Street to purchase Eligible Bonds shall terminate on such Termination Date without notice or demand and, thereafter, State Street will be under no obligation to purchase Eligible Bonds.

(v) Upon the occurrence of an Event of Default described in paragraphs 3(a)(iii)(A) or 3(a)(iii)(B) above, State Street’s obligations to purchase Eligible Bonds will be immediately and automatically suspended and remain suspended unless and until a court with jurisdiction to rule on such an Event of Default shall enter a final and nonappealable judgment that any of the material provisions of the Act or any other document described in paragraph 3(a)(iii)(A) are not valid or not binding on, or enforceable against, the Authority or that a claim or contest described in paragraph 3(a)(iii)(B) shall have been upheld in favor of the State or the Authority in accordance with a final and nonappealable judgment, then, in each such case, the State Street Available Commitment and the obligation of State Street to purchase Eligible Bonds shall immediately terminate without notice or demand and, thereafter, State Street will be under no obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on such an Event of Default shall find or rule by entry of a final and nonappealable judgment that the material provision of the Act or any other document described in paragraph 3(a)(iii)(A) is valid and binding on, or enforceable against, the Authority or that the claim or contest described in paragraph 3(a)(iii)(B) shall have been dismissed pursuant to a final and nonappealable judgment, then the State Street Available Commitment and the obligations of State Street under the State Street Liquidity Facility shall, in each such case, thereupon be reinstated (unless the State Street Commitment Period shall otherwise have been terminated, suspended or expired as provided in the State Street Liquidity Facility). Notwithstanding the foregoing, if the suspension of the obligations of State Street pursuant to any Event of Default described in paragraphs 3(a)(iii)(A) or 3(a)(iii)(B) remains in effect and litigation is still pending and a determination regarding same shall not have been dismissed or otherwise made pursuant to a final and non-appealable judgment, as the case may be, when the Termination Date occurs, then the State Street Available Commitment and the obligation of State Street to purchase Eligible Bonds shall terminate on the Termination Date without notice or demand and, thereafter, State Street will be under no obligation to purchase Eligible Bonds.

In the case of each Suspension Event, the Trustee shall subsequently notify all Series 2008 A and Series 2008 C Bondholders of the suspension and/or termination of both the State Street Available Commitment and the obligation of State Street to purchase Eligible Bonds.
The Barclays Liquidity Facility. The Barclays Liquidity Facility secures only payment of the purchase price of the 2008 Series B Bonds tendered for purchase as described herein and does not otherwise secure payment of the principal of or interest on the 2008 Series Bonds.

General. Barclays Bank and the Authority entered into the Barclays Liquidity Facility in connection with the 2008 Series B Bonds. The Barclays Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Certain words or terms used in the following summary are defined herein below and other words or terms not defined herein below are defined elsewhere in this Remarketing Memorandum, in the Barclays Liquidity Facility or the Indenture and reference thereto is made for such definitions. The following summary of the Barclays Liquidity Facility does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Barclays Liquidity Facility to which reference is made hereby. Investors are urged to obtain and review a copy of the Barclays Liquidity Facility in order to understand all of the terms of the document.

The Barclays Liquidity Facility requires Barclays Bank to provide funds for the purchase of the 2008 Series B Bonds that have been tendered and not remarketed subject to certain conditions described below. The Barclays Liquidity Facility does not guarantee the payment of principal of or interest nor redemption premium, if any, on the related 2008 Series Bonds in the event of non-payment of such interest, principal or redemption premium, if any, by the Authority.

The obligation of Barclays Bank pursuant to the Barclays Liquidity Facility to provide funds for the purchase of the 2008 Series B Bonds that have been tendered and not remarketed shall end on the earliest of (i) May 2, 2014, as such date may be extended from time to time in accordance with the Barclays Liquidity Facility; (ii) the date on which no 2008 Series B Bonds are Outstanding; (iii) the close of business on the Business Day immediately following the Conversion Date; (iv) the close of business on the thirtieth (30th) day following the date on which the Authority and the Trustee receive a notice from Barclays Bank that the Barclays Liquidity Facility is being terminated following certain events of default under the Barclays Liquidity Facility, or if such thirtieth (30th) day is not a Business Day, the next succeeding Business Day; (v) the date on which Barclays Bank Available Commitment has been reduced to zero or terminated in its entirety at the option of the Authority and (vi) immediately and without notice following certain events of default under the Barclays Liquidity Facility under the circumstances described below under “Events of Default and Remedies.” The period referred to in the preceding sentence is hereinafter referred to as the “Barclays Bank Commitment Period.”

Subject to the terms and conditions of the Barclays Liquidity Facility, Barclays Bank agrees from time to time during the Barclays Bank Commitment Period to purchase, with its own funds, 2008 Series B Bonds that have been tendered for purchase and not remarketed, at the Purchase Price on a Purchase Date. Barclays Bank’s obligation is limited to an amount equal to the aggregate principal amount of the 2008 Series B Bonds then Outstanding plus an amount equal to at least [34] days of interest at the per annum rate of twelve percent (12%) on the 2008 Series B Bonds.

The obligation of Barclays Bank to purchase the 2008 Series B Bonds on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Barclays Bank: (i) no Event of Default or Default described below shall have occurred and be continuing; and (ii) Barclays Bank shall have timely received a notice of purchase.

Events of Default not Resulting in Immediate Termination or Suspension.

(a) Each of the following Events of Default shall constitute a “Notice Termination Event”:
(i) **Payments.** The Authority shall fail to pay any amount owed to Barclays Bank pursuant to the terms of the Barclays Liquidity Facility (other than amounts described in paragraphs 2(a)(i) or 3(a)(i) below); or

(ii) **Other Payments.** The Authority shall fail to pay when due any amount owing under the Barclays Liquidity Facility or under the Fee Letter; or

(iii) **Representations.** Any material representation or warranty made by or on behalf of the Authority in the Barclays Liquidity Facility, the Indenture or in any other Related Document or in any certificate or statement delivered thereunder is incorrect or untrue in any material respect when made or deemed to have been made; or

(iv) **Certain Covenants.** The Authority shall default in the due performance or observance of any of the covenants set forth in the Barclays Liquidity Facility; or

(v) **Other Covenants.** The Authority shall default in the due performance or observance of any other term, covenant or agreement contained in the Barclays Liquidity Facility (other than those referred to in paragraphs 1(a)(i), 1(a)(ii) above and paragraphs 1(a)(iv) and 2(a)(i) below), the Indenture or any other Related Document and such default shall remain unremedied for a period of thirty (30) days after the Authority has received notice thereof; or

(vi) **Cross Default.** (A) Except as otherwise provided in paragraph 2(a)(vi) below, any “Event of Default” as defined in the Indenture shall occur and be continuing, or (B) any “Event of Default” shall occur and be continuing under any documentation entered into by the Authority with any Person or Persons that undertakes to make loans or extend credit or liquidity to the Authority related to Parity Obligations or in connection with any Interest Rate Swap Agreement; or

(vii) **Invalidity of Parity Obligations.** (A) Any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of any Parity Obligation shall find or rule, in a judicial or administrative proceeding, that any provision of the Act or the Indenture, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on any Parity Obligation or (2) the Sales Tax Revenues securing said Parity Obligation, is not valid or not binding on, or enforceable against, the Authority; or (B) the State shall (1) have taken any official action, or has duly enacted any statute, (2) make a claim in a judicial or administrative proceeding or (3) contest in a judicial or administrative proceeding that (x) the Authority has no further liability or obligation under any Parity Obligation to pay, when due, the principal of or interest on said Parity Obligation or (y) any provision of the Act or the Indenture relating to or otherwise affecting the Authority’s ability or obligation to pay, when due, the principal of or interest on any Parity Obligation or the Sales Tax Revenues securing said Parity Obligation is illegal, invalid or unenforceable against the Authority; or

(viii) **Change in Maximum Rate.** The Maximum Rate applicable to Barclays Bank Bank Bonds or the 2008 Series B Bonds is reduced at any time; or

(ix) **Taxability.** A ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service is rendered to the effect that interest on the 2008 Series B Bonds is includable in the gross income of the holder(s) or owner(s) of such Bonds and either (i) the Authority, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Authority shall challenge such ruling, assessment, notice or advice and a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered; or
(x) **Ratings.** The rating of the 2008 Series B Bonds or any Parity Obligation is (A) withdrawn, suspended or reduced below “A3” by Moody’s, or (B) withdrawn, suspended or reduced below “A-” by S&P; *provided, however,* that any withdrawal, suspension or downgrade described in any of the foregoing provisions of this paragraph 1(a)(x) shall not be deemed an Event of Default under the Barclays Liquidity Facility if said withdrawal, suspension or downgrade, as applicable, is attributable to the downgrade of the long-term ratings assigned to any bond insurance or other credit enhancement provided by a Person other than the Authority; or

(xi) **Initiation of Legal Proceedings.** (A) Any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of the Barclays Liquidity Facility, the 2008 Series B Bonds, the Act or the Indenture shall find or rule, in a judicial or administrative proceeding, that any provision of the Barclays Liquidity Facility, the 2008 Series B Bonds, the Act or the Indenture, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2008 Series B Bonds (including any Barclays Bank Bank Bonds) or (2) the Sales Tax Revenues securing said Bonds, is not valid or not binding on, or enforceable against, the Authority; or (B) the State shall (1) have taken any official action, or has duly enacted any statute, (2) make a claim in a judicial or administrative proceeding or (3) contest in a judicial or administrative proceeding that (x) the Authority has no further liability or obligation under the Barclays Liquidity Facility, under the 2008 Series B Bonds, the Act or the Indenture to pay, when due, the principal of or interest on the 2008 Series B Bonds (including any Barclays Bank Bank Bonds) or (y) any provision of the Barclays Liquidity Facility, the 2008 Series B Bonds, the Act or the Indenture relating to or otherwise affecting the Authority’s ability or obligation to pay, when due, the principal of or interest on the 2008 Series B Bonds (including any Barclays Bank Bank Bonds) or the Sales Tax Revenues securing said Bonds is illegal, invalid or unenforceable against the Authority; or

(xii) **Financial Control Board.** There is appointed or designated with respect to the Sales Tax Revenues, an entity such as a board, commission, authority, agency or body to monitor or declare a financial emergency or similar state of financial distress with respect to the Sales Tax Revenues or there is declared with respect to the Sales Tax Revenues or by any legislative or regulatory body with competent jurisdiction over the Sales Tax Revenues, the existence of a state of financial emergency or similar state of financial distress in respect of the Sales Tax Revenues.

(b) **Remedies.** Upon the occurrence of any Event of Default, Barclays Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; and in addition, Barclays Bank, in its sole discretion, may do one or more of the following:

(i) declare all obligations of the Authority to Barclays Bank under the Barclays Liquidity Facility and under the Fee Letter to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are hereby expressly waived; or

(ii) give written notice of such Event of Default and termination of the Agreement (a “Notice of Termination Date”) to the Trustee, the Authority and the Remarketing Agent requesting a Default Tender; *provided, that* the obligation of Barclays Bank to purchase Eligible Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the Barclays Bank Available Commitment shall terminate and Barclays Bank will be under no obligation under the Barclays Liquidity Facility to purchase Eligible Bonds; or

(iii) exercise any right or remedy available to it under any other provision of the Barclays Liquidity Facility; or
(iv) exercise any other rights or remedies available under the Indenture and any other Related Document, any other agreement or at law or in equity; provided, further, however, Barclays Bank shall not have the right to terminate its obligation to purchase Eligible Bonds except as provided in this paragraph 1(b).

Notwithstanding anything to the contrary in the Barclays Liquidity Facility, no failure or delay by Barclays Bank in exercising any right, power or privilege under the Barclays Liquidity Facility, under the Indenture and any other Related Document or under the 2008 Series B Bonds and no course of dealing between the Authority and Barclays Bank shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies in the Barclays Liquidity Facility are cumulative and not exclusive of any rights or remedies which Barclays Bank would otherwise have.

Events of Default Resulting in Immediate Termination.

(a) Each of the following Events of Default shall also constitute a “Special Event of Default”:

(i) Payment Default. The Authority shall fail to pay when due (A) any principal or sinking fund requirement due on any Bond (including any Barclays Bank Bank Bonds other than principal due on any Barclays Bank Bank Bonds following the acceleration thereof pursuant to paragraph 1(b) above or paragraph 2(b) below)) and (B) any interest on any Bond (including any Barclays Bank Bank Bonds); or

(ii) Judgments. One or more final, unappealable judgment(s) against the Authority for the payment of money, which judgment(s) is payable from or enforceable pursuant to a lien upon, or an attachment against, any or all of the Sales Tax Revenues, the operation or result of which judgment(s), individually or in the aggregate, equal or exceed $10,000,000 and which judgment(s) shall remain unpaid, undischarged, unbonded or undismissed for a period of sixty (60) days; or

(iii) Insolvency. (A) The Authority shall commence any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to the 2008 Series B Bonds or any Parity Obligation, or (2) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Sales Tax Revenues, or the Authority shall make a general assignment for the benefit of its creditors; or (B) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A) above or in paragraph 3(a)(ii) below; or (C) the Authority shall admit in writing its inability to pay its debts as they become due or becomes insolvent within the meaning of Section 101(32) of the United States Bankruptcy Code of 1978, as it may be amended from time to time (Title 11 of the United States Code), and any successor statute thereto; or (D) there is commenced against the Authority any case, proceeding or other action of a nature referred to in paragraph 2(a)(ii) above which (1) results in a final and unappealable order for such relief or in the appointment of a receiver or similar official or (2) after the passage of sixty (60) days from the commencement thereof, remains undismissed, undischarged or unbonded; or (E) after the passage of sixty (60) days from the commencement thereof, any case, proceeding or other action commenced against the Authority that seeks the issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Sales Tax Revenues shall not have been vacated, discharged, stayed or bonded; or

(iv) Validity. (A) The Authority, pursuant to official action on the part of its governing body, contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without
limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) that it has any further liability or obligation under or with respect to any provision of the Act, the Barclays Liquidity Facility, the Indenture, the 2008 Series B Bonds or any Parity Obligation relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2008 Series B Bonds (including any Barclays Bank Bank Bonds) or on any Parity Obligation or (2) the Sales Tax Revenues securing said Bonds and Parity Obligation; or (B) the Authority, pursuant to official action on the part of its governing body, contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) the legality, validity or enforceability of any provision of the Barclays Liquidity Facility, the 2008 Series B Bonds, the Act, the Indenture or any Parity Obligation relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2008 Series B Bonds (including any Barclays Bank Bank Bonds) or on any Parity Obligation or (2) the Sales Tax Revenues securing said Bonds or any Parity Obligation; or (C) any provision of the Act, the Barclays Liquidity Facility, the Indenture or the 2008 Series B Bonds relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the 2008 Series B Bonds (including any Barclays Bank Bank Bonds) or (2) the Sales Tax Revenues securing said Bonds or any Parity Obligation; or (D) a debt moratorium or comparable extraordinary restriction on repayment of principal or interest on any debt shall have been declared or imposed (whether or not in writing) with respect to the 2008 Series B Bonds (including any Barclays Bank Bank Bonds); or

(v) **Ratings.** Moody’s, Standard & Poor’s and any other Rating Agency then rating the 2008 Series B Bonds shall have (A) assigned the 2008 Series B Bonds or any Parity Obligation a long-term rating below “Baa3” by Moody’s and “BBB-” by Standard & Poor’s (or comparable rating in the case of another Rating Agency), (B) withdrawn their long-term ratings of the 2008 Series B Bonds or any Parity Obligation for any credit related reasons or (C) suspended their long-term ratings of the 2008 Series B Bonds or any Parity Obligation for any credit related reasons; provided, however, that any downgrade, withdrawal or suspension described in any of the foregoing provisions of this paragraph 2(a)(v) shall not be deemed an Event of Default under the Barclays Liquidity Facility if said downgrade, withdrawal or suspension, as the case may be, is attributable to the downgrade, withdrawal or suspension of the long-term ratings assigned to any bond insurance or other credit enhancement provided by a Person other than the Authority; or

(vi) **Parity Obligations Payment Default.** The Authority shall fail to make any payment in respect of principal or interest on any Parity Obligation, issued and outstanding or to be issued, when due (i.e., whether upon said Parity Obligation’s scheduled maturity, required prepayment, acceleration pursuant to the Indenture, upon demand or otherwise, except as such payments may be accelerated, demanded or required to be prepaid under the Barclays Liquidity Facility), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Obligation.

(b) **Remedies.** In addition to the remedies set forth in paragraph 1(b), upon the occurrence of a Special Event of Default, the Barclays Bank Available Commitment shall immediately be reduced to zero, in which case the obligations of Barclays Bank under the Barclays Liquidity Facility shall immediately terminate and expire without requirement of notice by Barclays Bank. After such termination or expiration, Barclays Bank shall deliver promptly to the Authority, the Trustee and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.
Events of Default Resulting in Immediate Suspension.

(a) Subject to the provisions of paragraph 3(c) below, each of the following events shall constitute a “Suspension Event”:

(i) there is commenced against the Authority any case, proceeding or other action of a nature referred to in paragraph 2(a)(iii)(D)(1) above seeking an order for the relief described therein or in the appointment of a receiver or similar official; or

(ii) there is commenced against the Authority any case, proceeding or other action of a nature referred to in paragraph 2(a)(iii)(D)(2) above (and not otherwise described in paragraph 2(a)(iii)(D)(1)); or

(iii) there is commenced against the Authority, any case, proceeding or other action referred to in paragraph 2(a)(iii)(E) seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Sales Tax Revenues.

(b) In addition to the remedies set forth in paragraphs 1(b)(iii) and 1(b)(iv) above but subject to paragraph 3(c), 3(d) or 3(e) below (as applicable), in the case of a Suspension Event, the obligation of Barclays Bank to purchase Eligible Bonds under the Barclays Liquidity Facility will be immediately suspended without notice or demand and, thereafter, Barclays Bank will be under no obligation to purchase Eligible Bonds until the Barclays Bank Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, Barclays Bank shall notify the Authority, the Trustee and the Remarketing Agent of such suspension and the effective date of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that Barclays Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Barclays Bank Available Commitment or its obligation to purchase Eligible Bonds pursuant to the Barclays Liquidity Facility.

(c) Upon the occurrence of an Event of Default described in paragraph 3(a)(i) above, Barclays Bank’s obligation to purchase Eligible Bonds will be suspended immediately and automatically and remain suspended until the first to occur of (x) a final and unappealable order granting the appointment of a receiver or similar official, (y) said case, proceeding or other action referred to therein is either dismissed, discharged or bonded or (z) the Termination Date occurs. In the event that said case, proceeding or other action shall have been dismissed, discharged or bonded prior to the Termination Date, then the Barclays Bank Available Commitment and the obligation of Barclays Bank to purchase Eligible Bonds will be reinstated and the terms of the Barclays Liquidity Facility shall continue in full force and effect as if there had been no such suspension (unless the Barclays Bank Commitment Period shall otherwise have been terminated, suspended or expired as provided in the Barclays Liquidity Facility). In the event that said case, proceeding or other action shall not have been dismissed, discharged or bonded prior to the Termination Date or in the event that a final and unappealable order is rendered granting the appointment of a receiver or similar official, then the Barclays Bank Available Commitment and the obligation of Barclays Bank to purchase Eligible Bonds shall terminate on such Termination Date without notice or demand and, thereafter, Barclays Bank will be under no obligation to purchase Eligible Bonds.

(d) Upon the occurrence of a Default described in paragraph 3(a)(ii) above, Barclays Bank’s obligations to purchase Eligible Bonds will be immediately and automatically suspended and remain suspended until the case, proceeding or other action referred to therein is either dismissed, discharged or bonded within sixty (60) days from the commencement of such case, proceeding or action, or the Termination Date occurs, whichever is first. In the event that said case, proceeding or other action shall have been dismissed, discharged or bonded within the sixty (60) day period described therein and prior to the Termination Date, then the Barclays Bank Available Commitment and the obligation of Barclays Bank to purchase Eligible Bonds will be reinstated and the terms of the Barclays Liquidity Facility shall
continue in full force and effect as if there had been no such suspension (unless the Barclays Bank Commitment Period shall otherwise have been terminated, suspended or expired as provided in the Barclays Liquidity Facility). In the event that said case, proceeding or other action shall not have been dismissed, discharged or bonded within such sixty (60) day period when the Termination Date occurs, then the Barclays Bank Available Commitment and the obligation of Barclays Bank to purchase Eligible Bonds shall terminate on the Termination Date without notice or demand and, thereafter, Barclays Bank will be under no obligation to purchase Eligible Bonds.

(e) Upon the occurrence of a Default described in paragraph 3(a)(iii) above, Barclays Bank’s obligations to purchase Eligible Bonds will be immediately and automatically suspended and remain suspended until the case, proceeding or other action referred to therein is either vacated, discharged, stayed or bonded pending appeal within sixty (60) days from the commencement of such case, proceeding or action, or the Termination Date occurs, whichever is first. In the event that said case, proceeding or other action shall have been vacated, discharged, stayed or bonded pending appeal within the sixty (60) day period described therein and prior to the Termination Date, then the Barclays Bank Available Commitment and the obligation of Barclays Bank to purchase Eligible Bonds will be reinstated and the terms of the Barclays Liquidity Facility shall continue in full force and effect as if there had been no such suspension (unless the Barclays Bank Commitment Period shall otherwise have been terminated, suspended or expired as provided in the Barclays Liquidity Facility). In the event that said case, proceeding or other action shall not have been vacated, discharged, stayed or bonded pending appeal within such sixty (60) day period when the Termination Date occurs, then the Barclays Bank Available Commitment and the obligation of Barclays Bank to purchase Eligible Bonds shall terminate on such Termination Date without notice or demand and, thereafter, Barclays Bank will be under no obligation to purchase Eligible Bonds.

(f) In the case of each Suspension Event, the Trustee shall subsequently notify all Series 2008 B Bondholders of the suspension and/or termination of both the Barclays Bank Available Commitment and the obligation of Barclays Bank to purchase Eligible Bonds.

Substitution of Alternate Liquidity Facility

Pursuant to the provisions of the Indenture, the Authority may provide an Alternate Liquidity Facility with respect to any Series of 2008 Series Bonds. The Authority shall give at least 30 days’ written notice to the Trustee and each of the Notice Parties of its intent to furnish an Alternate Liquidity Facility to the Trustee. The applicable Series of 2008 Series Bonds shall be subject to mandatory purchase on the Substitution Date. In addition, the Trustee shall give 15 days’ notice to Holders.

THE 1976 SALES TAX

General

The terms of the Act authorize the imposition of the 1976 Sales Tax upon the approval of the electorate of the County. Voter approval of the 1976 Sales Tax was obtained by special election in 1976. Since the Act does not provide for automatic expiration of the 1976 Sales Tax, there is no statutory termination provision for the 1976 Sales Tax.

The 1976 Sales Tax is a retail transactions and use tax of one half of one percent (0.5%) of the gross receipts of retailers from the sale of all tangible personal property sold at retail in the County and 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. The most important exemptions from the 1976 Sales Tax are the 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. Additionally, 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 1976 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 are exempt from the 1976 Sales Tax.

1976 Sales Tax Revenues are net of an administrative fee paid to the Board of Equalization for the collection and disbursement of the 1976 Sales Tax, which by statute cannot exceed 1.5% of collections. In the Fiscal Year ended June 30, 2010, the amount of the administrative fee was approximately $1.6 million.

For a summary of the 1976 Sales Tax Revenues reported by the Authority for the ten Fiscal Years ended June 30, 2010, see “THE 1976 SALES TAX – Historical Sales Tax Revenues” herein.

Collection

Collection of the 1976 Sales Tax is administered by the Board of Equalization. The Authority and the Board of Equalization have entered into an agreement to authorize payment of 1976 Sales Tax Revenues directly to the Trustee. Pursuant to its procedures, the Board of Equalization projects receipts of the 1976 Sales Tax on a quarterly basis and remits an advance of such receipts to the Trustee on a monthly basis based on such projection. During the last month of each quarter, the Board of Equalization adjusts the amount remitted to reflect the actual receipts of the 1976 Sales Tax for the quarter.

The Trustee is required to apply receipts of 1976 Sales Tax Revenues as provided in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Revenue Fund; Allocation of 1976 Sales Tax Revenues” and APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts; Allocation of Sales Tax Revenues.” The Trustee is required to transfer any remaining unapplied 1976 Sales Tax Revenues to the Junior Lien Trustee for allocation to the Junior Obligations. Commitment fees under the Liquidity Facilities are payable following the payment of Bonds, Parity Debt and the Junior Lien Obligations. Termination payments, if any, with respect to the Swap Agreements and payable on a basis subordinate to the Junior Lien Obligations. After such allocations, any remaining unapplied 1976 Sales Tax Revenues are transferred to the Authority for use for any lawful purpose.

Historical Sales Tax Revenues

The following table shows 1976 Sales Tax Revenues reported by the Authority during the ten Fiscal Years ended June 30, 2010.

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>1976 Sales Tax Revenues(1)</th>
<th>Rate of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$183,540,308</td>
<td>10.1%</td>
</tr>
<tr>
<td>2002</td>
<td>144,217,679</td>
<td>-21.4</td>
</tr>
<tr>
<td>2003</td>
<td>132,632,377</td>
<td>-8.0</td>
</tr>
<tr>
<td>2004</td>
<td>138,917,173</td>
<td>4.7</td>
</tr>
<tr>
<td>2005</td>
<td>145,008,106</td>
<td>4.4</td>
</tr>
</tbody>
</table>
2006 157,283,101 8.5
2007 163,675,750 4.1
2008 163,037,594 -0.4
2009 137,641,999 -15.6
2010 140,036,709 1.7

Source: The Authority.

(1) Differences in amount the 1976 Sales Tax are due to adjustments from prior periods resulting from either Authority or Board of Equalization audits of taxpayer records.

The following table shows 1976 Sales Tax receipts reported by the Authority during the past six Fiscal Year quarters.

1976 Sales Tax Receipts by Quarter

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Net Receipts</th>
<th>Change from Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter 2010</td>
<td>$35,309,325</td>
<td>-9.73%</td>
</tr>
<tr>
<td>Second Quarter 2010</td>
<td>36,674,076</td>
<td>-3.98</td>
</tr>
<tr>
<td>Third Quarter 2010</td>
<td>32,810,293</td>
<td>7.95</td>
</tr>
<tr>
<td>Fourth Quarter 2010</td>
<td>35,243,015</td>
<td>17.72</td>
</tr>
<tr>
<td>First Quarter 2011</td>
<td>37,542,381</td>
<td>6.32</td>
</tr>
<tr>
<td>Second Quarter 2011</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: The Authority.

For a summary of historical taxable retail sales within the County see the table entitled “County of Santa Clara, Taxable Transactions by Sector” in APPENDIX C – “COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION.”

RISK FACTORS

Economy of the County and the State

The 2008 Series Bonds are secured by a pledge of 1976 Sales Tax Revenues, which consist of the 1976 Sales Tax less an administrative fee paid to the Board of Equalization. The level of 1976 Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the County, which is, in turn, dependent upon the level of economic activity in the County and in the State generally. As a result, any substantial deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of 1976 Sales Tax Revenues and therefore upon the ability of the Authority to pay principal of and interest on the 2008 Series Bonds. For example, during the most recent recession, which had a severe impact on the United States and California economies, 1976 Sales Tax Revenues decreased 15.6% between the Fiscal Year ended June 30, 2008 and the Fiscal Year ended June 30, 2009. See “THE 1976 SALES TAX – Historical Sales Tax Revenues” above.

For information relating to economic conditions within the County and the State, see APPENDIX C – “COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION.”
The 1976 Sales Tax

With limited exceptions, the 1976 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 1976 Sales Tax are imposed. Any such change or limitation could have an adverse impact on the 1976 Sales Tax Revenues collected. For a further description of the 1976 Sales Tax Revenues, see “THE 1976 SALES TAX” herein.

Impact of Bankruptcy of the Authority

As a municipal entity, the Authority may be qualified to file a petition under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”) under certain circumstances. Under Chapter 9, the pledge of 1976 Sales Tax Revenues is fully enforceable only if a bankruptcy court determines that the 1976 Sales Tax Revenues are “Special Revenues” under Chapter 9 and that the pledge is valid and binding under Chapter 9. 1976 Sales Tax Revenues may not constitute “Special Revenues” under Chapter 9 because, among other reasons, the 1976 Sales Tax was not levied for a particular project and is available for the general purposes of the Authority. If a bankruptcy court were to hold the pledge of 1976 Sales Tax Revenues to be unenforceable under Chapter 9, then the owners of the Bonds (including the 2008 Series Bonds) would no longer be entitled to any special priority to the 1976 Sales Tax Revenues and may be treated as general unsecured creditors of the Authority as to the 1976 Sales Tax Revenues.

Furthermore, since the obligations of the Authority under the Indenture, including its obligation to pay principal of and interest on the 2008 Series Bonds, are limited obligations and are payable solely from 1976 Sales Tax Revenues and certain other amounts held by the Trustee under the Indenture, if the Authority filed a petition for bankruptcy under Chapter 9, the owners of the Bonds (including the 2008 Series Bonds) would have no recourse to any assets or revenues of the Authority other than 1976 Sales Tax Revenues and such other amounts held by the Trustee under the Indenture.

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act (“Proposition 218”). Proposition 218 added Articles XIIIC and XIIID to the California Constitution. Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Authority. However, the voter approval requirements of Article XIIIC do not apply to the 1976 Sales Tax since the 1976 Sales Tax was approved by the voters prior to January 1, 1995. Article XIIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized taxes, even previously voter-approved taxes like the 1976 Sales Tax. In the opinion of the Authority, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the 1976 Sales Tax in a manner which would prevent the payment of debt service on the 2008 Series Bonds would violate the Contracts Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts.

Further Initiatives

Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, which may affect the Authority’s ability to levy and collect the 1976 Sales Tax.
Limitations of Liquidity Facilities and Related Risks

The ability to obtain funds under the Liquidity Facilities in accordance with their respective terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions may prevent or restrict payment under a Liquidity Facility. If funds are not provided to pay Purchase Price of any tendered 2008 Series Bond pursuant to a draw on a Liquidity Facility, the Authority may, but is not obligated to, provide funds to pay such Purchase Price. To the extent the short-term rating on any 2008 Series Bonds depends in any manner on the rating of the Liquidity Facility Provider then providing the Liquidity Facility for such 2008 Series Bonds, the short-term ratings on such 2008 Series Bonds could be downgraded or withdrawn if such Liquidity Facility Provider was downgraded, placed on credit watch or had its credit suspended or withdrawn or refused to perform under its Liquidity Facility.

Investment Considerations Related to Variable Rate Bonds and Interest Rate Swaps

The 2008 Series Bonds were issued as variable rate bonds. Each Series of 2008 Series Bonds may be converted to a fixed interest rate. However, the Authority’s protection against rising interest rates is limited because the Authority would be required to continue to pay interest at variable rates until such time as the Authority is permitted to convert the applicable 2008 Series Bonds to fixed rate bonds pursuant to the provisions of the Indenture.

The Authority has entered into the Swap Agreements to manage its interest rate exposure with respect to the 2008 Series Bonds. The total notional amount of the Swap Agreements is equal to the aggregate principal amount of the 2008 Series Bonds. In accordance with the provisions of the Swap Agreements, the Authority will pay a fixed rate of interest to the Counterparties and will receive a variable rate of interest from the Counterparties, the effect of which is intended to achieve a synthetic fixed interest rate.

The variable rate of interest received by the Authority on the Swap Agreements may be less than the variable rate of interest on the 2008 Series Bonds, which would effectively increase the borrowing costs of the Authority. Debt service on the 2008 Series Bonds shown in the debt service schedule set forth above under the caption, “Debt Service Schedule” has been calculated based on the fixed rate of interest payable by the Authority to the Counterparties established pursuant to the Swap Agreements. Actual debt service on the 2008 Series Bonds may be higher or lower than the debt service shown in the Debt Service Schedule. In addition, if one or more of the Swap Agreements were to be terminated for any reason, the Authority would have variable interest rate exposure.

FINANCIAL STATEMENTS

The financial statements of the Authority for the Fiscal Year ended June 30, 2010, included in APPENDIX B of this Remarketing Memorandum have been audited by Vavrinek, Trine, Day & Co., LLP, independent auditors, as stated in their report therein. Vavrinek, Trine, Day & Co., LLP was not requested to consent to the inclusion of its report in APPENDIX B, 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 Remarketing Memorandum, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP with respect to any event subsequent to the date of its report. The Authority represents that there has been no material adverse change in its financial position since June 30, 2010.
LITIGATION

There is not now pending or, to the knowledge of the Authority, threatened, any litigation concerning or affecting the validity or the original issuance of the 2008 Series Bonds. 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. See APPENDIX A – “SANTA CLARA VALLEY TRANSPORTATION AUTHORITY – Litigation.”

TAX MATTERS

On the original issuance date of the 2008 Series Bonds, Orrick, Herrington & Sutcliffe LLP rendered its opinion that based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the 2008 Series 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. A complete copy of such opinion is attached as APPENDIX F hereto. Such opinion will not be updated in connection with the remarketing of the 2008 Series Bonds hereunder.

LEGAL MATTERS

On the original issuance date of the 2008 Series Bonds, Orrick, Herrington & Sutcliffe LLP, rendered its opinion as to the validity and enforceability of the 2008 Series Bonds. The opinion of Orrick, Herrington & Sutcliffe LLP has not been updated as of the date of this Remarketing Memorandum. A copy of the approving opinion of Orrick, Herrington & Sutcliffe LLP delivered in connection with the original issuance of the 2008 Series Bonds is attached as APPENDIX F hereto. Fulbright & Jaworski L.L.P. is serving as Bond Counsel and Disclosure Counsel to the Authority in connection with this remarketing of the 2008 Series Bonds. As Bond Counsel to the Authority, Fulbright & Jaworski L.L.P. is not providing any opinion to the Owners with respect to the validity and enforceability of the 2008 Series Bonds or with respect to any tax matters in connection with 2008 Series Bonds. Certain legal matters will be passed on for the Authority by its General Counsel and for the Liquidity Facility Providers by Nixon Peabody LLP.

RATINGS

Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies (“S&P”), Moody’s Investors Service, Inc. (“Moody’s”) and Fitch, Inc. (“Fitch”) have assigned long-term ratings of “__,” “__” and “__,” respectively, to the 2008 Series Bonds.

S&P is expected to assign its short-term rating of “___” to the 2008 Series Bonds, based on the delivery of the Liquidity Facilities by the Liquidity Facility Providers. Moody’s has assigned its short-term rating of “___” to the 2008 Series Bonds, based on the delivery of the Liquidity Facilities by the Liquidity Facility Providers. These ratings reflect only the views of the rating agencies, and do not constitute a recommendation to buy, sell or hold securities. The Authority has furnished to the rating agencies certain information respecting the 2008 Series Bonds and the Authority. 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 the rating agencies, and there is no assurance that the ratings will continue for any period of time or that they will not be lowered or withdrawn. Any reduction or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.
FINANCIAL ADVISOR

The Authority has retained Ross Financial, San Francisco, California, as financial advisor (the “Financial Advisor”) in connection with the remarketing of the 2008 Series Bonds.

CONTINUING DISCLOSURE

The remarketing of the 2008 Series Bonds is exempt from the continuing disclosure requirements set forth in Securities and Exchange Commission Rule 15c2-12 (the “Rule”) issued under the Securities Exchange Act of 1934, as amended. However, if the Authority has no fixed rate obligations outstanding that are subject to the Rule, the Authority has covenanted to continue to provide continuing disclosure information of the type provided in connection with its fixed rate obligations. Additionally, in accordance with the provisions of the Indenture, upon the conversion of a 2008 Series Bonds to an interest rate mode requiring a continuing disclosure undertaking under the Rule, the Authority has covenanted to comply with the applicable requirements promulgated under the Rule, as it may from time to time hereafter be amended or supplemented, and to incur all costs associated with such continuing disclosure undertaking. The Authority has never failed to file any annual report or notice of material event under its continuing disclosure undertakings. The Authority has engaged Digital Assurance Certification, L.L.C. to assist the Authority with its disclosure filings.

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 2008 Series Bonds will be on file at the offices of the Trustee in San Francisco, California.

Any statements in this Remarketing Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Memorandum is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the 2008 Series Bonds.
The execution and delivery of this Remarketing Memorandum has been duly authorized by the Authority.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: ____________________________
    Chief Financial Officer
APPENDIX A

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

All capitalized terms used and not defined in this Appendix A shall have the meanings assigned to such terms in the forepart of the Remarketing Memorandum to which this Appendix A is attached. Unless otherwise specifically noted herein, source data for tables is provided by Santa Clara Valley Transportation Authority (the “Authority”).

Administration

The Authority is governed by a Board of Directors (the “Board” or the “Board of Directors”) comprised of 12 elected officials appointed by the jurisdictions they represent. Five members of the Board and one alternate are recommended by the Mayor of the City of San José and approved by the City of San José City Council. Three members of the Board and one alternate are appointed from among the city councils of the Cities of Los Altos, Mountain View, Palo Alto, Sunnyvale and Santa Clara, and the Town of Los Altos Hills. One Board member and one alternate are appointed from among the city councils of the Cities of Campbell, Cupertino, Monte Sereno and Saratoga, and the Town of Los Gatos. One Board member and one alternate are appointed from among the city councils of the Cities of Gilroy, Milpitas and Morgan Hill. The final two seats on the Board and one alternate are appointed by the Board of Supervisors of the County of Santa Clara (the “County”). The allocation of Board representation is generally based on population.

Current members of the Board and the local agency each Board member represents are set forth below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Local Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margaret Abe-Koga, Chairperson</td>
<td>City of Mountain View</td>
</tr>
<tr>
<td>Ken Yeager, Vice Chairperson</td>
<td>County of Santa Clara</td>
</tr>
<tr>
<td>Xavier Campos</td>
<td>City of San José</td>
</tr>
<tr>
<td>Rose Herrera</td>
<td>City of San José</td>
</tr>
<tr>
<td>Ash Kalra</td>
<td>City of San José</td>
</tr>
<tr>
<td>Liz Kniss</td>
<td>County of Santa Clara</td>
</tr>
<tr>
<td>Rich Larsen</td>
<td>Town of Los Altos Hills</td>
</tr>
<tr>
<td>Sam Liccardo</td>
<td>City of San José</td>
</tr>
<tr>
<td>Chris Moylan</td>
<td>City of Sunnyvale</td>
</tr>
<tr>
<td>Chuck Page</td>
<td>City of Saratoga</td>
</tr>
<tr>
<td>Chuck Reed</td>
<td>City of San José</td>
</tr>
<tr>
<td>Perry Woodward</td>
<td>City of Gilroy</td>
</tr>
</tbody>
</table>

Current alternate members of the Board are Nancy Pyle (City of San José), Jamie Matthews (City of Santa Clara), Pete McHugh (City of Milpitas), George Shirakawa (the County) and Marshall Anstandig (City of Monte Sereno). The current ex-officio member of the Board is Dave Cortese.

The Board has established four standing committees, each consisting of four Board members: Administration and Finance, Congestion Management Program and Planning, Transit Planning and Operations, and Audit. Several advisory committees have also been formed to make recommendations to the Board on technical and policy issues.
Certain key members of the Authority’s administrative staff include the following:

MICHAEL BURNS - General Manager since August 2005. Mr. Burns has been in the transportation industry for more than 30 years and formerly served as Executive Director of the San Francisco Municipal Transportation Agency. Mr. Burns has also served as Executive Director of the San Francisco Department of Parking and Traffic. Prior to that, Mr. Burns served as Chief Operations Officer of the Southeastern Pennsylvania Transportation Authority (“SEPTA”). Prior to serving as Chief Operations Officer at SEPTA, Mr. Burns served as Assistant General Manager in charge of the Railroad Division and as Chief Mechanical Officer. He has also served as Assistant General Manager for Railroad Operations for the Massachusetts Bay Transportation Authority (“MBTA”).

KEVIN ALLMAND - General Counsel since December 2008. Prior to his appointment as General Counsel, Mr. Allmand served the Authority as Acting General Counsel from April 2008 until December 2008, as Assistant General Counsel from 2002 until April 2008 and as Senior Assistant Counsel from 1993 until 2002. Prior to joining the Authority, Mr. Allmand served as a Deputy County Counsel in the Santa Clara County Counsel’s Office from 1990 to 1993.

SANDRA WEYMOUTH – Board Secretary since 2009. Ms. Weymouth also served as the Authority’s Board Secretary from 1994-2006. Ms. Weymouth has also worked for the Authority as Executive Assistant to the General Manager, and as Policy and Administration Manager of Operations.

CAROLYN GONOT - Chief Silicon Valley Rapid Transit (“SVRT”) Program Officer since June, 2007. Prior to her appointment as Chief SVRT Program Officer, Ms. Gonot served as Chief Development Officer and as the Deputy Director of the Congestion Management Program. Ms. Gonot has been employed by the Authority since July 1996. Ms. Gonot worked for transportation consulting firms before joining the Authority.

GRETA HELM - Chief External Affairs Officer since November 2007. Prior to joining the Authority, Ms. Helm was Director of Government Relations and Planning for Santa Clara County Social Services Agency, where she was responsible for managing the coordination of media relations, community outreach, legislative/policy development, and management reporting. Prior to that, she served as Senior Policy Counsel in San Mateo County.

BILL LOPEZ - Chief Administrative Officer since April 2006. Prior to joining the Authority, Mr. Lopez spent 22 years with the City of San Diego, most recently as Director of Risk Management. Prior to that, Mr. Lopez served as the Deputy Director for the Operations and Maintenance Division, Metropolitan Wastewater Department, and the Labor Relations Officer for the City of San Diego City Manager’s Office.

GARY MISKELL - Chief Information Officer since December 2007. Prior to joining the Authority, Mr. Miskell was a Senior Director at Solectron Technology, managing the Global Information Technology Application organization. Prior to that Mr. Miskell directed the System Integration & Test Business Unit at Solectron Technology, which included the following functions: Materials Management, Engineering, Quality, Program Management/Sales, Marketing, Quotation and Manufacturing.

JOHN RISTOW - Chief Congestion Management Agency (“CMA”) Officer since October, 2007. Prior to his appointment as Chief CMA Officer, Mr. Ristow served as Deputy Director, Programming and Project Development for the Authority, where he was responsible for highway planning, environmental clearance, right of way and preliminary engineering phases for all Authority projects. Prior to joining the Authority, Mr. Ristow worked at the Riverside County Transportation and Land Management Agency where he managed the County’s Road and Bridge Benefit Districts and the countywide National Pollutant
MARK S. ROBINSON - Chief Engineering and Construction Officer since November 2007. Mr. Robinson has been with the Authority for more than 28 years. Prior to his appointment as Chief Engineering and Construction Officer, Mr. Robinson served the Authority in many capacities, including light rail project manager and rail and facilities program manager, and has been involved in the implementation of large transit projects for the Authority.

DONALD SMITH - Chief Operating Officer since May 2006. Mr. Smith joined the Authority in April 2006 as Deputy Director, Operations. Mr. Smith has extensive experience in operations, management, and paratransit including 25 years at MBTA in Boston. Mr. Smith has also worked at SEPTA in Philadelphia and as a consultant in the private sector.

JOSEPH T. SMITH - Chief Financial Officer since January 2008. Mr. Smith has more than 28 years of transit finance experience. Prior to joining the Authority, Mr. Smith held a number of positions with the Regional Transportation District in Denver, Colorado, most recently as Senior Manager of Finance.

Employees

The Authority has approximately 2,000 employees of which approximately 93.8% are represented by unions. The Amalgamated Transit Union, Division 265 (the “ATU”), represents 1,357 employees (68.2% of total Authority employees), including mechanics and maintenance personnel, bus and light rail operators, dispatchers, and customer service representatives. The current agreement between the ATU and the Authority was executed in 2008 and expires on February 10, 2013. The Authority has not experienced any strikes.

The remaining represented employees consist of: members of Service Employees International Union, Local 521 (“SEIU Local 521”), representing 264 employees in technical, paraprofessional and administrative positions; members of American Federation of State, County and Municipal Employees, Local 101 (“AFSCME”), representing 218 employees in managerial, supervisory and other professional level positions; and members of Transit Authority Engineers and Architects (“TAEA”), representing 37 employees in engineering and architect positions. Each of these contracts expires on June 30, 2011. Negotiations with respect to these contracts have not yet commenced.

The Authority Transit System

The Authority Transit System consists of bus, light rail and other services that are funded from a variety of revenues, but primarily from sales tax revenues (see “Authority Revenues” herein).

Bus Transit Service. The Authority presently operates a bus system providing service to the approximately 326-square-mile urbanized portion of the County, a county of 1,300 square miles with a population of approximately 1.9 million. The Authority currently maintains an active fleet of 365 diesel-powered and 45 unleaded gasoline-powered, and 59 hybrid-diesel-powered buses. The average age of these buses is eight years and the buses range from one to 13 years old. Buses are operated and maintained from 3 operating divisions and an Overhaul and Repair (“O&R”) facility: Cerone Operating Division, Don Pedro Chaboya Operating Division, North Operating Division and Cerone O&R Division. Along the bus routes, there are approximately 3,800 bus stops, 799 of which have bus shelters. The
Authority also maintains 12 park and ride lots – five owned by the Authority and the rest provided under a lease, permit or joint use agreement with other agencies.

**Light Rail Transit Service.** The Authority currently operates and maintains a 42-mile light rail system (the “LRT System”) connecting areas of Mountain View, Sunnyvale, Santa Clara, North San José and Milpitas to areas in South San José and Campbell. The Authority’s fleet consists of 99 low floor light rail vehicles and four historic trolleys. Currently, the LRT System has 62 stations and 21 park and ride lots, which are fully integrated with the bus system.

**Other Services.** The Authority provides funding for a portion of the operating and capital costs of the Caltrain commuter rail service. This commuter rail service is provided by the Peninsula Corridor Joint Powers Board (the “PCJPB”), which is composed of three member agencies: the Authority, the San Mateo County Transit District (“SamTrans”) and the City and County of San Francisco. There are 86 trains (including 22 Express trains) operating between San José Diridon Station and San Francisco each weekday, with 36 of these trains extended to the Tamien Station in San José. Connection to the Authority’s light rail system can be made at the Mountain View, San José Diridon, and Tamien Stations. Six peak-hour weekday trains extend south of Tamien station to Gilroy, three in the a.m. and three in the p.m. Hourly weekend service with four additional Express trains is operated between San José Diridon Station and San Francisco. Funding of operating costs is apportioned to each member agency of the PCJPB and is based upon morning peak period boardings in each county, currently approximately 41% for the Authority. [additional information?]

The Authority is also a member of the Capitol Corridor Joint Powers Authority (the “Capitol Corridor JPA”), which is composed of the Authority, the Sacramento Regional Transit District, the Placer County Transportation Planning Agency, the congestion management agencies of Solano and Yolo Counties and the San Francisco Bay Area Rapid Transit District (“BART”). The Capitol Corridor JPA provides intercity rail service between Sacramento and San José. 32 weekday trains run between Oakland and Sacramento, with 14 continuing to San José. Stops are located at stations in Auburn, Rocklin, Roseville, Sacramento, Davis, Suisun/Fairfield, Martinez, Richmond, Berkeley, Emeryville, Oakland (2), Hayward, Fremont, Santa Clara and San José. The Authority currently does not provide any funding for this service. Funding for the operating and capital costs of this service is provided by the State of California (the “State of California” or the “State”), federal grants and passenger fares. Pursuant to a contract with the Capitol Corridor JPA, BART manages the service and Amtrak operates the service on tracks owned by Union Pacific Railroad.

The Authority provides funding for a portion of the operating costs of the Altamont Commuter Express (“ACE”) pursuant to a cooperative agreement (the “ACE Agreement”) among the Authority, Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission (“SJRRRC”). ACE rail service provides peak hour weekday commuter rail service from the Central Valley to the County. The rail line includes stops located in Stockton, Lathrop, Tracy, Livermore (2), Pleasanton, Fremont, Santa Clara and San José. Pursuant to the ACE agreement, funding of operating costs is based on Fiscal Year 2003 contributions, escalated annually by the consumer price index increases. The Authority’s share is approximately 42% of the cost of the service. The Authority also provides eight free shuttles to transport ACE riders from the Great America Station (Santa Clara) to major employment sites. These shuttles are funded by a grant from the Transportation Fund for Clean Air through the Bay Area Air Quality Management District and SJRRRC.

The Authority provides funding for a portion of the operating costs of the Dumbarton Express, a transbay express bus route operating between the Union City BART station and Stanford Research Park in Palo Alto. A consortium comprised of representatives from the Alameda-Contra Costa Transit District (“AC Transit”), BART, the City of Union City, SamTrans, and the Authority fund the net operating costs
of the service. Each member of the consortium pays a share of the operating expenses based on the origin and destination of the passengers as determined by an annual ridership survey (currently approximately 41% for the Authority). AC Transit manages and operates the service.

The Authority provides funding for a portion of the operating costs of the Highway 17 Express, an inter-county bus service, operating between Santa Cruz, Scotts Valley and downtown San José, through a cooperative arrangement between the Authority, the Santa Cruz Metropolitan Transit District (“Santa Cruz Metro”), the Capitol Corridor JPA and the California Department of Transportation (“CalTrans”). The Authority and Santa Cruz Metro share the majority of weekday net operating costs equally. The Capitol Corridor JPA and CalTrans provide funding for weekend and holiday service and costs associated with weekday trips not paid by the Authority and Santa Cruz Metro. Santa Cruz Metro manages and operates the service.

The Authority implemented a paratransit brokerage system in 1993, which operates throughout the Authority’s service area. Paratransit service is a specialized form of transportation operated for persons with disabilities who cannot use conventional public transit service. As an operator of bus and light rail service, the Authority is required under the Americans with Disabilities Act (the “ADA”) to ensure that paratransit service is provided to eligible individuals with disabilities. The level of service provided must be comparable, in terms of hours of service and area served, to the service provided by the bus and light rail system. The Authority does not directly provide paratransit service but contracts with Outreach and Escort, Inc. (“Outreach”), a paratransit broker service. Outreach determines and certifies qualified individuals for paratransit eligibility, receives and schedules trip requests, builds vehicle manifests, and contracts for services with taxi, sedan and accessible van service providers.

Under the Authority’s Rail Shuttle Program, the Authority offers financial support to shuttle bus services that operate between rail stations and nearby employment/activity centers. This service is operated by the Authority or through the employer using a private contractor. Currently the DASH and IBM/Hitachi shuttles are included in the program. Funding to operate this program is provided by the employers, the Authority and grants from the Transportation Fund for Clean Air Act through the Bay Area Air Quality Management District.

The Authority, in partnership with the City of San José, provides free Airport Flyer bus service connecting the Norman Y. Mineta San José International Airport terminals with the Authority’s Metro/Airport Light Rail Station and the Santa Clara Caltrain Station. The City of San José contributes approximately 30% to the net operating costs for this service with the Authority funding the remainder.

The Authority, Monterey-Salinas Transit (“MST”) and the Capitol Corridor JPA have entered into a Memorandum of Understanding to provide express bus service operating from Monterey to San José, funded by a federal Jobs Access Reverse Commute grant, the Capitol Corridor JPA and the Authority. The Line 55 Monterey-San José Express is managed and operated by MST and provides daily service with three round trips, covering commute times in the morning, mid-day and evening. The service provides passengers with transfers to and from Capitol Corridor trains that operate between San José-Oakland-Sacramento, Caltrain (including Baby Bullet express trips), and the Authority’s bus and light rail services. The service originates in downtown Monterey with other stops in Monterey County before stopping at the Gilroy Caltrain Station, Morgan Hill Caltrain Station, San José State University, downtown San José and the San José Diridon Station.

Authority Revenues

The Authority’s primary revenue sources include the 1976 Sales Tax and the 2000 Measure A Sales Tax, both as defined in the forepart of the Remarketing Memorandum; the one-quarter of one
percent (0.25%) sales tax imposed pursuant to the California Transportation Development Act of 1971, as amended, described herein under the caption “Transportation Development Act Revenues,” a portion of the revenues derived from the sales tax on diesel fuel purchases appropriated by the State Legislature to the State Transit Assistance Program (“STA”) for public transportation purposes, described herein under the caption “State Transit Assistance Program,” and passenger fares charged by the Authority.

1976 Sales Tax Revenues. The 1976 Sales Tax is the Authority’s single largest source of revenue for operations. The 1976 Sales Tax is collected by the State Board of Equalization (the “SBOE”). Pursuant to an agreement between the Authority and the SBOE, the SBOE remits revenues from the 1976 Sales Tax to the trustee for senior lien obligations secured by the Sales Tax (herein referred to as the “1976 Sales Tax Bond Trustee”) on a monthly basis. Pursuant to its procedures, the SBOE projects receipts of the 1976 Sales Tax on a quarterly basis and remits an advance of such receipts to the trustee each month based on such projection. During the last month of each quarter, the SBOE adjusts the amount remitted to reflect the actual receipts of the 1976 Sales Tax for the previous quarter less administration costs. After application for payment of the senior lien obligations and the junior lien obligations secured by the Sales Tax (herein referred to as the “1976 Sales Tax Obligations”), 1976 Sales Tax Revenues are budgeted to pay operating expenses and to pay capital expenditures where state or federal capital assistance programs require that the recipient of assistance contribute locally derived revenue.

2000 Measure A Sales Tax Revenues. The 2000 Measure A Sales Tax is also collected by the SBOE. Pursuant to an agreement between the Authority and the SBOE, the SBOE remits revenues from the 2000 Measure A Sales Tax to the trustee for obligations secured by the 2000 Measure A Sales Tax (herein referred to as the “2000 Measure A Sales Tax Bond Trustee”) on a monthly basis. Pursuant to its procedures, the SBOE projects receipts of the 2000 Measure A Sales Tax on a quarterly basis and remits an advance of such receipts to the 2000 Measure A Sales Tax Bond Trustee each month based on such projection. During the last month of each quarter, the SBOE adjusts the amount remitted to reflect the actual receipts of the 2000 Measure A Sales Tax for the previous quarter less administration costs. After application for payment of the senior lien obligations and the junior lien obligations, if any, secured by the 2000 Measure A Sales Tax herein referred to as the “2000 Measure A Sales Tax Obligations,” 2000 Measure A Sales Tax Revenues provide funding for operations and transit projects listed in the Authority’s Valley Transportation Plan. See “Authority Budgeted Revenues and Expenditures - Valley Transportation Plan.”

The 2000 Measure A Sales Tax secures the 2000 Measure A Sales Tax Obligations and is not pledged as a source of repayment for the 1976 Sales Tax Obligations and does not secure the 1976 Sales Tax Obligations.
The table set forth below shows the total amount of 1976 Sales Tax and 2000 Measure A Sales Tax received during the ten fiscal years ended June 30, 2010.

### Santa Clara Valley Transportation Authority
Historical Sales Tax Revenues
Fiscal Years Ended June 30, 2001 - 2010

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>1976 Sales Tax Revenues</th>
<th>Percentage Change</th>
<th>2000 Measure A Sales Tax(1)</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$183,540,308</td>
<td>10.1%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2002</td>
<td>144,217,679</td>
<td>(21.4)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2003</td>
<td>132,632,377</td>
<td>(8.0)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2004</td>
<td>138,917,173</td>
<td>4.7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>145,008,106</td>
<td>4.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2006</td>
<td>157,283,101</td>
<td>8.5</td>
<td>$38,169,934(2)</td>
<td>-</td>
</tr>
<tr>
<td>2007</td>
<td>163,675,750</td>
<td>4.1</td>
<td>161,360,552</td>
<td>-</td>
</tr>
<tr>
<td>2008</td>
<td>163,037,594</td>
<td>(0.4)</td>
<td>160,536,904</td>
<td>(0.5)%</td>
</tr>
<tr>
<td>2009</td>
<td>137,641,999</td>
<td>(15.6)</td>
<td>137,260,570</td>
<td>(14.5)</td>
</tr>
<tr>
<td>2010</td>
<td>140,036,709</td>
<td>1.7</td>
<td>139,305,038</td>
<td>1.5</td>
</tr>
</tbody>
</table>

(1) Differences between 1976 and 2000 Measure A Sales Tax revenues are to prior period adjustments.
(2) 2000 Measure A Sales Tax began April 1, 2006.

### Transportation Development Act Revenues. Transportation Development Act Revenues (the “TDA Revenues”) are a State subsidy consisting of an allocation of State sales tax revenue under the California Transportation Development Act of 1971, as amended (the “TDA”), whereby a 0.25% levy of the State’s sales tax (net of collection costs) is made available for public transportation operating and capital expenses in the county in which the sales tax is collected. TDA Revenues are the Authority’s second largest source of revenue for operations and are separate and distinct from revenues derived from the 1976 Sales Tax and the 2000 Measure A Sales Tax.

TDA Revenues are apportioned, allocated and paid by the Metropolitan Transportation Commission (“MTC”), the regional planning organization for the nine-county San Francisco Bay Area. Under TDA regulations, MTC allocates approximately 11% of the TDA Revenues to fund community and paratransit service programs, facilities for the use of pedestrians and bicycles and the transportation planning and programming process. The remaining 89% of the TDA Revenues are allocated to operators who provide public transportation services in the County. As the only public transit service provider in the County, the Authority is eligible to receive the entire amount of the 89% allocation of TDA Revenues. TDA Revenues are available to the Authority in an amount up to 50% of the Authority’s operating budget, after deduction of the amount received from federal grants, provided that certain TDA eligibility requirements are met. The Authority, formerly known as the Santa Clara County Transit District, began operations in 1972 and has complied with TDA eligibility requirements since it began receiving TDA funds in 1973. In accordance with procedures and eligibility requirements set forth in the TDA, the Authority submits a request for TDA Revenues to MTC on each April 1 for the next Fiscal Year. If MTC approves the request, MTC then directs the Controller of the County (in the case of the County, the County Treasurer) to release the TDA Revenues to the Authority. TDA Revenues are received by the County Treasurer and distributed to the Authority based on direction from MTC in substantially equal monthly installments.
The table set forth below shows the total amount of TDA Revenues for operations available from annual State sales tax collections in the County during the five Fiscal Years ended June 30, 2010.

**Santa Clara Valley Transportation Authority**  
**Historical Transportation Development Act Revenues**

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>TDA Revenues for Operations Distributed to the Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$71,044,484</td>
</tr>
<tr>
<td>2007</td>
<td>81,061,374</td>
</tr>
<tr>
<td>2008</td>
<td>83,546,655</td>
</tr>
<tr>
<td>2009</td>
<td>73,356,590</td>
</tr>
<tr>
<td>2010</td>
<td>65,800,680</td>
</tr>
</tbody>
</table>

**State Transit Assistance Program; Restructuring of State Transportation Funding.** A portion of the revenues derived from the sales tax on diesel fuel purchases is appropriated by the State Legislature to the State Transit Assistance Program ("STA") for public transportation purposes. These STA revenues are allocated to public transit agencies throughout the State based on population and operating revenues.

The Authority received STA Revenues from Fiscal Year 1980 through Fiscal Year 2009. STA Revenues have to be claimed by the Authority based on actual cash expenditures, normally on a quarterly basis. The table below shows STA Revenues received by the Authority for the five Fiscal Years ended June 30, 2010.

**Santa Clara Valley Transportation Authority**  
**Historical State Transit Assistance Program Revenues**

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>STA Revenues Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$ 7,736,714</td>
</tr>
<tr>
<td>2007</td>
<td>22,320,559(1)</td>
</tr>
<tr>
<td>2008</td>
<td>19,021,666(1)</td>
</tr>
<tr>
<td>2009</td>
<td>6,482,858</td>
</tr>
<tr>
<td>2010</td>
<td>0</td>
</tr>
</tbody>
</table>

(1) Includes one-time revenues representing a repayment of Prop 42 prior loans which had been diverted by the State in Fiscal Year 2004 and Fiscal Year 2005 and excess funds that are generated when gasoline prices increase at a faster rate than all other taxable items.

In February 2009, the Governor and the Legislature approved a package of bills that made a series of mid-year revisions to the State budget for Fiscal Year 2009 and enacted the State budget for Fiscal Year 2010. As part of this package, funding for STA was eliminated for the third and fourth quarters of Fiscal Year 2009, and entirely for Fiscal Year 2010 through Fiscal Year 2013.

In March 2010, the Governor signed into law a three-bill package that implements a complex swapping of state transportation funding sources that is intended to achieve roughly $1 billion in annual budget savings by relieving the State General Fund of the obligation of having to pay for transportation bond debt service. This restructuring of state transportation funding, which is embodied in ABX8 6, ABX8 9 and SB 70, calls for eliminating the state sales tax on gasoline, the sole revenue source for
Proposition 42(1) and one of the revenue sources for the Public Transportation Account, and replacing it with a 17.3-cent increase in the per-gallon gasoline excise tax. This swap took effect on July 1, 2010. The revenues from the gasoline excise tax increase will be used to cover highway bond debt service and to provide money for the State Transportation Improvement Program (“STIP”), local streets and roads, and the State Highway Operation and Protection Program (“SHOPP”). The distribution of these revenues is structured to ensure that the STIP and local streets/roads would be allocated at least the same amount of money that they would have received under Proposition 42. Furthermore, the SBOE is required to adjust the gasoline excise tax rate on an annual basis, if necessary, in order to ensure that the swap does not result in a tax increase for consumers at the pump.

In the case of public transit, the package calls for retaining the State sales tax on diesel fuel for the Public Transportation Account. A one-time appropriation of $400 million has been made for STA to cover Fiscal Years ending June 30, 2010 and June 30, 2011. According to estimates prepared by the MTC, the Authority’s share is approximately $15.5 million. The State Controller’s Office allocated these funds to public transit agencies in late June of 2010. The Authority has received $12 million of its share of the Funds and anticipates receiving the remaining amount prior to June 2011.

Beginning in the Fiscal Year ending June 30, 2012, the state diesel sales tax rate will be increased to 6.75%, in conjunction with a corresponding drop in the per-gallon diesel fuel excise tax to ensure that consumers feel no impact at the pump. High-speed rail/transit bond debt service will have first call on the revenues generated by the diesel sales tax. Any remaining revenues will be split 75% to STA, and 25% to intercity rail and other miscellaneous state transit programs.

The elimination of state sales tax on gasoline does not affect the Authority’s local sales tax collections on gasoline.

On November 2, 2010, California voters approved two ballot measures that may impact the transportation funding swap. Proposition 22 puts in-place protections that are intended to prevent the State from taking, diverting or borrowing local government and transportation money to address State General Fund deficits. Proposition 26 prohibits the Legislature from engaging in the practice of raising one tax while simultaneously reducing another through a simple majority vote. Under Proposition 26, such “revenue-neutral” tax swaps require a two-thirds vote of the Legislature. This provision of Proposition 26 is retroactive to January 1, 2010. Currently, transportation stakeholder groups are analyzing the legal implications of Propositions 22 and 26 to determine whether corrective legislation will be needed to ensure that the General Fund savings and transportation funding levels contemplated by the swap are preserved. [Kurt update?]

**Ridership and Farebox, Advertising and Other Revenues.** The table set forth below shows the Authority’s ridership, farebox revenues, revenues from advertisements placed on the Authority’s vehicles and bus shelters and other revenues received by the Authority for the five Fiscal Years ended June 30, 2010.

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(1) Proposition 42 was an initiative approved by the voters of the State of California in 2002 that required all sales and use tax revenues received by the State of California and derived for the sale, storage, use or other consumption of motor vehicle fuel be allocated to local transportation and put restrictions on when and how often such revenues could be diverted to the State General Fund.
Santa Clara Valley Transportation Authority
Ridership and Farebox, Advertising and Other Revenues

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Number of Passengers(^{(1)})</th>
<th>Farebox, Advertising and Other Revenues Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>39,217,851</td>
<td>$36,925,269</td>
</tr>
<tr>
<td>2007</td>
<td>41,925,015</td>
<td>37,876,676</td>
</tr>
<tr>
<td>2008</td>
<td>43,555,049</td>
<td>38,052,724</td>
</tr>
<tr>
<td>2009</td>
<td>45,264,434</td>
<td>38,439,004</td>
</tr>
<tr>
<td>2010</td>
<td>41,733,376</td>
<td>38,830,000</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Directly operated services.

In Fiscal Year 2010, system ridership decreased by approximately 7.8% from the prior year. In Fiscal Year 2011, through November 2010, system ridership continued to fall, but at a slower rate (-4.2%). The Authority attributes the decrease in ridership to reduced employment opportunities within the County.

**Other Revenues.** Federal guidelines established pursuant to the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (“SAFETEA-LU”), the successor to the Transportation Equity Act for the 21st Century, allow the Authority to claim grants under the Section 5307 Urbanized Area Formula Program (which are normally restricted to capital projects) for preventive maintenance costs. The Authority’s principal motivation in programming this source of capital grants for preventive maintenance is to accelerate cash flow, and thus improve its financial position. In addition to the above-described revenues, the Authority, from time to time, receives other state assistance that may be used to pay operating expenses and receives interest on its operating funds.

**2008 Measure B Sales Tax Revenues.** On November 4, 2008, over two-thirds of the voters in the County voting on such ballot measure approved Measure B (“2008 Measure B”), a 30-year one-eighth of one percent (0.125%) sales tax. The sales tax is contingent on the Authority’s ability to secure a Full Funding Grant Agreement to support the BART Silicon Valley Program. Revenues for the 2008 Measure B Sales Tax will be dedicated to fund the operations and maintenance of the BART Silicon Valley Program extension. The 2008 Measure B Tax is not pledged as a revenue source and does not secure the 1976 Sales Tax Obligations or 2000 Measure A Obligations, including the 2010 Series Bonds.

**Authority Budgeted Revenues and Expenditures**

The Authority’s budget is prepared biennially. The Adopted Budget for Fiscal Year ending June 30, 2010 and Fiscal Year ending June 30, 2011 (the “Budget”) was approved by the Board of Directors on June 4, 2009 and includes appropriations for operating expenditures in support of all activities under the jurisdiction of the Authority’s Board, including bus and rail operations in the county, regional commuter and inter-city rail service, ADA Paratransit service, congestion management, specific highway improvement and other transportation projects, and county wide transportation planning and funding. If additional appropriations are necessary, budget figures are generally revised in January of each year.

A detailed discussion of the Budget related to the Authorities Measure A Program, congestion management, highway improvements and countywide transportation planning (all of which are funded from other sources of revenue than those discussed herein) is included in the budget document, which may be obtained directly from the Authority. The Budget may also be obtained at http://www.vta.org/inside/budget/index.html. None of the information on such website is incorporated by
reference herein. The remaining approved Budget amounts are in support of transit-related transportation projects, bus and rail operations in the County, and regional commuter and inter-city rail service.

The Budget was developed in 2009 amid a backdrop of economic distress, declining sales tax revenues and evaporating State funding for transit operations. At the outset, the Authority established five objectives to guide the development of the Budget: maintain core service, preserve jobs, continue infrastructure investments, advance capital programs, and take a balanced approach in the Authority's reliance on new revenues, the use of reserves, and reduced expenditures. The Budget reflected substantial achievement of those objectives including fare increases, wage freezes and un-paid furloughs, use one time federal stimulus and state grants, reduction in operating expenditures and planned use of a portion of the Authority’s operating reserves.

Overall, the Budget represented a balanced approach by having both riders and employees share the burden of bridging the funding gap, while attempting to avoid more drastic solutions such as widespread service cuts or layoffs. Subsequent to the adoption of the Budget, sales tax revenues declined significantly. The Authority responded by implementing a previously approved fare increase in October 2009 which had been planned for implementation in January 2010. Additionally, not all of the wage freezes assumed in the Budget were successfully negotiated with the Authority’s largest union, ATU. The Authority responded by approving and implementing an 8% reduction in bus and light rail service hours, effective January 2010. Throughout Fiscal Year 2010, the Authority monitored sales tax revenues, prepared for a worse case of on-going declines in sales tax revenues and aggressively managed operating and capital expenditures.

1976 Sales Tax Revenues for the Fiscal Year ended June 30, 2010 were $140 million, a 1.7% increase from the Fiscal Year ended June 30, 2009 levels, but 3% below budget. Total operating revenues of $347.0 were $2.6 million or 0.8% below budget while total operating expenses of $330.7 million were $15.0 million or 4.3% below budget. The resulting $16.3 million surplus for Fiscal Year 2010 restored the June 30, 2010 operating reserves to the Authority’s policy level of 15% of projected operating expenses or $51.9 million.

Current projections for Fiscal Year 2011 reflect a continued improvement in Sales Tax Revenues as well as the return of STA funding. Those additional revenues coupled with continued cost containment measures and enhanced operating efficiencies result in a projected operating surplus for Fiscal Year 2011 and maintenance of the 15% operating reserve level.

Transit System-Operating and Capital Budget. The following table summarizes the Authority’s Adopted Operating and Capital Budget with current projections, which supports activities related to the Authority’s Transit System. See “The Authority Transit System” herein. Additional information related to capital expenses is included in the Authority’s Short Range Transportation Plan. See “Authority Capital Improvement Programs – Short Range Transportation Plan” herein.
Santa Clara Valley Transportation Authority  
Fiscal Years 2010 and 2011 – Summary of Transit System Revenues and Expenses  
(in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget</th>
<th>Actual 2010</th>
<th>Actual 2011</th>
<th>Current Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Reserve Balance, July 1</td>
<td>$ 49,250</td>
<td>$ 45,456</td>
<td>$ 46,045</td>
<td>$ 51,857</td>
</tr>
<tr>
<td>1976 Sales Tax Revenues</td>
<td>144,420</td>
<td>140,088</td>
<td>140,037</td>
<td>149,671</td>
</tr>
<tr>
<td>Other Operating and Non-Operating Revenues(^{(1)})</td>
<td>205,180</td>
<td>196,167</td>
<td>206,923</td>
<td>214,648</td>
</tr>
<tr>
<td>Federal Grants</td>
<td>52,756</td>
<td>6,286</td>
<td>9,207</td>
<td>59,684</td>
</tr>
<tr>
<td>Transit Security Grant Program (TSGP)(^{(2)})</td>
<td>9,346</td>
<td>3,000</td>
<td>1,780</td>
<td>3,000</td>
</tr>
<tr>
<td>State Grants – Prop 1B</td>
<td>21,643</td>
<td>3,428</td>
<td>3,344</td>
<td>3,428</td>
</tr>
<tr>
<td>Regional Measure 2 (RM2)(^{(3)})</td>
<td>2,530</td>
<td>-</td>
<td>2,155</td>
<td>6,901</td>
</tr>
<tr>
<td>Other</td>
<td>16,207</td>
<td>4,515</td>
<td>14,361</td>
<td>4,514</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>452,082</td>
<td>353,484</td>
<td>377,807</td>
<td>414,846</td>
</tr>
<tr>
<td>Total Available for Transit System Expenses</td>
<td>501,332</td>
<td>398,940</td>
<td>423,852</td>
<td>493,703</td>
</tr>
<tr>
<td>Transit System Operating Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directly Operated Transit Service</td>
<td>275,563</td>
<td>279,035</td>
<td>262,819</td>
<td>276,489</td>
</tr>
<tr>
<td>Other Expense</td>
<td>77,832</td>
<td>80,494</td>
<td>67,861</td>
<td>68,451</td>
</tr>
<tr>
<td>Total Transit System Operating Expense(^{(4)})</td>
<td>353,395</td>
<td>359,529</td>
<td>330,680</td>
<td>344,940</td>
</tr>
<tr>
<td>Transit System Capital Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Vehicles and Equipment</td>
<td>62,141</td>
<td>973</td>
<td>2,670</td>
<td>61,272</td>
</tr>
<tr>
<td>Non-Revenue Vehicles</td>
<td>2,608</td>
<td>-</td>
<td>25</td>
<td>-</td>
</tr>
<tr>
<td>Operations Facilities and Equipment</td>
<td>21,366</td>
<td>11,319</td>
<td>9,882</td>
<td>11,319</td>
</tr>
<tr>
<td>Passenger Facilities</td>
<td>803</td>
<td>602</td>
<td>2,849</td>
<td>602</td>
</tr>
<tr>
<td>Information Systems and Technology</td>
<td>2,830</td>
<td>690</td>
<td>7,895</td>
<td>690</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>12,733</td>
<td>3,644</td>
<td>7,527</td>
<td>3,644</td>
</tr>
<tr>
<td>Total Transit Capital Expense(^{(5)})</td>
<td>102,481</td>
<td>17,228</td>
<td>30,847</td>
<td>77,527</td>
</tr>
<tr>
<td>Total Transit System Operating &amp; Capital Expenses</td>
<td>455,876</td>
<td>376,757</td>
<td>361,527</td>
<td>422,467</td>
</tr>
</tbody>
</table>

Transit Operating Reserves in Excess of 15% transferred to Debt Reduction Fund | - | - | (10,468) | (18,432) |

Ending Balance – Transit Operating Reserve | $ 45,456 | $ 22,183 | $ 51,857 | $ 52,804 |

\(^{(1)}\)\(^{(2)}\)\(^{(3)}\)\(^{(4)}\)\(^{(5)}\) See Footnotes on the following page.
Authority Capital Improvement Programs

The Authority is committed to facilitating and providing enhanced customer focus, improved mobility and access for the community and integrated transportation and land use planning, while maintaining financial stability. Based on these commitments, the Authority has embarked on the extensive capital programs described below under “Valley Transportation Plan” and “Short Range Transportation Plan.”

Valley Transportation Plan. As the designated Congestion Management Agency for the County, the Authority is responsible for preparing the County’s long-range countywide transportation plan. In August 2000, the Authority’s Board of Directors adopted the Valley Transportation Plan 2020 (as revised, from time to time, the “Valley Transportation Plan”) to satisfy this requirement. The Board of Directors adopted the current revision of the Valley Transportation Plan, Valley Transportation Plan 2035 in January 2009. The Valley Transportation Plan is a long-range transportation planning document which does not set priorities or schedules for project completion. The Valley Transportation Plan encompasses a set of investments through 2035 that offers improvements and manages the existing roadway network with an expanded high-occupancy vehicle (“HOV”) system, improved interchanges and freeway-to-freeway connector ramps, and freeway upgrades.

The Valley Transportation Plan also includes investments in transit improvements, including the BART Silicon Valley Program, consisting of the extension of the BART system to Milpitas, San José, and Santa Clara, a new light rail line that will serve Capitol Expressway, and a transit improvement (Bus Rapid Transit or Light Rail) on the Santa Clara/Alum Rock Corridor where the Authority’s highest concentration of transit riders live. The primary source of funding for transit improvements included in the Valley Transportation Plan is the 2000 Measure A Sales Tax.

Short Range Transportation Plan. As a transit operator, the Authority prepares a complete Short Range Transit Plan (“SRTP”) every four years and a “mini-SRTP” every year as required by MTC and the Federal Transit Administration (“FTA”). The SRTP is used as documentation to support projects included in the Regional Transportation Plan (“RTP”) prepared by MTC. Both the FTA and MTC use the SRTP as the detailed planning justification required for awarding operating and capital grants to the Authority. The Authority’s most recent SRTP for the Fiscal Years 2010-2019 was adopted by the Board of Directors in February 2010.
There are two Capital Improvement Programs included in the SRTP: the Authority’s Core System Capital Improvement Program (“Core CIP”) and the 2000 Measure A Program (“Measure A CIP”). For a discussion on the Measure A CIP, refer to the Authority’s Short Range Transit Plan, which may be obtained from the Authority or downloaded from http://www.vta.org/studies/. The information set forth on such website is not incorporated by reference herein. The CIPs are funded by a combination of federal, State and local regional funding as well as bonds secured by the Authority’s sales tax revenues.

The Core CIP includes routine bus replacement needs, facility rehabilitation, bus facilities, technology upgrades, security, rehabilitation needs of the light rail system and system enhancements. The Core CIP includes two tiers of projects. Tier 1 projects are those projects essential to the maintenance of the system, funded by a combination of federal, State and local funding, including bonds secured by the 1976 Sales Tax. Tier 2 projects are enhancements to the Authority’s existing system for which no additional funding has yet been identified. The following table represents a summary of the Tier 1 Projects included in the Core CIP.

### Core Capital Improvement Program Summary

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Fiscal Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Vehicles and Equipment</td>
<td>$289,743</td>
</tr>
<tr>
<td>Operations Facilities and Equipment</td>
<td>32,969</td>
</tr>
<tr>
<td>Light Rail System Maintenance &amp; Enhancement</td>
<td>142,720</td>
</tr>
<tr>
<td>Passenger Facilities</td>
<td>11,581</td>
</tr>
<tr>
<td>Information Systems and Technology</td>
<td>21,163</td>
</tr>
<tr>
<td>Security</td>
<td>32,672</td>
</tr>
<tr>
<td>Miscellaneous Projects</td>
<td>46,513</td>
</tr>
<tr>
<td><strong>Total Program Project Costs</strong></td>
<td><strong>$577,361</strong></td>
</tr>
</tbody>
</table>

Funding for the Core CIP includes grant (federal, State and regional) funding of $392 million and financing of $198 million. The remaining portion is funded from Authority local funds. The 2000 Measure A Sales Tax does not provide funding for the Core CIP.

**Significant Accounting Policies**

The Authority follows the accrual basis of accounting and the economic resources exchange measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. See Appendix B – “Audited Financial Statements of the Santa Clara Valley Transportation Authority for Fiscal Year Ended June 30, 2010 – Note 2 – Summary of Significant Accounting Policies,” which includes a more detailed explanation regarding the Authority’s significant accounting policies.

**Financial Results**

The table on the following page summarizes the Statement of Revenues, Expenses and Changes in Fund Net Assets for the Enterprise Fund of the Authority for the five Fiscal Years ended June 30, 2010. The summary statements are presented in accordance with generally accepted accounting principles (“GAAP”). Data for the Fiscal Years ended June 30, 2006 through June 30, 2010 is excerpted from the audited financial statements of the Authority and is qualified in its entirety by reference to such statements, including the notes thereto. For the audited financial statements of the Authority for the Fiscal Year ended June 30, 2010, see Appendix B – “Audited Financial Statements of the Santa Clara Valley Transportation Authority for Fiscal Year Ended June 30, 2010.” Totals may not add due to independent rounding.
Santa Clara Valley Transportation Authority  
Statements of Revenues and Expenses  
Fiscal Years Ended June 30  
(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger fares</td>
<td>$34,335</td>
<td>$35,242</td>
<td>$35,830</td>
<td>$36,184</td>
<td>$36,857</td>
</tr>
<tr>
<td>Advertising and other</td>
<td>2,591</td>
<td>2,634</td>
<td>2,223</td>
<td>2,255</td>
<td>1,973</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>36,926</td>
<td>37,876</td>
<td>38,053</td>
<td>38,439</td>
<td>38,830</td>
</tr>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor</td>
<td>123,941</td>
<td>126,387</td>
<td>131,732</td>
<td>134,181</td>
<td>129,803</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>114,056</td>
<td>116,723</td>
<td>108,422</td>
<td>111,969</td>
<td>116,736</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>27,777</td>
<td>28,398</td>
<td>31,513</td>
<td>27,097</td>
<td>26,216</td>
</tr>
<tr>
<td>Services</td>
<td>20,141</td>
<td>27,943</td>
<td>27,098</td>
<td>22,777</td>
<td>18,345</td>
</tr>
<tr>
<td>Utilities</td>
<td>6,186</td>
<td>6,638</td>
<td>6,867</td>
<td>6,869</td>
<td>6,718</td>
</tr>
<tr>
<td>Casualty and liability</td>
<td>6,114</td>
<td>3,856</td>
<td>5,278</td>
<td>5,818</td>
<td>4,688</td>
</tr>
<tr>
<td>Purchased transportation</td>
<td>27,395</td>
<td>28,132</td>
<td>28,392</td>
<td>27,974</td>
<td>24,245</td>
</tr>
<tr>
<td>Leases and rentals</td>
<td>205</td>
<td>112</td>
<td>420</td>
<td>3,499</td>
<td>2,217</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,000</td>
<td>1,821</td>
<td>1,856</td>
<td>1,966</td>
<td>1,461</td>
</tr>
<tr>
<td>Costs allocated to capital and other programs</td>
<td>(26,239)</td>
<td>(35,159)</td>
<td>(39,691)</td>
<td>(39,628)</td>
<td>(33,989)</td>
</tr>
<tr>
<td><strong>Total operating expenses, excluding depreciation</strong></td>
<td>301,576</td>
<td>304,851</td>
<td>301,887</td>
<td>302,522</td>
<td>296,440</td>
</tr>
<tr>
<td>Operating loss before depreciation</td>
<td>(264,650)</td>
<td>(266,975)</td>
<td>(263,834)</td>
<td>(264,083)</td>
<td>(257,610)</td>
</tr>
<tr>
<td><strong>Depreciation Expense:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total depreciation expense</td>
<td>63,766</td>
<td>51,022</td>
<td>53,292</td>
<td>51,762</td>
<td>51,378</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(328,416)</td>
<td>(317,997)</td>
<td>(317,126)</td>
<td>(315,845)</td>
<td>(308,988)</td>
</tr>
<tr>
<td><strong>Non-operating revenues (expenses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976 Sales Tax Revenue</td>
<td>157,283</td>
<td>163,676</td>
<td>163,038</td>
<td>137,642</td>
<td>140,037</td>
</tr>
<tr>
<td>Measure A Sales Tax Revenues</td>
<td>38,170</td>
<td>161,361</td>
<td>160,537</td>
<td>137,261</td>
<td>139,305</td>
</tr>
<tr>
<td>Federal operating grants and reimbursements</td>
<td>33,565</td>
<td>35,514</td>
<td>22,425</td>
<td>33,449</td>
<td>59,101</td>
</tr>
<tr>
<td>State and local operating grants and reimbursements</td>
<td>81,199</td>
<td>104,917</td>
<td>104,080</td>
<td>81,488</td>
<td>67,833</td>
</tr>
<tr>
<td>Caltrain subsidy and Capital contributions to other agencies</td>
<td>(42,200)</td>
<td>(22,509)</td>
<td>(34,747)</td>
<td>(58,504)</td>
<td>(97,592)</td>
</tr>
<tr>
<td>Altamont Commuter Express Subsidy</td>
<td>(2,470)</td>
<td>(2,542)</td>
<td>(2,621)</td>
<td>(2,707)</td>
<td>(2,708)</td>
</tr>
<tr>
<td>Interest income</td>
<td>6,457</td>
<td>11,307</td>
<td>20,370</td>
<td>15,341</td>
<td>5,764</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(11,562)</td>
<td>(13,672)</td>
<td>(12,214)</td>
<td>(11,651)</td>
<td>(20,583)</td>
</tr>
<tr>
<td>Other (expense)/Income, net(3)</td>
<td>2,186</td>
<td>(2,234)</td>
<td>243</td>
<td>(2,061)</td>
<td>(4,192)</td>
</tr>
<tr>
<td><strong>Total non-operating revenues, net</strong></td>
<td>262,628</td>
<td>435,815</td>
<td>421,111</td>
<td>330,258</td>
<td>286,965</td>
</tr>
<tr>
<td><strong>Change in net assets, before capital contributions</strong></td>
<td>(65,788)</td>
<td>117,818</td>
<td>103,985</td>
<td>14,413</td>
<td>(22,024)</td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>22,522</td>
<td>199,999</td>
<td>153,443</td>
<td>82,175</td>
<td>92,594</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong>(4)</td>
<td>($43,266)</td>
<td>$317,817</td>
<td>$257,428</td>
<td>$96,588</td>
<td>$70,570</td>
</tr>
</tbody>
</table>

(1) Represents a credit for direct and indirect labor and associated fringe benefits, reproduction and mileage costs and other costs that were capitalized as construction in progress. See Note 2(k) to the audited financial statements of the Authority attached hereto as Appendix B.
(2) Collection of 2000 Measure A Sales Tax started in April 2006.
(3) Includes miscellaneous revenues such as permit fees, parking citations, property rentals and miscellaneous expenses such as costs related to express services, freight shipping and other bond related expenses associated with liquidity and remarketing fees.
(4) Net income (loss) is funded from reserves and presented in accordance with GAAP.
Management’s Discussion of Financial Results

The financial results of Fiscal Year ended June 30, 2010 reflect the overall success of the Authority’s plan to aggressively and appropriately respond to the worst recession since World War II and the impact it had on the local economy.

In response to lower than anticipated sales tax revenues and reduced levels of STA funding, the Authority reduced its Fiscal Year 2010 and Fiscal Year 2011 budget appropriation for transit operations by $7.5 million per year, reduced service 8% and accelerated an authorized increase in fares from January 2010 to October 2009. In addition, the Authority continued ongoing efforts to control costs and enhance operational efficiencies.

Overall for Fiscal Year 2010, total operating revenues of $347.0 were $2.6 million or 0.8% below budget while Total Operating Expenses of $330.7 million were $15.0 million or 4.3% below budget. The resulting $16.3 million surplus for Fiscal Year 2010 restored the June 30, 2010 operating reserves to the Authority’s policy level of 15% of projected operating expenses or $51.9 million.

Although the National Bureau of Economic Research declared the recession ended in June 2009, a robust recovery has not yet materialized. High unemployment levels persist and they affect the Authority’s main revenue sources - sales tax receipts and fare revenues. Current projections for Fiscal Year 2011 reflect a continued improvement in Sales Tax Revenues as well as the return of STA funding. Those additional revenues, coupled with continued cost containment measures and enhanced operating efficiencies, result in a projected operating surplus for Fiscal Year 2011 and maintenance of the 15% reserve level.

Authority Obligations

Obligations Secured by the 1976 Sales Tax. The following table sets forth the senior lien obligations secured by the Authority’s 1976 Sales Tax Revenues.

<table>
<thead>
<tr>
<th>Original Principal Amount</th>
<th>Principal Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax Revenue Refunding Bonds, 2008 Series A, Series B and Series C(1)</td>
<td>$168,585,000</td>
</tr>
<tr>
<td>Sales Tax Revenue Refunding Bonds, 2007 Series A</td>
<td>26,275,000</td>
</tr>
<tr>
<td>Sales Tax Revenue Bonds, 2001 Series A(2)</td>
<td>200,000,000</td>
</tr>
</tbody>
</table>

(1) The Authority has entered into interest rate swap agreements in connection with these bonds. A description of the swaps is included in Note 7(d) of the Authority’s audited financial statements attached hereto as Appendix B.

(2) A portion of these bonds was previously refunded and defeased.
**Obligations Secured by the 2000 Measure A Sales Tax.** The following table sets forth the outstanding obligations secured by the Authority’s 2000 Measure A Sales Tax Revenues.

<table>
<thead>
<tr>
<th>Original Principal Amount</th>
<th>Principal Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax Revenue Refunding Bonds, 2008 Series A, Series B, Series C and Series D(^{(1)})</td>
<td>$236,730,000</td>
</tr>
<tr>
<td>Sales Tax Revenue Refunding Bonds, 2007 Series A</td>
<td>120,095,000</td>
</tr>
<tr>
<td>Sales Tax Revenue Bonds, 2010 Measure A</td>
<td>645,890,000</td>
</tr>
</tbody>
</table>

\(^{(1)}\) The Authority has entered into interest rate swap agreements in connection with the 2008 series bonds. A description of the swaps is included in Note 7(d) of the Authority’s audited financial statements attached hereto as Appendix B.

**Leveraged Lease Transactions.** The Authority has outstanding five tax-advantaged leveraged lease transactions encumbering certain light rail vehicles. These transactions involve a lease of the Authority’s interest in these vehicles to special purpose trusts formed by equity investors and a leaseback to the Authority. Two of these transactions involving rail vehicles with an aggregate value of $92.3 million were entered into in 1998 and have lease expiration dates of 2015 and 2017 (the “1998 Leases”). Three of these transactions involving rail vehicles with an aggregate value of $181.2 million were entered into in 2003 and have lease expiration dates of 2027 and 2034 (the “2003 Leases” and, collectively with the 1998 Leases, the “Leases”).

Under the Leases, the Authority is required to make annual rental payments to the special purpose trusts. The Authority also has a purchase option at the end of each Lease term. The funding for those rental payments and the purchase options, if exercised, derives from various deposits, payment agreements with certain financial institutions (“payment undertakers”) and U.S. Government and Agency securities entered into or purchased at the outset of each Lease, as the case may be. In addition, early termination payments, if any, under the Leases are guaranteed by surety providers.

The Authority is required to replace the payment undertakers and surety providers if their credit ratings fall below certain thresholds. Failure to replace such undertakers and surety providers within specified time frames could trigger a technical default which, if uncured, could cause an early termination at a substantial penalty to the Authority.

The Authority is in full compliance with the 1998 Leases. The 2003 Leases involve American International Group Inc. (“AIG”) and Ambac Assurance Corp. (“Ambac”) as surety providers, whose ratings have fallen below the required minimum ratings. With respect to the 2003 Lease involving Ambac, the Authority entered into a collateral delivery and pledge agreement with the equity investor and statutory trust whereby the Authority’s obligation to replace Ambac was waived, assuming the Authority continues to post collateral in the form of marketable securities for the benefit of the equity investor and statutory trust in accordance with that agreement. That agreement allows the Authority to hold the collateral on its books and provides for the Authority to receive the income from that collateral. With respect to the 2003 Lease involving AIG, the equity investor has provided forbearance letters to the Authority and has not threatened termination. All payments with respect to the Leases have been made in full and on a timely basis.

Litigation

The Authority has reserved amounts that its management believes are adequate to provide for claims and litigation which have arisen during the normal course of business. Other claims and litigation are outstanding for which the Authority cannot determine the ultimate outcome and resulting liability, if any. However, the Authority’s management believes the ultimate outcome of these claims and lawsuits will not significantly impact the Authority’s financial position.

Investments and Investment Policy

The information presented in this section is a general description only and is not intended to be and does not purport to be a complete description of the Authority’s Investment Policy. Reference is made to the full text of the Authority’s Investment Policy for a complete description of the terms thereof, which is available from the Authority upon request.

Amounts held in funds and accounts established pursuant to the Indenture will be invested as provided in the Indenture, and as may be further restricted by the Authority’s Investment Policy (the “Investment Policy”), adopted by the Board of Directors on April 4, 1996, as amended by the Board of Directors on December 14, 2000 and February 6, 2003, and most recently reaffirmed on February 5, 2009. The Investment Policy covers all funds (other than any Amalgamated Transit Union Pension Funds) and investment activities under the direction of the Authority.

The Investment Policy has three primary objectives, listed below in descending order of priority:

1. **Safety.** Safety of principal is the foremost objective of the Investment Policy. The Authority’s investments shall be undertaken in a manner that seeks to ensure the preservation of capital.

2. **Liquidity.** The Authority’s investment portfolio shall remain sufficiently liquid to enable the Authority to meet its cash flow requirements.

3. **Return on Investment.** The Authority’s investment portfolio shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

Listed below are the investments specifically permitted in the Investment Policy, together with the maximum share of the total Authority portfolio that each type of investment may comprise:
Investment | Maximum % of Portfolio
--- | ---
U.S. Treasury Obligations | 100%
Obligations of Federal Agencies and U.S. Government-Sponsored Enterprises | 100
State of California Obligations | 30
Bankers’ Acceptances | 40
Commercial Paper not to exceed 180 days rated “A-1/P-1”
  if weighted average maturity of all paper is 31 days or more | 25
  if weighted average maturity of all paper is less than 31 days | 15
Negotiable Certificates of Deposit | 30
Repurchase Agreements | 100
Reverse Repurchase Agreements | 20
Medium Term Notes | 30
Savings and Money Market Accounts | 15
Mortgage and Asset-Backed Obligations | 20
Mutual Funds | 15
State of California Local Agency Investment Fund (LAIF) | Maximum limit by law ($50 million)
Santa Clara County Investment Pool | 100

Prohibited investments include inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, any security that could result in zero interest accrual if held to maturity and any security with an unusually high degree of interest rate sensitivity or credit risk.

Issuer/Credit Diversification:

- Any one federal agency or government sponsored enterprise | 25%
- Any one repurchase agreement or other collateralized counterparty name | 10
- Any one corporation, bank, local agency, or other name | 5

Risk Management

**General.** The Authority is self-insured for general liability claims (up to $3 million) and workers’ compensation claims. Estimated losses on claims other than workers’ compensation claims are charged to expense in the period the loss is determinable. Estimated losses for workers’ compensation claims are charged to expense as a percentage of labor in each accounting period. The costs incurred for workers’ compensation (“Worker’s Compensation”) and general liability (“General Liability”) (including estimates for claims incurred but not yet reported) are reported on the Authority’s Internal Service Fund (the “Internal Service Fund”), an Authority fund used to account for activities that provide goods or services to other Authority funds, departments, or other governments, on a cost reimbursement basis, based on an actuarial determination of the present value of estimated future cash payments. See Note 2(a) to the audited financial statements of the Authority attached as Appendix B to the Remarketing Memorandum.

**Workers’ Compensation and General Liability.** The claim processing function is performed by third-party administrators. The Authority’s annual contribution to the General Liability is based on a budgeted self-insured expense amount. Contributions to the Workers’ Compensation fund occur every pay period. Actuarial studies for both activities are obtained on an annual basis.

An actuarial analysis as of June 30, 2010, dated June 21, 2010, disclosed that the present values of estimated outstanding losses, at 4% average discount rate using a 90% confidence level, are $20.3 million and $4.6 million for Workers’ Compensation and General Liability, respectively. The Authority has funded reserves in amounts sufficient to cover these liabilities. This actuarial analysis reflects the enactment of State Assembly Bill 749 (“AB 749”), State Senate Bill 228 (“SB 228”) and State Senate Bill 26.
899 ("SB 899"). AB 749 increased the cost of indemnity benefits, whereas SB 228 and SB 899 have reduced the cost of medical and indemnity benefits. On February 3, 2009, the Workers Compensation Appeal Board issued two en banc decisions relating to SB 899. As a result of those decisions, the Workers Compensation Insurance Rating Bureau of California estimated the impact on overall claims cost to be at least 5.8% on claims filed between January 1, 2005 and February 3, 2009. The actuarial analysis includes a 5.8% unpaid provision for such claims. The accrued liabilities for Workers’ Compensation and General Liability claims were based on the actuarial estimates. It is Authority’s practice to obtain full actuarial studies annually.

Changes in the balance of Workers’ Compensation and General Claims Liabilities for the two Fiscal Years ended June 30, 2010, are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Workers’ Compensation</th>
<th>General Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid Claims as of June 30, 2008</td>
<td>$26,116</td>
<td>$9,955</td>
</tr>
<tr>
<td>Provisions for claims and claim adjustment expenses</td>
<td>5,904</td>
<td>(29)</td>
</tr>
<tr>
<td>Payment for claims and other adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in estimates for provision for future claims</td>
<td>(5,695)</td>
<td>(4,235)</td>
</tr>
<tr>
<td>Unpaid claims as June 30, 2009</td>
<td>22,325</td>
<td>5,691</td>
</tr>
<tr>
<td>Provision for claims and claim adjustment expense</td>
<td>5,726</td>
<td>2,479</td>
</tr>
<tr>
<td>Payment for claims and other adjustments</td>
<td>(6,114)</td>
<td>(3,207)</td>
</tr>
<tr>
<td>Unpaid claims as June 30, 2010</td>
<td>$21,937</td>
<td>$4,963</td>
</tr>
</tbody>
</table>

Insurance. The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors, and omissions; injuries to employees; injuries to the public; and natural disasters. For additional information on worker’s compensation and general liability, see “Risk Management - Worker’s Compensation and General Liability” above.

Coverage provided by self-insurance, insurance and excess insurance as of July 1, 2010, is shown below:

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>Self-Insurance/Excess Coverage (in aggregate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers’ compensation</td>
<td>Self-Insured/None</td>
</tr>
<tr>
<td>Employer’s Liability</td>
<td>$3,000,000/$22,000,000 per occurrence</td>
</tr>
<tr>
<td>Public Officials liability</td>
<td>Self-Insured/$22,000,000</td>
</tr>
<tr>
<td>Excess public entity liability</td>
<td>$3,000,000/$22,000,000</td>
</tr>
<tr>
<td>Property, boiler, and machinery</td>
<td>$100,000/$70,000,000 combined blanket limit</td>
</tr>
<tr>
<td>National Flood Insurance (eligible locations)</td>
<td>$5,000/$500,000</td>
</tr>
<tr>
<td>Light rail vehicles, includes spare parts coverage, no earthquake coverage</td>
<td>$250,000/$20,000,000/maximum loss limit per year(1)</td>
</tr>
<tr>
<td>Buses</td>
<td>$100,000/$20,000,000/maximum loss limit per year(1)</td>
</tr>
<tr>
<td>Hybrid Buses</td>
<td>$150,000/Included in the $20,000,000 with buses(1)</td>
</tr>
<tr>
<td>Community Buses</td>
<td>$75,000/Included in the $20,000,000 with buses(1)</td>
</tr>
<tr>
<td>Mobile Equipment</td>
<td>$25,000/Included in the $20,000,000 with buses</td>
</tr>
</tbody>
</table>

(1) Additional $30,000,000 excess coverage applied on catastrophic losses on Buses and Light rail vehicles while parked in Yard.
Pension and Retirement Plans

Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265 Pension Plan. All ATU employees are covered by the Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265 Pension Plan ("ATU Plan"). The ATU Plan is a noncontributory single-employer defined benefit pension plan. The ATU Plan provides retirement, disability, and death benefits based on the employees’ years of service, age, and final compensation. As of June 30, 2010, there were 2,548 members of the ATU Plan. Employees with ten (10) or more years of service are entitled to full annual pension benefits beginning at age 65. Employees with less than ten (10) but at least five (5) years of service are entitled to a reduced annual benefit at age 65 provided that the Pension Board approves such benefit. Employees with fifteen (15) or more years of service are entitled to full annual pension benefits beginning at age 55. The ATU Plan permits early retirement if an employee becomes disabled after ten (10) or more years of service, and deferred vested retirement upon employee termination after ten (10) or more years of service, with benefits payable at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by State statute and the labor agreement with the ATU. The following actuarial methods and assumptions are based on a report dated January 1, 2010.

Actuarial Methods and Assumptions:

<table>
<thead>
<tr>
<th>Description</th>
<th>Methods/Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation Date</td>
<td>January 1, 2010</td>
</tr>
<tr>
<td>Actuarial cost method</td>
<td>Aggregate Entry Age Normal</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level dollar open</td>
</tr>
<tr>
<td>Remaining amortization period</td>
<td>20 years</td>
</tr>
<tr>
<td>Asset Valuation Method</td>
<td>Market value less unrecognized investment gains or losses during the prior four years, phased in at 20% per year, subject to a minimum of 80% and a maximum of 120% of market value</td>
</tr>
</tbody>
</table>

Actuarial Assumptions

| Investment Rate of Return | 8.00% |
| Projected Salary Increases | 22.13% for the first three years of service, 3.76% thereafter |
| Consumer Price Index (CPI) | 3.50% per year |
| Costs of living adjustments | None |

Pursuant to ATU Plan policy, assets are required to be invested in accordance with an investment program which provides for the financial needs of the ATU Plan and allows for such investments to be appropriately diversified and prudently invested to protect the safety of the principal and to maintain a reasonable return. ATU Plan investment guidelines are set forth below:
The Authority contributes to the ATU Plan at actuarially determined rates applied to eligible payroll sufficient to maintain funding of vested benefits. Actuarial rates are determined on the basis of the previous calendar year data for implementation in the following fiscal year, beginning on July 1 of that year. Such contribution includes an amortized amount of the unfunded accrued actuarial liability ("UAAL") as well as current year normal costs. Totals of the actual cost and the amortized cost of the UAAL equal the actuarial rate that would liquidate the UAAL over a period of years. The actuarial review and analysis as of January 1, 2010 resulted in a decrease in the Authority’s contributions to $17.6 million, or 17.99% in dollar terms and as a percentage of covered payroll.

The schedule of funding progress is as follows:

**Schedule of Funding Progress**  
Santa Clara Valley Transportation Authority Amalgamated Transit Union, Local 265  
Pension Plan

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Accrued Liability</th>
<th>UAAL</th>
<th>Funded Ratio</th>
<th>Covered Payroll</th>
<th>UAAL as a Percentage of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/05</td>
<td>$288,829,224</td>
<td>$363,114,404</td>
<td>$74,285,180</td>
<td>80%</td>
<td>$92,663,178</td>
<td>80%</td>
</tr>
<tr>
<td>12/31/06</td>
<td>314,816,391</td>
<td>397,853,860</td>
<td>83,037,469</td>
<td>79</td>
<td>93,985,560</td>
<td>88</td>
</tr>
<tr>
<td>12/31/07</td>
<td>344,521,552</td>
<td>423,739,213</td>
<td>79,217,661</td>
<td>81</td>
<td>98,722,453</td>
<td>80</td>
</tr>
<tr>
<td>12/31/08</td>
<td>325,247,483</td>
<td>442,830,578</td>
<td>117,583,095</td>
<td>73</td>
<td>100,877,989</td>
<td>117</td>
</tr>
<tr>
<td>12/31/09</td>
<td>354,785,095</td>
<td>462,912,195</td>
<td>108,127,100</td>
<td>77</td>
<td>102,625,557</td>
<td>105</td>
</tr>
</tbody>
</table>

(1) As of December 31, 2010.
Based on the Authority’s Comprehensive Annual Financial Report, the five-year trend of pension contributions is as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual Pension Cost (“APC”)</th>
<th>Percentage of APC Contributed</th>
<th>Net Pension Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/06</td>
<td>$15,278,000</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/07</td>
<td>14,859,000</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>6/30/08</td>
<td>16,137,000</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>6/30/09</td>
<td>14,843,000</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>6/30/10</td>
<td>17,905,000</td>
<td>100</td>
<td>-</td>
</tr>
</tbody>
</table>

The funding ratio for termination liability for the ATU Plan, as of January 1, 2010, for benefits earned to January 1, 2010, based on pay and years of service of covered employees as of January 1, 2010, was 83.8%. The funding ratio for termination liability is intended to provide an estimate of the obligation the ATU Plan would have to meet if the ATU Plan was terminated, assuming that the expected return on assets remained at 8%.

**Public Employees’ Retirement Plan.** All eligible non-ATU employees of the Authority participate in the State’s Public Employees Retirement System (“CalPERS”). Prior to separation from the County on January 1, 1995, all eligible Authority non-ATU employees participated in CalPERS through the County. As a result of the separation from the County, certain administrative employees were transferred from the County to the Authority. All of those administrative employees’ service credits earned during the period they worked for the County’s transportation agency were transferred to the Authority’s CalPERS account. The transfer of related assets at a market value totaling approximately $52.3 million was completed by CalPERS in Fiscal Year 1999.

CalPERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State. CalPERS provides retirement, disability, and death benefits based on the employees’ years of service, age, and final compensation. Employees vest after five (5) years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and Authority resolutions. The Authority contracts with CalPERS to administer these benefits. The actuarial methods and assumptions are based on a report dated October 2010, for data as of June 30, 2009.
Actuarial Methods and Assumptions:

<table>
<thead>
<tr>
<th>Description</th>
<th>Methods/Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation Date</td>
<td>June 30, 2009</td>
</tr>
<tr>
<td>Actuarial cost method</td>
<td>Entry Age Normal Cost Method</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level percent of Payroll</td>
</tr>
<tr>
<td>Average Remaining Period</td>
<td>25 years as of the Valuation Date</td>
</tr>
<tr>
<td>Asset Valuation Method</td>
<td>15 years smoothed market</td>
</tr>
<tr>
<td>Actuarial Assumptions</td>
<td></td>
</tr>
<tr>
<td>Investment Rate of Return</td>
<td>7.75% (net of investment expense)</td>
</tr>
<tr>
<td>Projected Salary Increases</td>
<td>3.55 to 14.45% depending on age, service, and type of employment</td>
</tr>
<tr>
<td>Inflation</td>
<td>3.00%</td>
</tr>
<tr>
<td>Payroll Growth</td>
<td>3.25%</td>
</tr>
<tr>
<td>Individual Salary Growth</td>
<td>A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%</td>
</tr>
</tbody>
</table>

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. Annually, CalPERS provides the Authority with a required contribution rate as a percentage of payroll.

Historically, the Authority has paid both the required employer and employee contributions, including payments for the UAAL. The required contribution rate (including both the employer and employee contribution rates) is 19.2% of payroll for the Fiscal Year ending June 30, 2011, based on the latest actuarial valuation. The Authority has budgeted its contributions at the required rate, estimated at $10.0 million. For the Fiscal Year ended June 30, 2010, the Authority’s annual CalPERS pension cost was $6.2 million. The schedule of funding progress is as set forth below.

Schedule of Funding Progress
Santa Clara Valley Transportation Authority CalPERS Plan
(Unaudited)

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Entry Age Normal Accrued Liability</th>
<th>Accrued Liability</th>
<th>Actuarial Value of Assets</th>
<th>UAAL</th>
<th>Funded Ratio (1)</th>
<th>Annual Covered Payroll</th>
<th>UAAL as a Percentage of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2005</td>
<td>$160,103,833</td>
<td>$135,508,064</td>
<td>$24,595,769</td>
<td>84.6</td>
<td>$50,193,561</td>
<td>49.0%</td>
<td></td>
</tr>
<tr>
<td>6/30/2006</td>
<td>177,983,295</td>
<td>152,536,031</td>
<td>25,447,264</td>
<td>85.7</td>
<td>50,301,722</td>
<td>50.6</td>
<td></td>
</tr>
<tr>
<td>6/30/2007</td>
<td>195,098,516</td>
<td>170,836,697</td>
<td>24,261,819</td>
<td>87.6</td>
<td>49,681,839</td>
<td>48.8</td>
<td></td>
</tr>
<tr>
<td>6/30/2008</td>
<td>214,450,572</td>
<td>188,897,985</td>
<td>25,552,587</td>
<td>88.1</td>
<td>51,043,339</td>
<td>50.1</td>
<td></td>
</tr>
<tr>
<td>6/30/2009</td>
<td>238,083,095</td>
<td>203,338,247</td>
<td>34,744,848</td>
<td>85.4</td>
<td>54,589,177</td>
<td>63.6</td>
<td></td>
</tr>
</tbody>
</table>

(1) Using Actuarial Value of Assets.
The five-year trend in contributions are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual Pension Cost (APC)</th>
<th>Percentage of APC Contributed</th>
<th>Net Pension Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2006</td>
<td>$6,501,000</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/2007</td>
<td>5,929,000</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/2008</td>
<td>6,278,000</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/2009</td>
<td>6,507,000</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/2010</td>
<td>6,167,000</td>
<td>100%</td>
<td>-</td>
</tr>
</tbody>
</table>

CalPERS’ policy is to spread market value asset gains and losses over fifteen (15) years. CalPERS also has a policy of establishing the actuarial value of assets from 80-120 percent of market value. These policies are designed to reduce fluctuations in employer contributions over time. In June 2009, the CalPERS Board adopted changes to the asset smoothing method as well as changes to the Board policy on the amortization of gains and losses to phase in over a three year period the impact of the -24% investment loss experienced by CalPERS in Fiscal Year 2009. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter
- Isolate and amortize all gains and losses during fiscal year 2008-2009, 2009-2010 and 2010-2011 over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization)

The required contribution rates for the Authority reflect those changes.

**Retiree Health Care Program.** Employees who retire directly from the Authority are eligible for retiree health benefits if they meet certain requirements relating to age and service.

For ATU retirees, the Authority provides an ATU Retiree Health Care Program (“ATU Program”), in accordance with the agreement between the Authority and the ATU, to all ATU represented employees who retire from the Authority on or after attaining the age of 55 with at least fifteen (15) years of service, or age 65 with ten (10) years of service, age 65 with five (5) years of service upon approval of the Authority/ATU Board of Pensions or if an employee becomes disabled and has completed at least ten (10) years of service. The Authority pays the full cost of employee-only premium for employees who retired before September 1, 2004. ATU employees who retired on or after September 1, 2004 contribute $25 toward the employee only monthly premium. ATU retirees who retire on or after January 1, 2011 will pay the greater of $35 or the amount over the Kaiser Out of Area medicare rate. ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium. As of June 30, 2010, 827 retirees met the eligibility requirements for the ATU program.
All non-ATU employees upon retirement with at least five (5) years of service and attaining age 50 are also covered under a Retiree Health Care Program (Non-ATU Program) if hired before specific dates (as described below).

- SEIU represented employees hired on or after May 15, 2006 must have 8 years of service;
- TAEA represented employees hired on or after December 5, 2006 must have 8 years of service;
- AFSCME represented employees hired between August 30, 2007 and December 31, 2009 must have 8 years of service;
- AFSCME represented employees hired on or after January 1, 2010 must have 15 years of service;
- Non-represented employees hired between February 11, 2008 and October 31, 2009 must have 8 years of service;
- Non-represented employees hired on or after November 1, 2009 must have 15 years of service.

The Authority contribution towards retiree health benefits for Non-ATU retirees who retired before January 2, 2006 is limited to the Kaiser single active employee rate. The Authority also reimburses Medicare Part B premiums for retirees eligible for Medicare. Non-ATU employees who retired after January 1, 2006 contribute $25 toward the employee only monthly premium. As of June 30, 2010, 333 retirees met the eligibility requirements for the Non-ATU Program.

A new actuarial analysis of Retiree Health Benefits as of July 1, 2010 disclosed that the actuarial accrued liability, which is the present value of benefits attributed to past service, is $226.0 million. The unfunded actuarial accrued liability of the Authority as of July 1, 2010 is $106.3 million. The Authority contributions are, at a minimum, advance funded on an actuarially determined basis. For the Fiscal Year ended June 30, 2010, the Authority made contributions to both the ATU and Non-ATU programs of $15.2 million, which was 10.2% of the annual required contribution. The new actuarial report Annual Required Contribution ("ARC") for Fiscal Year 2011 is $14.0 million. The report also suggested an alternative, higher contribution for a quicker amortization of Unfunded Accrued Liability ("UAL"), at a level of $16.1 million. The Authority has adopted the higher contribution level for Fiscal Year 2011, using 11.7% of payroll to achieve the $16.1 million target.

The actuarial cost method used for determining the benefit obligations is the entry age normal method. The significant economic assumptions used were: (1) a discount rate of 7.75%; (2) a projected salary increase of 3.25% per year; (3) inflation component of 3.25% used for amortization; (4) a health inflation assumption of 10.0% in 2012, graded down annually to 8%, 6% and 5% in 2015, remaining at that level thereafter; (5) retiree contribution remaining fixed at $25 per month.

In 2004, the Government Accounting Standards Board ("GASB") issued Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions ("GASB 45"). GASB 45 requires governmental agencies to change their accounting for other post employment benefits from pay-as-you-go to an accrual basis. The most recent actuarial analysis of Retiree Health Benefits as of July 1, 2010 also provides the following estimates of assets, liabilities and unfunded liability, based on the GASB 45 method: actuarial accrued liability $226.0 million, assets of $119.7 million, and UAAL of $106.3 million. The Authority has been making funding contributions on
an actuarially determined basis since prior to its legal separation from the County in 1995. The Authority implemented the requirements of GASB 45, including financial statement reporting and disclosures, by July 1, 2007, the results of which are included in the audited financial statements as of June 30, 2008 and later.
APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2010
Independent Auditor’s Report

The Board of Directors
Santa Clara Valley Transportation Authority
San Jose, California

We have audited the accompanying financial statements of the business-type activity, the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2010, which collectively comprise VTA’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of VTA’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity, the governmental activities, each major fund, and the aggregate remaining fund information of VTA as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 53 for the year ended June 30, 2010.
In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2010, on our consideration of VTA’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management’s discussion and analysis, the schedules of funding progress and the budgetary comparison schedules on pages 2-3 through 2-20 and pages 2-78 through 2-81 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the VTA’s basic financial statements. The introductory section, combining and comparative individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have previously audited, in accordance with auditing standards generally accepted in the United States, the VTA’s basic financial statements for the year ended June 30, 2009, which are not presented with the accompanying financial statements. In our report dated October 15, 2009, we expressed unqualified opinions on the respective financial statements of the business-type activities, governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the 2009 supplementary information is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Palo Alto, California
October 15, 2010

Varinck, Transley & Co. LLP
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Management’s Discussion and Analysis

This Section of the CAFR presents a narrative overview and analysis of the financial activities of VTA for FY2010. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Financial Highlights

- As of June 30, 2010, VTA’s assets exceeded liabilities by approximately $2.8 billion. Of the $2.8 billion in net assets, approximately $2.2 billion was invested in capital assets net of related debt which is associated with VTA’s capital expansion program.
- Enterprise Fund operating revenues mainly from passenger fares were $38.8 million, an increase of $391 thousand or 1% percent compared to FY2009.
- As of June 30, 2010, VTA has total outstanding bonds in the amount of $616 million compared to $625 million the previous fiscal year.
- In FY2010, VTA Transit Fund net assets decreased $6.5 million to $2 billion. The three board-designated reserves: transit operating reserve, debt reduction fund and SWAP/collateral, were $51.9 million, $53.2 million, and $26.9 million, respectively.
- In FY2010, VTA Measure A Fund net assets increased $95.4 million to a total of $766.3 million. This amount is restricted for the Measure A Transit Improvement Program per the Measure A Ballot.
- The 1976 Sales Tax revenues increased $2.4 million or 1.7% to $140.0 million in FY2010 compared to FY2009 reflecting a slight improvement in taxable sales in the County.
- The 2000 Measure A Sales Tax revenues increased $2.0 million or 1.5% to $139.3 million in FY2010 compared to FY2009.
- Federal, state and local operating assistance were $12.0 million or 10.4% higher in FY2010 mainly due to increased revenues in federal operating grants.
- Capital grants were also $10.4 million above FY2009 mainly due to higher Traffic Congestion Relief Program (TCRP) grant receipts for the Silicon Valley Rapid Transit (SVRT) project.

Overview of the Financial Statements

VTA’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to the basic financial statements, this report also includes required and other supplementary information.
1. **Government-wide financial statements**. The *government-wide financial statements* provide a top-level view of VTA’s financial picture in a format resembling that of a private-sector company.

The *Statement of Net Assets* presents information on all of VTA’s assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets may serve as an indicator of whether VTA’s financial position is improving or deteriorating.

The *Statement of Activities* presents information reflecting changes in VTA’s net assets during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide statements distinguish functions of VTA that are principally supported by sales tax and intergovernmental revenues. The VTA business-type activity is transit, which includes bus/light rail operations and capital project activity. Although the transit operation’s primary function is intended to recover its costs through charges for services (business-type activities), the recovery is not significant. The governmental activities of VTA consist of congestion management and highway programs, which include planning, programming, and construction of highway projects.

2. **Fund financial statements**. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. VTA, like local and state governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All VTA funds can be divided into three categories: governmental funds, proprietary funds (i.e., enterprise fund and internal service fund), and fiduciary funds.

*Governmental funds*. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financial requirements.
VTA maintains three major governmental funds to account for the financial activities of VTA’s Congestion Management Program, the Congestion Management and Highway Capital Project programs, and the 1996 Measure B Highway Capital Project programs.

*Proprietary funds.* VTA maintains two types of proprietary funds: an enterprise fund and an internal service fund. The enterprise fund is used to report the same function presented as “business-type activity” in the government-wide financial statements. The internal service fund is used to account for activities that provide services to other funds, departments or to other governments on a cost-reimbursement basis. General Liability, Workers’ Compensation, and Compensated Absences are accounted for in the internal service fund. VTA uses the enterprise fund to account for its transit operation and capital activities, the 1996 Measure B Transit projects, and the 2000 Measure A capital and operating activities.

The combination of the enterprise fund and the internal service fund provide the same type of information as the government-wide financial statements, only in more detail.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside VTA. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support VTA’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The activities of the VTA Amalgamated Transit Union (ATU) Pension Plan, the ATU Spousal Medical and Retiree Vision and Dental Funds and the Retirees’ Other Post Employment Benefits (OPEB) Trust are reported in the retiree trust funds. Pension trust funds are used to account for assets held by VTA as a trustee for individuals and other organizations, such as ATU.

The Bay Area Air Quality Management District (BAAQMD) program and the 1996 Measure B Ancillary Programs, which includes the Pavement Management and Bicycle Programs, are accounted for in an agency fund. Agency funds are used to account for assets held solely in a custodial capacity.

3. **Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.
In addition to the basic financial statements and notes, required supplementary information is presented as required by GAAP. The required supplementary information shows VTA’s progress in funding its obligation to provide employees with pension benefits and also shows the Congestion Management Program Budgetary Schedule.

Other supplementary information such as the combining statements and other individual schedules found immediately following the required supplementary information present individual fund statements and schedules for the Enterprise and Fiduciary Funds.

4. **Government-wide Financial Analysis.** The Government-Wide Statement of Net Assets and the Statement of Activities reports a $73.9 million increase in net assets (pages 2-21 and 22). The increase was mainly in the Business-Type activities as the Government-type activities only experienced $235 thousand increase in its net assets. The business-type net asset increase was primarily due to Measure A sales tax receipts and capital grants related to the SVRT project as the locally funded capital expenditures were lower compared to the revenue receipts. During FY2010, VTA enterprise funds acquired or built total capital assets of approximately $59.5 million (see Note 6). These capital assets were funded by a variety of sources such as federal and state grants as well as local Measure A sales tax proceeds.

![Table: Santa Clara Valley Transportation Authority Condensed Statement of Net Assets FY2010 and FY2009](In thousands)

<table>
<thead>
<tr>
<th>Assets:</th>
<th>Business-Type Activity</th>
<th>Governmental Activity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$835,018</td>
<td>$693,752</td>
<td>$24,914</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>2,811,863</td>
<td>2,806,348</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>3,646,881</td>
<td>3,500,100</td>
<td>24,914</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>122,071</td>
<td>100,643</td>
<td>24,627</td>
</tr>
<tr>
<td>Long-term liabilities outstanding</td>
<td>711,656</td>
<td>659,982</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>833,727</td>
<td>760,625</td>
<td>24,627</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>2,195,790</td>
<td>2,180,768</td>
<td>-</td>
</tr>
<tr>
<td>Restricted</td>
<td>409,136</td>
<td>362,079</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>208,228</td>
<td>196,628</td>
<td>287</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$2,813,154</td>
<td>$2,739,475</td>
<td>$287</td>
</tr>
</tbody>
</table>

*reclassified to match 2010 presentation

2-6
The largest portion of VTA’s net assets (approximately 78%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. VTA uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although VTA’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot reasonably be used to liquidate these liabilities. The restricted assets represent mainly the funds set aside for the Measure A and B Transit Improvement Programs, Measure A bonds, debt service payments with the bond trustees, and reserve for inventory, prepaid expenses, and bond issuance unamortized costs. The unrestricted categories include funds set aside by Board policies and for funding of local share of capital projects, VTA transit operating reserve, and debt reduction and swap/lease collateral reserves, and for workers’ compensation and liability claims. The unrestricted net assets are available for appropriation with Board approval. The details of net assets categories are shown on page 2-21.

Santa Clara Valley Transportation Authority
Statement of Activities
FY2010 and FY2009
(In thousands)

<table>
<thead>
<tr>
<th></th>
<th>Business-Type Activity</th>
<th>Governmental Activity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations, support services, and CMP program</td>
<td>$338,771</td>
<td>$343,973</td>
<td>$7,164</td>
</tr>
<tr>
<td>Caltrain subsidy &amp; capital expenditures on behalf of, and contribution to other agencies</td>
<td>97,592</td>
<td>58,504</td>
<td>-</td>
</tr>
<tr>
<td>Altamont Commuter Express subsidy</td>
<td>2,707</td>
<td>2,707</td>
<td>-</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>20,583</td>
<td>11,651</td>
<td>-</td>
</tr>
<tr>
<td>Other non-operating expenses</td>
<td>7,268</td>
<td>5,446</td>
<td>-</td>
</tr>
<tr>
<td>Claims and change in future claim estimates</td>
<td>7,693</td>
<td>9,826</td>
<td>-</td>
</tr>
<tr>
<td>Capital outlay on behalf of other agencies</td>
<td>-</td>
<td>-</td>
<td>19,402</td>
</tr>
<tr>
<td>Total expenses</td>
<td>474,614</td>
<td>432,107</td>
<td>26,566</td>
</tr>
<tr>
<td>Program revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>38,830</td>
<td>38,439</td>
<td>2,606</td>
</tr>
<tr>
<td>Operating grants</td>
<td>126,934</td>
<td>114,937</td>
<td>1,854</td>
</tr>
<tr>
<td>Capital grants</td>
<td>92,594</td>
<td>82,175</td>
<td>22,314</td>
</tr>
<tr>
<td>Total program revenues</td>
<td>258,358</td>
<td>235,551</td>
<td>26,774</td>
</tr>
<tr>
<td>Net program revenues (expenses)</td>
<td>(216,256)</td>
<td>(196,556)</td>
<td>208</td>
</tr>
<tr>
<td>General revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales tax revenue</td>
<td>279,342</td>
<td>274,903</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>7,352</td>
<td>16,862</td>
<td>12</td>
</tr>
<tr>
<td>Other income</td>
<td>3,241</td>
<td>3,385</td>
<td>15</td>
</tr>
<tr>
<td>Total general revenues</td>
<td>289,935</td>
<td>295,150</td>
<td>27</td>
</tr>
<tr>
<td>Special items:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in provisions for workers’ compensation claims</td>
<td>-</td>
<td>3,500</td>
<td>-</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>73,679</td>
<td>102,094</td>
<td>235</td>
</tr>
<tr>
<td>Net assets beginning of year</td>
<td>2,739,475</td>
<td>2,637,381</td>
<td>52</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$2,813,154</td>
<td>$2,739,475</td>
<td>$287</td>
</tr>
</tbody>
</table>
**Proprietary Funds.** Total net assets were $2.8 billion in FY2010, an increase of $73.7 million compared to FY2009. Net program expenses (total expenses minus program revenues) were $216.3 million during FY2010 compared to $196.6 million in FY2009. Total expenses increased $42.5 million. Major increases were in the capital expenditures on behalf of, and contributions to other agencies ($39.1 million) and interest expenses ($8.9 million) categories. They were offset by a $5.2 million decrease in Operations and Support Services expenses as VTA implemented various cost containment measures in response to declining revenues. In the program revenue categories, operating assistance grants increased mainly due to higher receipt of federal preventive maintenance grant and operating assistance grants. Capital contributions were also higher in FY2010 compared to the prior year. Due to the state cutting STA funding to transit agencies in FY2010, VTA did not receive STA grants which are normally allocated through the state on the basis of population and operating revenues.

A detailed analysis of major revenue and expenditure accounts is included in the following section.

### Comparison of Proprietary Funds Revenue FY2010 and FY2009

<table>
<thead>
<tr>
<th>Proprietary Funds Revenue</th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
<th>Favorable/(Unfavorable)</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for services</td>
<td>$38,830</td>
<td>$38,439</td>
<td>$391</td>
<td>1.02%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating grants</td>
<td>126,934</td>
<td>114,937</td>
<td>11,997</td>
<td>10.44%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital grants</td>
<td>92,594</td>
<td>82,175</td>
<td>10,419</td>
<td>12.68%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976 half-cent sales tax</td>
<td>140,037</td>
<td>137,642</td>
<td>2,395</td>
<td>1.74%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000 Measure A half-cent sales tax</td>
<td>139,305</td>
<td>137,261</td>
<td>2,044</td>
<td>1.49%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment earnings</td>
<td>7,352</td>
<td>16,862</td>
<td>(9,510)</td>
<td>-56.40%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>3,241</td>
<td>6,885</td>
<td>(3,644)</td>
<td>-52.93%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$548,293</td>
<td>$534,201</td>
<td>$14,092</td>
<td>2.64%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 included a special item of $3.5 million related to change in provision for future general liability and workers’ compensation claims.

### Charges for Services

Charges for services, derived from bus fare box receipts, light rail ticket sales, the sale of monthly passes (including Eco Pass and tokens) and advertisement income were $38.8 million in FY2010, $391 thousand or 1% higher compared to FY2009 mainly as a result of fare increases implemented in the year. Overall for the fiscal year, bus and light rail
ridership was 41.7 million which reflects a 7.8% decrease compared to the prior year. Continued high unemployment in Silicon Valley hampered ridership for all VTA transit services. Advertising and Shuttle revenues from contracted services were $2.0 million which were $282 thousand or 12.5% below FY2009, again a sign of a sluggish local economy.

**Operating Grants**

Operating grants include California Transportation Development Act (TDA), state operating assistance grants, Federal Section 5307 Urbanized Formula Program Grants, state vehicle license fees (AB434), federal planning grants, and new federal operating assistance under the American Recovery and Reinvestment Act (ARRA). In FY2010, total operating grants increased $12.0 million or 10.4% higher compared to FY2009.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 96.5% is returned to the source county (i.e., Santa Clara). After sales tax derived from local measures, TDA revenues are VTA’s second largest source of revenue for operations. For FY2010, the actual TDA receipts were $65.8 million, reflecting a $7.6 million or 10.3% decline over the prior fiscal year.

STA funds are derived from state sales tax on gasoline and diesel fuel. STA apportionments are made to regional transportation planning agencies (MTC in the San Francisco Bay Area Region) based on a formula that allocates 50% of the funds according to population and 50% according to the transit operator’s qualified revenues in the region from the prior fiscal year. In FY2010, VTA did not receive STA funds.

Federal Section 5307 allows eligible recipients to claim capital grant funds for maintenance costs and other projects such as routine bus replacements. Grant applicants may apply for FTA grants in an amount up to 80% of annual vehicle maintenance costs. The funds are reflected in the financial statements as Federal Operating Assistance. Currently, VTA treats a large portion of its bus maintenance costs for revenue and non-revenue vehicles as eligible expenditures. For FY2010, total grant revenues under this program were $58.7 million, a $25.3 million increase over FY2009.
Capital Grants
Capital grants include Federal Section 5309 capital grants, various State transit-related capital grants, capital contribution from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. In FY2010, total capital grants increased $10.4 million or 12.7% to $92.6 million. This was primarily due to higher grant revenues from the state under the Transit Congestion Relief Program (TCRP) to fund the SVRT project.

1976 Half-Cent Sales Tax Revenues
The 1976 Sales Tax is VTA’s single largest source of revenue for operations. The State Board of Equalization (SBOE) collects the 1976 Sales Tax for VTA. The 1976 Sales Tax Revenues pay the operating expenses and capital expenditures, where state or federal capital assistance programs require that the recipient of assistance contribute locally derived revenue. Subsequent to the recovery from the dot.com bust, they were growing annually, but declined significantly in FY2009. For FY2010, total sales tax revenues were $140 million, $2.4 million or 1.7% higher compared to the prior fiscal year. Even though sales tax revenues grew slightly in FY2010, the ongoing recession, financial meltdown, and credit tightening along with high unemployment continue to have an impact on the taxable activity in the County.

2000 Measure A Half-Cent Sales Tax Revenues
The 2000 Measure A Sales Tax is collected by the SBOE for VTA in the same manner as the 1976 Measure B Sales Tax. The collection of the Measure A half-cent sales tax revenue occurred after the expiration of 1996 Half-Cent Measure B Sales Tax on March 31, 2006. FY2010 revenues of $139.3 million were $2.0 million or 1.5% higher than the prior year. The 2000 Sales Tax revenues are restricted for projects and operational activities included on the 2000 Measure A ballot.

Investment Earnings
The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Pursuant to VTA’s adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. In FY2010, the investment earnings decreased $9.5 million compared to FY2009 due mainly to reclassification of interest earnings capitalized in prior years in the Measure A Transit Improvement Fund. In addition, interest rates for investments remained historically low, contributing to revenue decline.
Other Income
In FY2010, total other income was $3.2 million; $0.1 million lower than the prior fiscal year.

Revenue by Sources - Proprietary Funds

Total expenses for Proprietary Funds increased $42.5 million or 9.8% in FY2010. A detail analysis of major expense categories is discussed below.

Comparison of Proprietary Funds Expenses for FY2010 and FY2009 (In thousands)

<table>
<thead>
<tr>
<th>Proprietary Funds Expenses</th>
<th>2010</th>
<th>2009</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations and support services</td>
<td>$338,771</td>
<td>$343,973</td>
<td>($5,202)</td>
<td>-1.51%</td>
</tr>
<tr>
<td>Caltrain and ACE subsidy</td>
<td>18,585</td>
<td>18,585</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Capital contributions to/or expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>on-behalf of other agencies</td>
<td>81,714</td>
<td>42,626</td>
<td>39,088</td>
<td>91.70%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>20,583</td>
<td>11,651</td>
<td>8,932</td>
<td>76.66%</td>
</tr>
<tr>
<td>Other non-operating expenses</td>
<td>7,268</td>
<td>5,446</td>
<td>1,822</td>
<td>33.46%</td>
</tr>
<tr>
<td>Claims and change in future claim estimates</td>
<td>7,693</td>
<td>9,826</td>
<td>(2,133)</td>
<td>-21.71%</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$474,614</strong></td>
<td><strong>$432,107</strong></td>
<td><strong>$42,507</strong></td>
<td><strong>9.84%</strong></td>
</tr>
</tbody>
</table>

Change Favorable/(Unfavorable)

Operations and Support Services
Operations and support services expenses are incurred for labor, support services, contracted services, insurance, purchased transportation and other overhead costs related to bus and light rail operations, services, and support programs. For FY2010, they were $5.2 million or 1.5% lower compared to FY2009 as VTA implemented various cost savings.
containment measures in response to declining revenues. Labor and benefit costs were almost flat in FY2010 as vacant positions and wages were frozen and an unpaid furlough program was implemented for certain categories of employees. Other major cost categories were lower in FY2010 as a result of budget cuts implemented in the Adopted 2010-2011 Biennial Budget.

**Caltrain and Altamont Commuter Express (ACE) Subsidy**

Caltrain is a commuter rail service, provided by the Peninsula Corridor Joint Powers Board (PCJPB), which is composed of 3 member agencies: VTA, San Mateo County Transit District (SamTrans) and City and County of San Francisco. VTA contributes a portion of Caltrain operating and maintenance costs for commuter train service from Santa Clara County to San Francisco. Operating subsidy to Caltrain was $15.9 million in FY2010; the same amount was contributed in FY2009.

The ACE is administered by and funded under a cooperative agreement among VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission (SJRRC). VTA’s subsidy to ACE commuter rail service totaled $2.7 million in FY2010. The same amount was contributed in FY2009. The annual subsidy was based on the joint power agreements with these agencies.

**Capital Expenses to/or On-Behalf of Other Agencies**

As a part of its capital program, VTA makes capital contribution to or undertakes capital projects jointly with other agencies. As the ownership of these capital projects does not rest with VTA, these capital expenses are reported as non-operating expenses on its financial statements. In FY2010, total capital contributions and expenses were $81.7 million, an increase $39.1 million compared to FY2009. The FY2010 contribution included $12.6 million swap payment to Congestion Management and Highway Program Fund and other agencies in the Measure A Transit Improvement Fund. In addition, Measure A Transit Improvement Fund expended $51.6 million to/or on behalf of other agencies. VTA was partially reimbursed for these capital expenses by other agencies and are reported as capital contributions. VTA Transit Fund and Measure B Transit Fund expended the remaining $17.5 million.

**Interest Expenses**

Bond interest expense was $20.6 million, $8.9 million higher compared to prior year primarily due to reclassification of bond interest expenses capitalized in prior years to interest expense in FY2010.
Other Non-Operating Expenses
Other non-operating expenses were $1.8 million higher in FY2010 compared to the prior fiscal year. Most of the increases were in the Measure A Transit Improvement Fund which included $1 million professional services expenses (reported as operating expense in FY2009) and $800 thousand higher Caltrain access fee.

Claims and Change in Future Claim Estimates
Claim payments in FY2010 were $7.7 million, $2.1 million less than FY2009 due to lower payments made for workers’ compensation claims and a decrease in liability claims. In addition, the provisions for future claim estimates were also lower in FY2010 based on the recent actuarial valuation report.

Governmental Funds. Total net assets for the governmental funds increased $235 thousand in FY2010, with an ending balance of $287 thousand, all in the Special Revenue Fund. Major elements of changes in net assets were as follows:

- In the Capital Projects Funds, total federal, state, and local grant revenues were $22.3 million and capital expenses and labor/overhead costs were also $22.3 million, with no net assets.

- In the Congestion Management Program (CMP) Special Revenue Fund, total revenue sources were $4.5 million, an increase of $184 thousand over FY2009 mainly due to higher state and federal operating assistance grants. Total expenditures were $4.3 million reflecting $1.5 million lower expenses compared to prior year, with a net change in net assets of $235 thousand. A number of CMP projects/studies were either deferred or changed in scope due to declining revenues. CMP projects are funded only from member assessments and various federal, state, and local grants.
Financial Analysis of VTA’s Funds

VTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary funds. VTA maintains two types of proprietary funds – Enterprise Fund and Internal Service Fund.

Enterprise fund. The Enterprise Fund is used to account for activities for which a fee is charged to external users for goods or services where:

(a) the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or

(b) laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or

(c) the pricing policies of the activity establish fees and charges designated to recover its costs, including capital costs (such as depreciation or debt service).

A Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets is included on page 2-85 of this report. For FY2010, operating revenues were $38.8 million, up $391 thousand or 1% compared to FY2009. Fares from transit services increased $673 thousand or 1.9% from prior fiscal year mainly due to fare increases introduced during the fiscal year. Total operating expenses in FY2010 were $6.5 million or 1.8% lower than FY2009. Labor costs were $389 thousand higher than the prior fiscal year. The non-labor
expense categories that experienced significant variance in FY2010 include Services ($4.4 million), Casualty and Liability Insurance ($1.1 million), Purchased Transportation ($3.7 million) and Leases and Rentals ($1.3 million) and Cost Allocated to Capital and Other Programs ($5.6 million) resulting in an overall decrease in operating expenses compared to FY2009.

FY2010 net non-operating revenues were $287.0 million, $43.3 million lower compared to FY2009. Major negative changes include a decrease in the state and local operating assistance grants ($13.7 million) especially in TDA and STA programs, and investment earnings ($9.6 million) due to the reclassification of interest earnings capitalized in prior years in the Measure A Transit Improvement Fund. Federal operating assistance grant increased $25.7 million as VTA programmed a higher allocation to preventive maintenance activities and receipt of federal operating assistance under ARRA. Total sales tax revenues were $4.4 million or 1.6% higher compared to FY2009. In non-operating expenses, the capital expenses on behalf of, and contribution to, other agencies increased $39.1 million. Interest expenses increased $8.9 million mainly as a result of the reclassification of bond interest capitalized in prior years to interest expense in the Measure A Transit improvement Fund. Capital contributions from other governmental agencies were $10.4 million more in FY2010 primarily due to higher TCRP grant funding for the SVRT project.

Total FY2010 Enterprise Fund net assets were $2.8 billion, an increase of $70.6 million over the FY2009 net assets. Of the total net asset increase, $95.4 million was related to the 2000 Measure A Transit Improvement Program Fund. VTA Transit Fund’s net assets declined $6.5 million in FY2010, mainly due to lower TDA and STA grant revenues. Measure B Transit Fund’s net assets also decreased $18.3 million in FY2010 mainly due the reclassification of two project costs to non-operating expenses capitalized in prior years. VTA accounts for the 2000 Measure A Sales Tax Capital Program as part of its Enterprise Fund. Even though the 2000 Measure A program revenues and related capital expenses are reported as part of Enterprise Fund financial statements, they are restricted for capital programs and operating activities included in the 2000 Measure A Ballot. VTA reports total net assets by restricted and unrestricted categories to comply with various legal requirements and board designations. For FY2010, the details of net assets are reported on Statement of Fund Net Assets on pages 2-23 & 24.

**Internal service fund.** VTA maintains an Internal Service Fund to account for the activities related to Workers’ Compensation, General Liability, and Compensated Absences programs. The cost of these activities are accounted for in this fund and then
charged to other VTA funds. As of June 30, 2010, total net assets for this fund were $18.5 million, an increase of $3.1 million from prior fiscal year. Decreases in claim payments were the major factors for higher net assets. In FY2010, provisions and claims liability in both workers’ compensation and general liability programs were lowered based on the actuarial valuation report. This change also contributed to higher net assets in the internal service funds.

**Governmental funds.** The focus of VTA’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing VTA’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of VTA’s net resources available for spending at the end of the fiscal year. VTA maintains two governmental fund types – *Special Revenue Fund* and *Capital Project Fund*.

*Special revenue fund.* This fund accounts for the activities of the Congestion Management Program. The table below shows the details of changes in net assets between the current and prior fiscal year:

<table>
<thead>
<tr>
<th>Special Revenue Fund</th>
<th>2010</th>
<th>2009</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member agency assessment revenues</td>
<td>$2,495</td>
<td>$2,495</td>
<td>$0.00</td>
<td>0.00%</td>
</tr>
<tr>
<td>Federal technical studies operating assistance grants</td>
<td>1,235</td>
<td>915</td>
<td>320</td>
<td>34.97%</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>111</td>
<td>123</td>
<td>(12)</td>
<td>-9.76%</td>
</tr>
<tr>
<td>State and local assistance grants</td>
<td>619</td>
<td>581</td>
<td>38</td>
<td>6.54%</td>
</tr>
<tr>
<td>Federal, state and local capital grant revenues</td>
<td>27</td>
<td>14</td>
<td>13</td>
<td>92.86%</td>
</tr>
<tr>
<td>Other revenues</td>
<td>15</td>
<td>161</td>
<td>(146)</td>
<td>-90.68%</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>12</td>
<td>41</td>
<td>(29)</td>
<td>-70.73%</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>(3,709)</td>
<td>(4,894)</td>
<td>1,185</td>
<td>-24.21%</td>
</tr>
<tr>
<td>Professional services</td>
<td>(541)</td>
<td>(793)</td>
<td>252</td>
<td>-31.78%</td>
</tr>
<tr>
<td>Material and services</td>
<td>(8)</td>
<td>(17)</td>
<td>9</td>
<td>-52.94%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>(9)</td>
<td>(24)</td>
<td>15</td>
<td>-62.50%</td>
</tr>
<tr>
<td>Capital outlay on behalf of other agencies</td>
<td>(12)</td>
<td>(45)</td>
<td>33</td>
<td>-73.33%</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>235</td>
<td>(1,443)</td>
<td>1,678</td>
<td>116.29%</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>52</td>
<td>1,495</td>
<td>(1,443)</td>
<td></td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$287</td>
<td>$52</td>
<td>$235</td>
<td>451.92%</td>
</tr>
</tbody>
</table>

Total fund revenues, which mainly include member assessments and grants, were $4.5 million in FY2010, $184 thousand higher than prior year. The increase was mainly due to higher federal operating assistance grants billed in FY2010 compared to FY2009. Total expenses were $4.3 million, a decrease of $1.5 million is mainly due to lower VTA labor.
and overhead costs, and professional services. The ending fund balance was $287 thousand.

Capital project fund. This fund accounts for VTA’s two major capital programs—Congestion Management Highway Program and Measure B Highway Program. The table below shows the details of changes in net assets between the current and prior fiscal year:

<table>
<thead>
<tr>
<th>Capital Projects Funds</th>
<th>2010</th>
<th>2009</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal, state, and local capital grant revenues</td>
<td>$22,287</td>
<td>$29,465</td>
<td>$(7,178)</td>
<td>-24.36%</td>
</tr>
<tr>
<td>VTA labor and overhead costs</td>
<td>(2,897)</td>
<td>(3,112)</td>
<td>215</td>
<td>-6.91%</td>
</tr>
<tr>
<td>Capital expenditures on behalf of other agencies</td>
<td>(19,390)</td>
<td>(26,353)</td>
<td>6,963</td>
<td>-26.42%</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

As of June 30, 2010, total revenues were $22.3 million which represents the total amount expended on the projects during the fiscal year and billed to other governmental agencies. The VTA labor and overhead costs were $215 thousand lower in FY2010 due to a decrease in project activity. Equity fund balances were zero at year-end.

Capital Assets and Debt Administration

Capital assets. VTA’s investment in capital assets for its business-type activity as of June 30, 2010, amounts to $2.8 billion, net of accumulated depreciation. VTA has no capital assets invested in the governmental activities. This investment in capital assets includes: Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY2010, VTA expended $59.5 million on the acquisition and construction of capital assets.
**Capital Assets**  
(Net of Accumulated Depreciation)  
(In thousands)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Right-of-way</td>
<td>$1,123,321</td>
<td>$1,119,217</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>814,241</td>
<td>781,381</td>
</tr>
<tr>
<td>Buildings &amp; Improvements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment &amp; Fixtures</td>
<td>292,603</td>
<td>298,818</td>
</tr>
<tr>
<td>Vehicles</td>
<td>286,826</td>
<td>304,406</td>
</tr>
<tr>
<td>Caltrain-Gilroy Extension</td>
<td>40,696</td>
<td>42,176</td>
</tr>
<tr>
<td>Light Rail Tracks/Electrification</td>
<td>232,223</td>
<td>245,185</td>
</tr>
<tr>
<td>Other Operating Equipment</td>
<td>13,414</td>
<td>6,184</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>8,539</td>
<td>8,981</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,811,863</strong></td>
<td><strong>$2,806,348</strong></td>
</tr>
</tbody>
</table>

Additional information on VTA’s capital assets can be found in Note 6 – Capital Assets.

**Long-term debt.** At year-end, VTA had $616.1 million in bonds outstanding versus $625.3 million in FY2009 – a decrease of $9.3 million which represents the principal payments made on the bonds during the year.

**Outstanding Debt**  
Proprietary Funds  
(In thousands)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sr. Lien Sales Tax Revenue Bonds (1976 Tax)</td>
<td>178,903</td>
<td>184,487</td>
</tr>
<tr>
<td>Sr. Lien Sales Tax Revenue Bonds (2000 Tax)</td>
<td>369,775</td>
<td>370,750</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$616,073</strong></td>
<td><strong>$625,342</strong></td>
</tr>
</tbody>
</table>

More information on this transaction is included in Note 7a – Long-Term Debt and Liabilities.

VTA maintains uninsured ratings of “AAA” from Standard & Poor’s (S&P), “AA” rating from Fitch, and a “Aa2” rating from Moody’s for its Senior Lien Sales Revenue Bonds secured by 1976 sales tax revenues.

The ratings for Sales Tax Revenue Bonds secured by the 2000 Measure A sales tax are “Aa2” from Moody’s and “AA+” from S&P. The 2007 Series A Measure A bonds have underlying (insured) ratings of AA+ and Aa2 from S&P and Moody’s, respectively.
Additional information on VTA’s long-term debt can be found in Note 7 – Long-Term Liabilities.

**Economic Conditions**

In a recent report, the National Bureau of Economic Research, an independent group of economists that are charged with dating when economic downturns begin and end, reported that the economic recession ended in June 2009\(^1\). But the news comes amid rising fears of a double-dip recession. That makes the 18-month recession that started in December 2007 the longest and deepest downturn for the U.S. economy since the Great Depression. The basis for this decision was the length and strength of the economic recovery to date. Some economists are also calling it a jobless recovery. The national unemployment rate is around 9.6 percent almost at the same level as last year. The unemployment rate in the county averaged 11.3% in June 2010, slightly below 11.8% a year ago. During the same period, the state’s unemployment rate was 12.6%, higher from 11.6% reported in the same period a year ago\(^2\). Contributing to this slowdown is global recession and financial meltdowns which has resulted in sharp downturn in the housing industry as well as loss of manufacturing and other jobs. The Santa Clara County economy has not been immune to the economic meltdown, issues related to credit crunch, and failure of financial institutions across the country. The credit crunch has seriously impacted the housing industry as foreclosures and inventories of unsold homes hit record highs for third year in a row. The consensus economic opinion now believes that the Silicon Valley economy will go through challenging periods as venture capital money to startup companies dries up and make borrowing more difficult and expensive to meet the operating and capital needs of local high-tech firms.

The state has its own financial challenges which have and will continue to negatively impact local governments and agencies. In FY2010, California Legislature approved and the Governor signed a series of bills in an attempt to balance the state’s massive budget gap. This package consisted of tax hikes, borrowing, and spending reductions that also impacted public transit agencies. In the case of transportation, the State Transit Assistance Program (STA), the only state program that directly provides funds to operate bus and rail systems in California, was not funded at all in FY2010. In VTA’s case, STA program revenue loss amounted to approximately $13 million.

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\(^1\) [cnnmoney.com](http://www.cnnmoney.com), September 20, 2010.

\(^2\) California Employment Development Department and U.S. Labor Department.
At the local level, reduced home building, home sales, auto sales and other consumer spending contributed to a slowdown in taxable sales. As a result of the economic slowdown, VTA experienced double digit percentage declines in sales tax revenues during FY2009 – its largest source of funding for operating and capital needs. The negative trend seems to be turning around, based on FY2010 sales tax receipts. The 1976 Half-Cent Sales Tax increased over the prior year by $2.4 million or 1.7% to $140 million. However TDA revenues, which are also derived from the local taxable sales tax activity base, declined $5.4 million or 7.4% in the current year compared to the prior year. VTA will continue to take steps to exercise fiscal discipline and manage this revenue shortfall through diligent cost control and enhanced operating efficiencies. Nevertheless, it is likely that VTA will continue to face ongoing challenges, including sluggish sales tax receipts, higher employee benefit and pension contribution costs, as well as the turmoil and volatility in the financial markets.

**Adopted FY2010 and FY2011 Biennial Budget**

In June 2009, VTA Board of Directors adopted a biennial budget for Fiscal Years 2010 and 2011. Overall, the adopted biennial budget represents a balanced approach by asking riders and employees to share the burden of bridging the funding gap in these difficult economic times while attempting to avoid more drastic solutions like widespread service cuts or layoffs. In addition, the adopted budget included drawing of operating reserves to balance the operating budget.

**Requests for Information**

Please address all questions or requests for additional information to the Fiscal Resources Division, Attention: Chief Financial Officer, Santa Clara Valley Transportation Authority, 3331 North First Street Building C, Second Floor, San Jose, CA 95134-1927.
BASIC FINANCIAL STATEMENTS
## Business-Type Activity

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$71,895</td>
<td>$949</td>
<td>$72,844</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>3,526</td>
<td>-</td>
<td>3,526</td>
</tr>
<tr>
<td>Internal balances</td>
<td>(1,080)</td>
<td>1,080</td>
<td>-</td>
</tr>
<tr>
<td>Due from other governmental agencies</td>
<td>73,395</td>
<td>367</td>
<td>73,762</td>
</tr>
<tr>
<td>Inventories</td>
<td>20,818</td>
<td>-</td>
<td>20,818</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,308</td>
<td>-</td>
<td>1,308</td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>527,679</td>
<td>17,548</td>
<td>545,227</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>1,003</td>
<td>-</td>
<td>1,003</td>
</tr>
<tr>
<td>Due from other governmental agencies</td>
<td>52,347</td>
<td>4,970</td>
<td>57,317</td>
</tr>
<tr>
<td>Other current assets</td>
<td>33</td>
<td>-</td>
<td>33</td>
</tr>
<tr>
<td><strong>Long-term assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPEB obligation over-contributions</td>
<td>837</td>
<td>-</td>
<td>837</td>
</tr>
<tr>
<td>Deferred charges</td>
<td>11,767</td>
<td>-</td>
<td>11,767</td>
</tr>
<tr>
<td>Deferred outflow of resources</td>
<td>71,490</td>
<td>-</td>
<td>71,490</td>
</tr>
<tr>
<td>Capital assets - nondepreciable</td>
<td>1,937,562</td>
<td>-</td>
<td>1,937,562</td>
</tr>
<tr>
<td>Capital assets - depreciable, net of accumulated depreciation</td>
<td>874,301</td>
<td>-</td>
<td>874,301</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$3,646,881</td>
<td>$24,914</td>
<td>$3,671,795</td>
</tr>
</tbody>
</table>

## Liabilities

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>16,046</td>
<td>67</td>
<td>16,113</td>
</tr>
<tr>
<td>Deposits</td>
<td>481</td>
<td>-</td>
<td>481</td>
</tr>
<tr>
<td>Accrued payroll and related liabilities</td>
<td>10,033</td>
<td>-</td>
<td>10,033</td>
</tr>
<tr>
<td>Due to fiduciary funds</td>
<td>-</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Bond interest and other fee payable</td>
<td>763</td>
<td>-</td>
<td>763</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>2,116</td>
<td>-</td>
<td>2,116</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>133</td>
<td>-</td>
<td>133</td>
</tr>
<tr>
<td>Due to other government agencies</td>
<td>1,669</td>
<td>962</td>
<td>2,631</td>
</tr>
</tbody>
</table>

**Liabilities payable from restricted assets:**

<table>
<thead>
<tr>
<th>Liabilities payable from restricted assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>19,093</td>
<td>3,099</td>
<td>22,192</td>
</tr>
<tr>
<td>Bond interest and other fee payable</td>
<td>3,665</td>
<td>-</td>
<td>3,665</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>27</td>
<td>-</td>
<td>27</td>
</tr>
<tr>
<td>Due to other government agencies</td>
<td>43,060</td>
<td>20,492</td>
<td>63,552</td>
</tr>
</tbody>
</table>

**Long-term liabilities:**

<table>
<thead>
<tr>
<th>Long-term liabilities:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative instruments</td>
<td>71,490</td>
<td>-</td>
<td>71,490</td>
</tr>
<tr>
<td>Due within one year</td>
<td>24,985</td>
<td>-</td>
<td>24,985</td>
</tr>
<tr>
<td>Due in more than one year</td>
<td>640,166</td>
<td>-</td>
<td>640,166</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$833,727</td>
<td>$24,627</td>
<td>$858,354</td>
</tr>
</tbody>
</table>

## Net Assets

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>2,195,790</td>
<td>-</td>
<td>2,195,790</td>
</tr>
<tr>
<td><strong>Restricted:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure A bonds debt service</td>
<td>3,885</td>
<td>-</td>
<td>3,885</td>
</tr>
<tr>
<td>Measure A fund SWAP/lease collateral</td>
<td>87,277</td>
<td>-</td>
<td>87,277</td>
</tr>
<tr>
<td>Retention</td>
<td>3,874</td>
<td>-</td>
<td>3,874</td>
</tr>
<tr>
<td>2000 Measure A projects</td>
<td>279,323</td>
<td>-</td>
<td>279,323</td>
</tr>
<tr>
<td>1996 Measure B projects</td>
<td>390</td>
<td>-</td>
<td>390</td>
</tr>
<tr>
<td>Inventory, prepaid expenses, and issuance cost</td>
<td>34,387</td>
<td>-</td>
<td>34,387</td>
</tr>
<tr>
<td><strong>Unrestricted:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>13,049</td>
<td>-</td>
<td>13,049</td>
</tr>
<tr>
<td>Local share of capital projects</td>
<td>44,729</td>
<td>-</td>
<td>44,729</td>
</tr>
<tr>
<td>Debt reduction</td>
<td>53,170</td>
<td>-</td>
<td>53,170</td>
</tr>
<tr>
<td>SWAP/lease collateral</td>
<td>26,911</td>
<td>-</td>
<td>26,911</td>
</tr>
<tr>
<td>Operating reserve</td>
<td>51,857</td>
<td>-</td>
<td>51,857</td>
</tr>
<tr>
<td>Workers' compensation and liability claims</td>
<td>18,512</td>
<td>-</td>
<td>18,512</td>
</tr>
<tr>
<td>Special revenue fund</td>
<td>-</td>
<td>287</td>
<td>287</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$2,813,154</td>
<td>$287</td>
<td>$2,813,441</td>
</tr>
</tbody>
</table>
### SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

**Statement of Activities**

**For the Year Ended June 30, 2010**

**In thousands**

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Business-Type Activity</th>
<th>Governmental Activity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations, support services, and CMP program</td>
<td>$338,771</td>
<td>$7,164</td>
<td>$345,935</td>
</tr>
<tr>
<td>Caltrain subsidy &amp; capital expenditures on behalf of, and contribution to other agencies</td>
<td>$97,592</td>
<td>-</td>
<td>$97,592</td>
</tr>
<tr>
<td>Altamont Commuter Express subsidy</td>
<td>$2,707</td>
<td>-</td>
<td>$2,707</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$20,583</td>
<td>-</td>
<td>$20,583</td>
</tr>
<tr>
<td>Other non-operating expenses</td>
<td>$7,268</td>
<td>-</td>
<td>$7,268</td>
</tr>
<tr>
<td>Claims and change in future claim estimates</td>
<td>$7,693</td>
<td>-</td>
<td>$7,693</td>
</tr>
<tr>
<td>Capital outlay on behalf of other agencies</td>
<td>-</td>
<td>$19,402</td>
<td>$19,402</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$474,614</td>
<td>$26,566</td>
<td>$501,180</td>
</tr>
</tbody>
</table>

| Program revenues: | | | |
| Charges for services | $38,830 | $2,606 | $41,436 |
| Operating grants | $126,934 | $1,854 | $128,788 |
| Capital grants | $92,594 | $22,314 | $114,908 |
| **Total program revenues** | $258,358 | $26,774 | $285,132 |

| Net program revenues (expenses) | $216,256 | 208 | $216,048 |

| General revenues: | | | |
| Sales tax revenue | $279,342 | - | $279,342 |
| Investment income | $7,352 | $12 | $7,364 |
| Other income | $3,241 | $15 | $3,256 |
| **Total general revenues** | $289,935 | 27 | $289,962 |

| Change in net assets | $73,679 | 235 | $73,914 |
| Net assets beginning of year | $2,739,475 | 52 | $2,739,527 |
| **Net assets, end of year** | $2,813,154 | $287 | $2,813,441 |

See Accompanying Notes to Basic Financial Statements
<table>
<thead>
<tr>
<th></th>
<th>VTA Transit Fund</th>
<th>Measure B Transit Fund</th>
<th>Measure A Transit Fund</th>
<th>Total Enterprise Fund</th>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$510</td>
<td>-</td>
<td>-</td>
<td>$510</td>
<td>1,227</td>
</tr>
<tr>
<td>Investments</td>
<td>3,847</td>
<td>-</td>
<td>-</td>
<td>3,847</td>
<td>66,311</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>3,526</td>
<td>-</td>
<td>-</td>
<td>3,526</td>
<td>-</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>1,529</td>
<td>-</td>
<td>-</td>
<td>1,529</td>
<td>-</td>
</tr>
<tr>
<td>Due from other governmental agencies</td>
<td>73,395</td>
<td>-</td>
<td>-</td>
<td>73,395</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>20,818</td>
<td>-</td>
<td>-</td>
<td>20,818</td>
<td>-</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,308</td>
<td>-</td>
<td>-</td>
<td>1,308</td>
<td>-</td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>6,688</td>
<td>19</td>
<td>6,707</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents with fiscal agent</td>
<td>13,049</td>
<td>-</td>
<td>7,759</td>
<td>20,808</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>140,562</td>
<td>-</td>
<td>359,602</td>
<td>500,164</td>
<td>-</td>
</tr>
<tr>
<td>Receivables</td>
<td>-</td>
<td>-</td>
<td>1,003</td>
<td>1,003</td>
<td>-</td>
</tr>
<tr>
<td>Due from other governmental agencies</td>
<td>-</td>
<td>-</td>
<td>52,347</td>
<td>52,347</td>
<td>-</td>
</tr>
<tr>
<td>Other current assets</td>
<td>-</td>
<td>-</td>
<td>33</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>258,544</td>
<td>6,688</td>
<td>420,763</td>
<td>685,995</td>
<td>67,538</td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPEB obligation over-contributions</td>
<td>837</td>
<td>-</td>
<td>-</td>
<td>837</td>
<td>-</td>
</tr>
<tr>
<td>Deferred charges</td>
<td>1,638</td>
<td>-</td>
<td>10,129</td>
<td>11,767</td>
<td>-</td>
</tr>
<tr>
<td>Deferred outflow of resources</td>
<td>16,529</td>
<td>-</td>
<td>54,961</td>
<td>71,490</td>
<td>-</td>
</tr>
<tr>
<td><strong>Capital assets - Non-depreciable:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and right of way</td>
<td>1,123,321</td>
<td>-</td>
<td>-</td>
<td>1,123,321</td>
<td>-</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>61,959</td>
<td>684</td>
<td>751,598</td>
<td>814,241</td>
<td>-</td>
</tr>
<tr>
<td><strong>Capital assets - Depreciable:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caltrain - Gilroy extension</td>
<td>53,307</td>
<td>-</td>
<td>-</td>
<td>53,307</td>
<td>-</td>
</tr>
<tr>
<td>Buildings, improvements, furniture, and fixtures</td>
<td>495,436</td>
<td>-</td>
<td>-</td>
<td>495,436</td>
<td>-</td>
</tr>
<tr>
<td>Vehicles</td>
<td>435,652</td>
<td>-</td>
<td>-</td>
<td>435,652</td>
<td>-</td>
</tr>
<tr>
<td>Light-rail tracks and electrification</td>
<td>402,622</td>
<td>-</td>
<td>-</td>
<td>402,622</td>
<td>-</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>9,686</td>
<td>-</td>
<td>-</td>
<td>9,686</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>42,610</td>
<td>-</td>
<td>-</td>
<td>42,610</td>
<td>-</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(565,012)</td>
<td>-</td>
<td>-</td>
<td>(565,012)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net capital assets</strong></td>
<td>2,059,581</td>
<td>684</td>
<td>751,598</td>
<td>2,811,863</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL NONCURRENT ASSETS</strong></td>
<td>2,078,585</td>
<td>684</td>
<td>816,688</td>
<td>2,895,957</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>2,337,129</td>
<td>7,372</td>
<td>1,237,451</td>
<td>3,581,952</td>
<td>67,538</td>
</tr>
</tbody>
</table>

(continued on next page)
### LIABILITIES

#### Current liabilities:
- Accounts payable and accrued expenses: 15,755
- Deposits: 481
- Accrued payroll and related liabilities: 10,033
- Bond interest and other fee payable: 763
- Deferred revenues: 2,116
- Due to other governmental agencies: 1,669
- Other accrued expenses: 133
- Claims liability: 7,298
- Compensated absences: 5,887

#### Liabilities payable from restricted assets:
- Current portion of long-term debt (Note 7): 9,370
- Accounts payable and accrued expenses: 37
- Bond interest and other fee payable: 123
- Deferred revenues: 3
- Due to other funds: 15,715
- Due to other governmental agencies: 15,715

#### TOTAL CURRENT LIABILITIES

#### Non-current liabilities:
- Long-term debt, excluding current portion (Note 7): 236,928
- Derivative instruments: 16,529
- Claims liability: 19,311
- Compensated absences: 16,239
- Other accrued expenses: 343

#### TOTAL NON-CURRENT LIABILITIES

### NET ASSETS

#### Invested in capital assets, net of related debt
- VTA Transit Fund: 1,813,283
- Measure B Transit Fund: 684
- Measure A Transit Fund: 381,823
- Total (Enterprise Funds): 2,195,790

#### Restricted:
- Debt service: 3,885
- Measure A fund SWAP/lease collateral: 3,885
- Retention: 87,277
- 2000 Measure A projects: 279,323
- 1996 Measure B projects: 390
- Inventory, prepaid expenses, and issuance cost: 24,258

#### Unrestricted:
- Transit bonds debt service: 13,049
- Local share of capital projects: 44,729
- Debt reduction: 53,170
- VTA transit SWAP/lease collateral: 26,911
- Operating reserve: 51,857
- Workers' compensation and liability claims: 18,512

#### TOTAL NET ASSETS

### Reconciliation of the Statement of Net Assets to the Statement of Fund Net Assets:

<table>
<thead>
<tr>
<th>Description</th>
<th>VTA Transit Fund</th>
<th>Measure B Transit Fund</th>
<th>Measure A Transit Fund</th>
<th>Enterprise Funds</th>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets of Enterprise Fund</td>
<td>2,207,257</td>
<td>1,074</td>
<td>766,311</td>
<td>$2,794,642</td>
<td>$18,512</td>
</tr>
<tr>
<td>Net Assets of Internal Service Fund, which benefits Business-type Activity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18,512</td>
</tr>
<tr>
<td>Net Assets (page 2-21)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,813,154</td>
</tr>
</tbody>
</table>

See Accompanying Notes to Basic Financial Statements
## SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
### Statement of Revenues, Expenses and Changes in Fund Net Assets
#### Proprietary Funds
For the Year Ended June 30, 2010
(In thousands)

<table>
<thead>
<tr>
<th>Enterprise Funds</th>
<th>VTA Transit Fund</th>
<th>Measure B Transit Fund</th>
<th>Measure A Transit Fund</th>
<th>Total Enterprise Funds</th>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUE:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger fares</td>
<td>$36,857</td>
<td>$ -</td>
<td>$ -</td>
<td>$36,857</td>
<td>$ -</td>
</tr>
<tr>
<td>Advertising and other</td>
<td>1,973</td>
<td>-</td>
<td>-</td>
<td>1,973</td>
<td>-</td>
</tr>
<tr>
<td>Charges for services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,638</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>38,830</td>
<td>-</td>
<td>-</td>
<td>38,830</td>
<td>11,638</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSE:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor cost</td>
<td>246,539</td>
<td>-</td>
<td>-</td>
<td>246,539</td>
<td>-</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>26,216</td>
<td>-</td>
<td>-</td>
<td>26,216</td>
<td>-</td>
</tr>
<tr>
<td>Services</td>
<td>18,345</td>
<td>-</td>
<td>-</td>
<td>18,345</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>6,718</td>
<td>-</td>
<td>-</td>
<td>6,718</td>
<td>-</td>
</tr>
<tr>
<td>Casualty and liability</td>
<td>4,689</td>
<td>-</td>
<td>-</td>
<td>4,689</td>
<td>-</td>
</tr>
<tr>
<td>Purchased transportation</td>
<td>24,245</td>
<td>-</td>
<td>-</td>
<td>24,245</td>
<td>-</td>
</tr>
<tr>
<td>Leases and rentals</td>
<td>2,217</td>
<td>-</td>
<td>-</td>
<td>2,217</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,461</td>
<td>-</td>
<td>-</td>
<td>1,461</td>
<td>2,590</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>51,378</td>
<td>-</td>
<td>-</td>
<td>51,378</td>
<td>-</td>
</tr>
<tr>
<td>Costs allocated to capital and other programs</td>
<td>(33,989)</td>
<td>-</td>
<td>-</td>
<td>(33,989)</td>
<td>-</td>
</tr>
<tr>
<td>Claims and change in future claims estimates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,693</td>
</tr>
<tr>
<td><strong>Total Operating Expense</strong></td>
<td>347,819</td>
<td>-</td>
<td>-</td>
<td>347,819</td>
<td>10,283</td>
</tr>
<tr>
<td><strong>Operating Income/(Loss)</strong></td>
<td>(308,989)</td>
<td>-</td>
<td>-</td>
<td>(308,989)</td>
<td>1,355</td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES (EXPENSES):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales tax revenue</td>
<td>140,037</td>
<td>-</td>
<td>139,305</td>
<td>279,342</td>
<td>-</td>
</tr>
<tr>
<td>Measure A operating assistance</td>
<td>25,711</td>
<td>-</td>
<td>(25,711)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal operating assistance and other grants</td>
<td>59,101</td>
<td>-</td>
<td>-</td>
<td>59,101</td>
<td>-</td>
</tr>
<tr>
<td>State and local operating assistance grants</td>
<td>67,833</td>
<td>-</td>
<td>-</td>
<td>67,833</td>
<td>-</td>
</tr>
<tr>
<td>Caltrain subsidy</td>
<td>(15,878)</td>
<td>-</td>
<td>-</td>
<td>(15,878)</td>
<td>-</td>
</tr>
<tr>
<td>Capital expenditure on behalf of, and contribution to other agencies</td>
<td>(2,675)</td>
<td>(14,839)</td>
<td>(64,200)</td>
<td>(81,714)</td>
<td>-</td>
</tr>
<tr>
<td>Altamont Commuter Express subsidy</td>
<td>(2,707)</td>
<td>-</td>
<td>-</td>
<td>(2,707)</td>
<td>-</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>4,519</td>
<td>-</td>
<td>1,245</td>
<td>5,764</td>
<td>1,588</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(7,025)</td>
<td>-</td>
<td>(13,558)</td>
<td>(20,583)</td>
<td>-</td>
</tr>
<tr>
<td>Measure A repayment obligations</td>
<td>11,275</td>
<td>-</td>
<td>(11,275)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>2,689</td>
<td>-</td>
<td>386</td>
<td>3,075</td>
<td>166</td>
</tr>
<tr>
<td>Other expense</td>
<td>(4,560)</td>
<td>-</td>
<td>(2,708)</td>
<td>(7,268)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-operating revenues, net</strong></td>
<td>278,320</td>
<td>(14,839)</td>
<td>23,484</td>
<td>286,965</td>
<td>1,754</td>
</tr>
<tr>
<td>Income/(loss) before capital contributions</td>
<td>(30,669)</td>
<td>(14,839)</td>
<td>23,484</td>
<td>(22,024)</td>
<td>3,109</td>
</tr>
<tr>
<td><strong>CAPITAL CONTRIBUTIONS</strong></td>
<td>16,104</td>
<td>3,622</td>
<td>72,868</td>
<td>92,594</td>
<td>-</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>(14,565)</td>
<td>(11,217)</td>
<td>96,352</td>
<td>70,570</td>
<td>3,109</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>2,033,765</td>
<td>19,384</td>
<td>670,923</td>
<td>2,724,072</td>
<td>15,403</td>
</tr>
<tr>
<td><strong>Equity Transfers</strong></td>
<td>8,057</td>
<td>(7,093)</td>
<td>(964)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>2,027,257</td>
<td>$ 1,074</td>
<td>$ 766,311</td>
<td>$ 2,794,642</td>
<td>$ 18,512</td>
</tr>
</tbody>
</table>

Reconciliation of the Statement of Revenues, Expenses & Changes in Fund Net Assets to the Statement of Activities:

- Change in net assets of the Enterprise Fund $ 70,570
- Change in net assets of the Internal Service Fund, which benefits Business-type Activity 3,109
- Change in net assets of the Business-type Activity (page 2-22) $ 73,679

1Note 2 (k)
## SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

### Statement of Cash Flows

**Proprietary Funds**

For the Year Ended June 30, 2010

(In thousands)

<table>
<thead>
<tr>
<th>VTA Transit Fund</th>
<th>Measure B Transit Fund</th>
<th>Measure A Transit Fund</th>
<th>Total Enterprise Funds</th>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from passenger fares</td>
<td>$36,857</td>
<td>-</td>
<td>-</td>
<td>$36,857</td>
</tr>
<tr>
<td>Cash received from advertising</td>
<td>1,973</td>
<td>-</td>
<td>-</td>
<td>1,973</td>
</tr>
<tr>
<td>Cash paid to employees</td>
<td>(212,509)</td>
<td>-</td>
<td>-</td>
<td>(212,509)</td>
</tr>
<tr>
<td>Cash paid to suppliers</td>
<td>(53,698)</td>
<td>-</td>
<td>-</td>
<td>(53,698)</td>
</tr>
<tr>
<td>Cash paid for purchased transportation</td>
<td>(24,245)</td>
<td>-</td>
<td>-</td>
<td>(24,245)</td>
</tr>
<tr>
<td>Cash received from contributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments made to beneficiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments made to third party contractors</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by/(used in) operating activities</td>
<td>(251,622)</td>
<td>(251,622)</td>
<td>(2,762)</td>
<td></td>
</tr>
</tbody>
</table>

| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES |
| Operating grants received | 125,894 | - | - | 125,894 | - |
| Sales tax received | 133,248 | - | - | 133,248 | - |
| Measure A operating assistance | (25,711) | - | - | (25,711) | - |
| Measure A repayment obligations | (11,275) | - | - | (11,275) | - |
| Caltrain subsidy | (15,878) | - | - | (15,878) | - |
| Altamont Commuter Express subsidy | (2,707) | - | - | (2,707) | - |
| Other non-operating receipts/(payments) | 4,161 | - | (956) | (956) |
| Net cash provided by/(used in) non-capital financing activities | 282,347 | (956) | 95,534 | 376,925 | - |

| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES |
| Payment of long-term debt | (9,180) | - | - | (9,180) | - |
| Advance (to)/from other governments | 11,583 | - | - | 11,583 | - |
| Interest and other fees paid on long-term debt | 11,275 | - | - | (11,275) | - |
| Acquisition and construction of capital assets | (29,591) | (14,839) | (47,954) | (75,884) | - |
| Capital contributions to other agencies | (3,991) | - | (64,199) | (68,190) | - |
| Capital contribution from other governments | 16,104 | 11,217 | 72,868 | 100,189 | - |
| Net cash used in capital and related financing activities | (24,471) | (3,622) | 39,716 | (1,535) |

| CASH FLOWS FROM INVESTING ACTIVITIES |
| Proceeds from sale of investments | 248,846 | - | 436,365 | 685,211 | - |
| Purchases in investments | (263,434) | - | (492,931) | (756,365) | (3,123) |
| Interest income received | 2,809 | - | 1,545 | 4,354 | 1,588 |
| Net cash provided by/(used in) investment activities | (11,779) | (55,021) | (66,800) | (1,535) |

### NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>(In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5,525)</td>
<td>(4,578)</td>
</tr>
<tr>
<td>(797)</td>
<td>(9,306)</td>
</tr>
<tr>
<td>1,227</td>
<td></td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</td>
<td>19,084</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS, END OF YEAR</td>
<td>$13,559</td>
</tr>
</tbody>
</table>

### Reconciliation to Statement of Fund Net Assets:

**Unrestricted:**
- Cash and cash equivalents: $510
- $510 $1,227

**Restricted:**
- Cash and cash equivalents: $6,688 $6,707 $6,707
- Cash and cash equivalents with fiscal agent: 13,049 7,759 20,808
- $13,559 $6,688 $7,778 $28,025 $1,227

(continued on next page)

See Accompanying Notes to the Basic Financial Statements
### RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>VTA Transit Fund</th>
<th>Measure B Transit Fund</th>
<th>Measure A Transit Fund</th>
<th>Total Enterprise Funds</th>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income/(loss)</td>
<td>$ (308,989)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ (308,989)</td>
<td>$ 2,762</td>
</tr>
<tr>
<td>Depreciation</td>
<td>51,378</td>
<td>-</td>
<td>-</td>
<td>51,378</td>
<td>-</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>1,155</td>
<td>-</td>
<td>-</td>
<td>1,155</td>
<td>-</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>(1,003)</td>
<td>-</td>
<td>-</td>
<td>(1,003)</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>340</td>
<td>-</td>
<td>-</td>
<td>340</td>
<td>-</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>2,709</td>
<td>-</td>
<td>-</td>
<td>2,709</td>
<td>-</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>133</td>
<td>-</td>
<td>-</td>
<td>133</td>
<td>-</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(3)</td>
<td>-</td>
<td>-</td>
<td>(3)</td>
<td>-</td>
</tr>
<tr>
<td>Due to other governmental agencies</td>
<td>2,658</td>
<td>-</td>
<td>-</td>
<td>2,658</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) operating activities</strong></td>
<td><strong>$ (251,622)</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$ (251,622)</strong></td>
<td><strong>$ 2,762</strong></td>
</tr>
</tbody>
</table>

Reconciliation of cash and cash equivalents to the Statement of Fund Net Assets:

<table>
<thead>
<tr>
<th></th>
<th>VTA Transit Fund</th>
<th>Measure B Transit Fund</th>
<th>Measure A Transit Fund</th>
<th>Total Enterprise Funds</th>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$ 510</td>
<td>-</td>
<td>-</td>
<td>$ 510</td>
<td>$ 1,227</td>
</tr>
<tr>
<td>Restricted</td>
<td>13,049</td>
<td>6,688</td>
<td>7,778</td>
<td>27,515</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 13,559</strong></td>
<td><strong>$ 6,688</strong></td>
<td><strong>$ 7,778</strong></td>
<td><strong>$ 28,025</strong></td>
<td><strong>$ 1,227</strong></td>
</tr>
</tbody>
</table>

### NONCASH ACTIVITIES:

- Increase/(Decrease) in fair value of investments: $819 $ - $ 2,496 $ 3,315 $ -
- Amortization expense of Caltrain Access Fee $ - $ - $(1,314) $(1,314) $ -
- Change in estimates for provision of Worker's compensation, general liability, and Compensated absences claims $ - $ - $ - $ - $(1,407)

**Total non-cash activities**: $819 $ - $ 2,496 $ 2,001 $ (1,407)
<table>
<thead>
<tr>
<th></th>
<th>Special Revenue Fund</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Congestion Management Program</td>
<td>Measure B Highway Program</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 949</td>
<td>$ -</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>1,411</td>
</tr>
<tr>
<td>Due from other governmental agencies</td>
<td>367</td>
<td>-</td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>14,929</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>Due from other governmental agencies</td>
<td>-</td>
<td>4,970</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 1,316</td>
<td>$ 21,322</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 67</td>
<td>$ -</td>
</tr>
<tr>
<td>Due to other government agencies</td>
<td>962</td>
<td>-</td>
</tr>
<tr>
<td>Liabilities payable from restricted assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>-</td>
<td>2,866</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>-</td>
<td>301</td>
</tr>
<tr>
<td>Due to other governmental agencies</td>
<td>-</td>
<td>18,155</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>1,029</td>
<td>21,322</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FUND BALANCES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreserved, reported in special revenue fund</td>
<td>287</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND FUND BALANCES</strong></td>
<td>$ 1,316</td>
<td>$ 21,322</td>
</tr>
</tbody>
</table>

See Accompanying Notes to Basic Financial Statements
<table>
<thead>
<tr>
<th></th>
<th>Special Revenue Fund</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Congestion Management Program</td>
<td>Congestion Management &amp; Highway Program</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member agency assessment revenue</td>
<td>$ 2,495</td>
<td>$ -</td>
</tr>
<tr>
<td>Federal technical studies operating assistance grants</td>
<td>1,235</td>
<td>-</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>111</td>
<td>-</td>
</tr>
<tr>
<td>State and local assistance grants</td>
<td>619</td>
<td>-</td>
</tr>
<tr>
<td>Federal, state and local capital grant revenues</td>
<td>27</td>
<td>19,875</td>
</tr>
<tr>
<td>Other revenues</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>4,514</td>
<td>19,875</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Congestion management:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VTA labor and overhead costs</td>
<td>3,709</td>
<td>2,897</td>
</tr>
<tr>
<td>Professional services</td>
<td>541</td>
<td>-</td>
</tr>
<tr>
<td>Material and services</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Capital expenditures on behalf of other agencies</td>
<td>12</td>
<td>16,978</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>4,279</td>
<td>19,875</td>
</tr>
<tr>
<td><strong>CHANGE IN FUND BALANCES</strong></td>
<td>235</td>
<td>-</td>
</tr>
<tr>
<td><strong>FUND BALANCES, BEGINNING OF YEAR</strong></td>
<td>52</td>
<td>-</td>
</tr>
<tr>
<td><strong>FUND BALANCES, END OF YEAR</strong></td>
<td>$ 287</td>
<td>$ -</td>
</tr>
</tbody>
</table>
## SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
### Statement of Fiduciary Net Assets
**Fiduciary Funds**
**June 30, 2010**
(In thousands)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Retiree Trust Funds</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 789</td>
<td>$ 2,398</td>
</tr>
<tr>
<td>Investments</td>
<td>447,381</td>
<td>3,052</td>
</tr>
<tr>
<td>Receivables</td>
<td>1,623</td>
<td>-</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>449,793</td>
<td>$ 5,457</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>Retiree Trust Funds</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities payable from restricted assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>777</td>
<td>$ -</td>
</tr>
<tr>
<td>Program payable</td>
<td>-</td>
<td>5,457</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>777</td>
<td>$ 5,457</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>Retiree Trust Funds</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets held in trust for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATU Pension benefits</td>
<td>317,394</td>
<td></td>
</tr>
<tr>
<td>Retiree medical benefits</td>
<td>119,687</td>
<td></td>
</tr>
<tr>
<td>ATU Retiree spousal medical benefits</td>
<td>7,578</td>
<td></td>
</tr>
<tr>
<td>ATU Retiree dental and vision benefits</td>
<td>4,357</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>$ 449,016</td>
<td></td>
</tr>
</tbody>
</table>

---

See Accompanying Notes to Basic Financial Statements
## SANTA CLARA VALLEY TRANSPORTATION AGENCY
### Statement of Changes in Fiduciary Net Assets
#### Retiree Trust Funds
For the Year Ended June 30, 2010
(In thousands)

<table>
<thead>
<tr>
<th>Retiree Trust Fund</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer Contributions</td>
<td>$ 33,353</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment earnings:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>15,622</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net appreciation in the fair value of investments</td>
<td>38,826</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment expense</td>
<td>(1,450)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment income</td>
<td>52,998</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ADDITIONS</strong></td>
<td>86,351</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **DEDUCTIONS**      |                  |               |               |
| Benefit payments | 30,722           |              |               |
| Administrative expenses | 209   |              |               |
| **TOTAL DEDUCTIONS** | 30,931         |              |               |

### NET INCREASE
55,420

### NET ASSETS HELD IN TRUST

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>393,596</td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>$ 449,016</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See Accompanying Notes to Basic Financial Statements
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NOTES TO THE BASIC FINANCIAL STATEMENTS
NOTE 1 – THE FINANCIAL REPORTING ENTITY

Santa Clara Valley Transportation Authority (VTA), which was established in 1972, develops, maintains, and operates a public mass transit system for the benefit of the residents of the County of Santa Clara (County), California (State). VTA’s governing board consists of two members of the County Board of Supervisors, five City Council members from the City of San Jose, and five City Council members selected from among the remaining incorporated cities in the County.

The accompanying basic financial statements also include the financial activities of the Santa Clara Valley Transportation Authority Amalgamated Transit Union (ATU) Pension Plan and the Other Postemployment Benefit Plan (the Plans) in the Trust Funds. The financial activities of the Plans are included in the basic financial statements because they exclusively serve the employees of VTA. Due to the fact that the Plans are fiscally dependent on VTA, they are considered trust funds by VTA.

The Santa Clara Valley Transportation Authority Congestion Management Program (CMP) was created in 1990 in response to Proposition 111. The CMP is not legally separate from VTA. The CMP is responsible for the development and implementation of the Valley Transportation Plan (VTP), the long-range transportation and land use plan for the County, and for preparing and implementing the state-mandated Congestion Management Program. It is also responsible for the programming and oversight of discretionary federal, state and local funds, and for serving as the program manager for certain countywide grant funds, including the Transportation Fund for Clean Air (TFCA) and 1996 Measure B Transportation Improvement Program’s (MBTIP) Ancillary Program. Annual contributions from 17 member agencies are based on a formula adopted by the VTA’s Board of Directors. The contribution formula considers each member agency’s share of Proposition 111, state gas tax monies, as well as employment within the County. The CMP is included as a major governmental fund in the accompanying basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about VTA as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the business-type and governmental activities of VTA. Business-type activities, which normally rely to a
significant extent on fees charged to external parties, are reported separately from
governmental activities, which normally are supported by taxes and inter-governmental
revenues.

The statement of activities presents a comparison between direct expenses and program
revenues for the business-type and governmental activities. Direct expenses are those
that are specifically associated with a program or function and; therefore, are clearly
identifiable to a particular function. Program revenues include 1) charges paid by the
recipients of goods or services offered by the programs and 2) grants and contributions
that are restricted to meeting the operational or capital requirements of a particular
program. Revenues that are not classified as program revenues, including all taxes, are
presented as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about VTA’s funds, including
fiduciary funds. Separate statements for each fund category – *proprietary, governmental,*
and *fiduciary* – are presented. The emphasis of fund financial statements is on the major
governmental and the enterprise funds, each displayed in separate columns.

VTA reports the following major funds:

- The *Proprietary Fund (Enterprise Fund)* is used to account for activities for which a
fee is charged to external users for goods or services where:
  - the activity is financed with debt that is secured solely by a pledge of the net
    revenues from fees and charges of the activity; or
  - laws or regulations require that the activity’s costs of providing services,
    including capital costs (such as depreciation or debt service), be recovered with
    fees and charges, rather than with taxes or similar revenues;
  - the pricing policies of the activity establish fees and charges designated to
    recover its costs, including capital costs (such as depreciation or debt service).

VTA reports the activities of its transit operations, 1996 Measure B Transit Improvement
Program, and 2000 Measure A Transit Improvement Program as major funds in the
Enterprise Fund.

- The *Governmental Funds* are used to account for VTA’s general governmental
activities where the proceeds of specific revenue sources are legally restricted to
expenditures for specific purposes and for the acquisition of capital assets or
construction of major capital projects (other than those financed by the Enterprise
Fund).
• The *Congestion Management Program Special Revenue Fund* is used to account for the congestion management planning, programming, and development services for Santa Clara County.

• The *Congestion Management and Highway Program Capital Projects Fund* is used to account for the acquisition of capital assets and construction of highway projects administered on behalf of State and other local governments (other than those accounted for in the Measure B Highway Program Capital Projects Fund).

• The *Measure B Highway Program Capital Projects Fund* is used to account for acquisition of capital assets or construction of Measure B Highway projects.

VTA reports the following additional funds:

• The *Proprietary Fund (Internal Service Fund)* is used to account for activities that provide goods or services to other funds, departments or to other governments, on a cost-reimbursement basis. General Liability, Workers’ Compensation, and Compensated Absences are accounted for in the Internal Service Fund.

• The *Fiduciary Funds* are used to account for assets held by VTA as a trustee or as an agent for others and which assets cannot be used to support its own programs. VTA’s trust and agency funds include the VTA/ATU Pension Plan, Retirees’ Other Post Employment Benefits Trust (OPEB Trust), ATU Spousal Medical and Retiree Dental Vision Fund, the Bay Area Air Quality Management District (BAAQMD) Program, and the Measure B Ancillary Program. The VTA/ATU Pension Plan, OPEB Trust, and the ATU Medical and Retiree Dental Vision Fund are reported as Retiree Trust Funds. The BAAQMD and the Measure B Ancillary Programs are reported as agency funds. The BAAQMD agency fund accounts for the activities that relate to the Transportation Fund for Clean Air (TFCA) Program. The Measure B Ancillary Program agency fund was established to administer the 1996 Measure B funds.

**(b) Basis of Accounting**

The government-wide, Business-type funds, and fiduciary funds including agency funds financial statements are reported using the accrual basis of accounting and the economic resources exchange measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which VTA gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales tax and grants. Revenues from sales tax are recognized when the underlying transactions take
place. Therefore, recorded sales taxes include an accrual for amounts collected by the State Board of Equalization but not remitted to VTA at the end of the fiscal year. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements for the purchase of right-of-way are considered met once the acquisition has settled. Fiduciary funds, including all agency funds, are also reported using accrual basis of accounting and the economic resources exchange measurement focus.

VTA’s operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations include all costs related to providing transit services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases and rentals, purchased transportation, and depreciation on capital assets. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest, certain state and federal grants, and charges for services are accrued if their receipt occurs within 180 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

VTA has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units. VTA has elected not to follow subsequent private-sector guidance of FASB after November 30, 1989.
(c) **Cash and Investments**
VTA contracts with money management firms to manage most of its investment portfolio. VTA’s investment program manager has oversight responsibility for investments managed by these firms. The securities are held by a third-party custodial bank. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

The remaining cash balances in certain VTA funds are invested in the Local Agency Investment Fund (LAIF). Unless there are specific legal or contractual requirements for specific allocations, income earned or losses arising from investments are allocated on a monthly basis to the appropriate fund(s) based on their average daily balances.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments, which are readily convertible to known amounts of cash. Restricted and unrestricted cash and cash equivalents and cash and investments with fiscal agents are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows. Access to cash and investments with fiscal agents is similar to that of a demand deposit account and, therefore, investments are considered to be cash equivalents.

VTA has reported its investments at fair value based on quoted market information, from its fiscal agent for actively managed accounts and from management firms for commingled accounts.

The fair value of VTA’s investments commingled in LAIF state pool is based on VTA’s cash positions in the commingled accounts as of the end of the fiscal year.

(d) **Inventories**
Inventories are stated at the lower of average cost/market and are charged to expense at the time individual items are withdrawn from inventory (consumption method). Inventory consists primarily of parts and supplies relating to transportation vehicles and facilities.

(e) **Restricted Assets**
Restricted assets consist of monies and other resources, the use of which is legally restricted for capital and operating, as well as Measure A debt service and Measure A funds swap/lease collateral.

(f) **Bond Issuance Costs, Discounts, Premiums and Deferred Amount on Refundings**
Bond issuance costs, discounts, premiums and deferred amount on refundings for the government-wide statement of net assets and the enterprise funds are deferred and amortized over the term of the bonds using a method that approximates the interest
method. Government-wide statement and enterprise fund bond discounts and deferred amount on refundings are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as a deferred cost (asset).

(g) Capital Assets
It is VTA’s policy that assets with a value of $5,000 or more, and a useful life beyond one year are capitalized, and included in the capital asset accounting system and depreciated accordingly. Property, facilities, and equipment are stated at historical cost. Normal maintenance and repairs costs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related assets.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

<table>
<thead>
<tr>
<th>Asset being Depreciated</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings, improvements, furniture and fixtures</td>
<td>5 to 50 years</td>
</tr>
<tr>
<td>Vehicles (excluding light-rail vehicles)</td>
<td>5 to 12 years</td>
</tr>
<tr>
<td>Light-rail tracks, electrification and light-rail vehicles</td>
<td>25 to 45 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>10 to 35 years</td>
</tr>
<tr>
<td>Other operating equipment</td>
<td>5 to 10 years</td>
</tr>
</tbody>
</table>

Depreciation on such assets is included in the accompanying statement of activities and statement of revenues, expenses, and changes in fund net assets.

Interest is capitalized on construction in progress. Accordingly, interest capitalized is the total interest cost from the date of the borrowing until the specified asset is ready for its intended use. In the current year, VTA capitalized total interest expense of $14.0 million relating to the Measure A Transit Improvement Projects.

(h) Vacation and Sick Leave Benefits
It is the policy of VTA to permit employees to accumulate unused vacation and sick leave benefits up to the limit designated in the various collective bargaining agreements. As vacation and sick leave are used during the year, they are reported as expenses. Additionally, there is an amount charged each month to accrue the estimated increase in unused vacation and sick leave. The balance reflecting the year-end value of unused vacation and sick leave is reported in the Internal Service Fund.

(i) Self-Insurance
VTA is self-insured for general liability and workers’ compensation claims. Estimated losses on claims other than workers’ compensation claims are charged to expense in the period the loss is determinable. Estimated losses for workers’ compensation claims are
charged to expense as a percentage of labor in each accounting period. The costs incurred for workers’ compensation and general liability (including estimates for claims incurred but not yet reported) are reported in the Internal Service Fund based on an actuarial determination of the present value of estimated future cash payments (see Notes 14 and 16).

(j) **Net Assets**

The government-wide and enterprise fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and designated.

- **Invested in Capital Assets, Net of Related Debt** – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt (including deferred bond issuance costs) that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- **Restricted Net Assets** – This category consists of Measure A bond service reserve, Measure A SWAP/lease, and net assets restricted for Measure B Transit and 2000 Measure A capital programs, and carrying balances of inventory, retention payable, prepaid expenses, and unamortized bond issuance cost.

- **Unrestricted Net Assets** – The remaining unrestricted net assets, although not legally restricted, have been earmarked for future capital and operating needs, as well as for other purposes in accordance with Board directives.

The Statement of Fund Net Assets on pages 2-23 & 24 reports that enterprise fund net assets amount to $2.8 billion as of June 30, 2010, of which $766 million is restricted by enabling legislation for the 2000 Measure A Sales Tax Programs. The 2000 Measure A half-cent sales tax was approved by Santa Clara County voters to fund certain transportation related projects.

(k) **Equity Transfers**

Equity transfers among three major enterprise funds represent the transfer of completed capital project costs from Measure A Transit and Measure B Transit fund to VTA Transit Fund so that the capital cost can be capitalized as fixed assets. The capital costs are transferred when the acquired or constructed assets are put into revenue service and their depreciation costs are recorded on VTA’s Transit Fund. During FY2010, $1.0 million and $7.1 million of capital costs were transferred from Measure A Transit Fund and Measure B Transit Fund, respectively, to VTA Transit Fund.
(l) **Cost Allocated to Capital and Other Programs**

On the Statement of Revenues, Expenses and Changes in Net Assets, the VTA Transit Fund reports $34.0 million as costs allocated to capital and other programs. This amount represents a credit for direct and indirect labor and associated fringe benefits, reproduction and mileage costs, and other costs that were capitalized as construction in progress.

(m) **Estimates**

VTA’s management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues, expenses, expenditures and the disclosure of contingent liabilities to prepare the basic financial statements in conformity with GAAP. Actual results could differ from those estimates.

(n) **GASB Pronouncements**

In FY2010, VTA implemented the GASB Statement 53, “Accounting and Financial Reporting for Derivative Investments”. The Statement requires VTA to record the fair value of their interest rate swaps in the financial statements. Please see Note 7(e) for a summary of the fair values of those swaps as of June 30, 2010. GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”, which is also required to be implemented in FY2010, has no impact on VTA’s financial statements.

VTA will implement GASB Statement 54, “Fund Balance Reporting and Governmental Fund Type Definition” in financial statements for fiscal year ending June 30, 2011.

**NOTE 3 - CASH AND INVESTMENTS**

Total cash and investments as of June 30, 2010, are reported in the accompanying basic financial statements as follows (in thousands):

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents</th>
<th>Enterprise Fund</th>
<th>Internal Service Fund</th>
<th>Governmental Fund</th>
<th>Retiree Trust Funds</th>
<th>Agency Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 510</td>
<td>$ 1,227</td>
<td>$ 949</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,686</td>
</tr>
<tr>
<td>Investments</td>
<td>3,847</td>
<td>66,311</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70,158</td>
</tr>
<tr>
<td>Total unrestricted</td>
<td>4,357</td>
<td>67,538</td>
<td>949</td>
<td>-</td>
<td>-</td>
<td>72,844</td>
</tr>
<tr>
<td>Restricted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>6,707</td>
<td>-</td>
<td>17,536</td>
<td>789</td>
<td>2,398</td>
<td>27,430</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>20,808</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,808</td>
</tr>
<tr>
<td>with Fiscal Agents</td>
<td>500,164</td>
<td>-</td>
<td>12</td>
<td>447,381</td>
<td>3,052</td>
<td>950,609</td>
</tr>
<tr>
<td>Investments</td>
<td>527,679</td>
<td>-</td>
<td>17,548</td>
<td>448,170</td>
<td>5,450</td>
<td>998,847</td>
</tr>
<tr>
<td>Total restricted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cash and Investments</td>
<td>$ 532,036</td>
<td>$ 67,538</td>
<td>$ 18,497</td>
<td>$ 448,170</td>
<td>$ 5,450</td>
<td>$ 1,071,691</td>
</tr>
</tbody>
</table>
As of June 30, 2010, total cash and investments among all funds consisted of the following (in thousands):

| Cash and Cash Equivalents       | $ 30,116 |
| Cash and Cash Equivalents       |           |
| with Fiscal Agents              | $ 20,808  |
| Investments                     | $1,020,767|
| Total                           | $1,071,691|

**Cash and Cash Equivalents**

VTA maintains checking accounts for its operations, the Congestion Management and Highway Programs (CM&HP) and the Measure B Transportation Improvement Program (Measure B account). These checking accounts earn interest based on the bank’s monthly sweep average repurchase agreement rate. At June 30, 2010, the carrying amounts of these cash balances are shown below (in thousands):

| Operations Account              | $ 5,892  |
| CM&HP Account                  | $14,929  |
| Measure B Account              | $ 9,295  |
| Total Deposits                 | $30,116  |

**Investments**

Government code requires that the primary objective of the trustee is to safeguard the principal, secondarily meet the liquidity needs of the depositors, and then achieve a reasonable return on the funds under the trustee’s control. Further, the intent of the government code is to minimize risk of loss on held investments from:

1. Interest rate risk
2. Credit risk
3. Custodial credit risk
4. Concentration of credit risk

Specific restrictions of investment are noted below:

VTA’s investment policies (Unrestricted/Restricted Funds and ATU Pension Plan) conform to state statutes, and provide written investment guidance regarding the types of investments that may be made and amounts, which may be invested in any one financial institution or amounts which may be invested in any one long-term instrument. VTA’s permissible investments include U.S. treasury obligations, obligations of federal agencies and U.S. government...
sponsored enterprises, state of California obligations, local agency obligations, bonds issued by VTA, bankers’ acceptances, commercial paper, repurchase and reverse repurchase agreements, medium-term corporate notes, insured savings/money market accounts, negotiable certificates of deposit, mortgage and asset-back obligations, mutual funds, state of California’s local agency agreements, and qualified structured investment. The ATU pension plan’s asset allocation includes investments in bonds, equity securities, and cash.

The Local Investment Advisory Board has oversight responsibility for Local Agency Investment Fund (LAIF). The Board consists of five members as designated by the state statute. The value of the pooled shares in the LAIF that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of VTA’s position in the pool.

VTA’s portfolio includes asset-backed securities, which are invested directly by VTA and structured notes which are invested indirectly through LAIF. At June 30, 2010, investment in LAIF is $35.4 million. LAIF is voluntarily commingled within the state of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2010 was approximately $69.4 billion. If cash reserves of the state of California are exhausted, then the participation by the State’s General Fund in the PMIA is zero. There is no correlation between the state’s general fund cash reserves and VTA’s funds on deposit in the LAIF. None of this amount was invested in derivative instruments. PMIA is not a Securities and Exchange Commission (SEC) registered pool, but it is required to invest in accordance with the guidelines established by the California Government Code. The weighted-average to maturity of the investments in PMIA at June 30, 2010 was 203 days. The value of the pool shares in investment earnings are paid quarterly based on the average daily balance. Withdrawals from LAIF are completed on a dollar for dollar basis.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates and may adversely affect the fair value of an investment. Normally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Of VTA’s (Operation Funds and Plan Trust Funds) $1,020.7 million in investments, over 41% of the investments have a maturity of less than 1 year. Of the remainder, only 8% have a maturity of more than 10 years. Per VTA’s investment policy, long-term securities of more than five years are limited to 40% of the portfolio.

Credit risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Per its investment policy, VTA is permitted to hold investments in commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record. Negotiable certificates of deposit are restricted to those
rated B or better by the Thompson Bankwatch Rating, Inc. rating service. Purchases of mortgage and asset-back obligations do not exceed 20% of VTA’s portfolio. In addition, VTA is permitted to invest in the state’s Local Agency Investment Fund, money market and mutual funds that are non-rated. Table on page 2-43 shows the credit quality of VTA’s investments as of June 30, 2010.

Custodial Credit Risk - Deposits - For deposits, custodial credit risk is the risk that in the event of a bank failure, VTA’s deposits may not be returned to it. California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of VTA’s cash on deposit or first trust deed mortgage notes with a value of 150 percent of the deposit as collateral for these deposits. Under California Law this collateral is held in VTA’s name and places VTA ahead of general creditors of the institutions. At June 30, 2010, VTA deposits were collateralized by securities held by the financial institutions, but not in VTA’s name.

Custodial Credit Risk – Investments – The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g. broker-dealer) to a transaction, VTA may not be able to recover the value of its investments or collateral securities that are in the possession of another party. VTA’s Investment Policy limit its exposure to custodial credit risk by requiring that all securities owned by VTA are kept in safekeeping with “perfected interest” in the name of VTA by a third-party bank trust department, acting as agent for VTA under the terms of a custody agreement executed between the bank and VTA. As of June 30, 2010, VTA did not participate in reverse securities lending that would result in any possible risk in this area.

Concentration of Credit Risk - Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on VTA. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. 47.6% of VTA’s investments at year-end are in U.S. Government or Agencies issues. There is no limitation on amounts invested in these types of issues. At June 30, 2010, VTA had $246.3 million representing 24.1% of VTA’s portfolio invested in debt securities issued by the US Government Agencies. At June 30, 2010, VTA had $62.5 million, $114.2 million and $30.0 million representing 6.1%, 11.2% and 2.9% of VTA’s portfolio invested in debt securities issued by the Federal Home Loan Mortgage Corporation (FHLM), Federal National Mortgage Association (FNMA), and Federal Home Loan Banks (FHLB), respectively. Of the 26.2% of the portfolio invested in equities, no investment in a single issuer exceeds 5%.
Certain investments, such as obligations that are backed by the full faith and credit of the United States Treasury are not subject to credit ratings. The following schedule indicates the interest rate and credit risk at June 30, 2010 (in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Maturity</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 1 Year</td>
<td>2-5 Years</td>
</tr>
<tr>
<td>Corporate Bonds - Commingled</td>
<td>$36,746</td>
<td>$123,663</td>
</tr>
<tr>
<td>Corporate Bonds - Pension Plan</td>
<td>$-</td>
<td>$5,905</td>
</tr>
<tr>
<td>Corporate Bonds - OPEB Trust</td>
<td>$-</td>
<td>$3,180</td>
</tr>
<tr>
<td>US Government Agency Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commingled</td>
<td>$45,196</td>
<td>$114,388</td>
</tr>
<tr>
<td>Pension Plan</td>
<td>$-</td>
<td>$2,503</td>
</tr>
<tr>
<td>OPEB Trust</td>
<td>74</td>
<td>933</td>
</tr>
<tr>
<td>US Treasury</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commingled</td>
<td>$14,799</td>
<td>$140,055</td>
</tr>
<tr>
<td>Pension Plan</td>
<td>$9,073</td>
<td>-</td>
</tr>
<tr>
<td>OPEB Trust</td>
<td>4,990</td>
<td>-</td>
</tr>
<tr>
<td><strong>SUB TOTAL</strong></td>
<td><strong>110,878</strong></td>
<td><strong>390,627</strong></td>
</tr>
<tr>
<td>Money Market Funds - OPS</td>
<td>(8,269)</td>
<td>-</td>
</tr>
<tr>
<td>Money Market Funds - Pension Plan</td>
<td>12,489</td>
<td>-</td>
</tr>
<tr>
<td>Money Market Funds - OPEB Trust</td>
<td>1,053</td>
<td>-</td>
</tr>
<tr>
<td>Cash with Fiscal Agents - Commercial Paper</td>
<td>1,386</td>
<td>-</td>
</tr>
<tr>
<td>Cash with Fiscal Agents - Money Market Funds</td>
<td>8,018</td>
<td>-</td>
</tr>
<tr>
<td>Cash with Fiscal Agents - Repurchase Agreement</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENTS with Money Managers</strong></td>
<td><strong>125,555</strong></td>
<td><strong>390,627</strong></td>
</tr>
<tr>
<td>LAIF</td>
<td>35,400</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENTS</strong></td>
<td><strong>160,955</strong></td>
<td><strong>390,627</strong></td>
</tr>
<tr>
<td>Equity-Based Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retention Fund at Escrow Agents (Deposits)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,071,691</strong></td>
<td></td>
</tr>
</tbody>
</table>

The following is a summary of the credit quality distribution for investments with credit exposure as a percentage of total investments as rated by Standards and Poors:

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Fair Value (In Thousands)</th>
<th>Percentages of Portfolios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrated</td>
<td>$336,857</td>
<td>31.43%</td>
</tr>
<tr>
<td>Not Applicable</td>
<td>503,669</td>
<td>47.01%</td>
</tr>
<tr>
<td>BBB-</td>
<td>12,806</td>
<td>1.19%</td>
</tr>
<tr>
<td>BBB</td>
<td>13,409</td>
<td>1.25%</td>
</tr>
<tr>
<td>BBB+</td>
<td>7,124</td>
<td>0.66%</td>
</tr>
<tr>
<td>A-1+</td>
<td>1,386</td>
<td>0.13%</td>
</tr>
<tr>
<td>A-</td>
<td>15,994</td>
<td>1.49%</td>
</tr>
<tr>
<td>A</td>
<td>62,727</td>
<td>5.85%</td>
</tr>
<tr>
<td>A+</td>
<td>17,797</td>
<td>1.66%</td>
</tr>
<tr>
<td>AA-</td>
<td>15,866</td>
<td>1.48%</td>
</tr>
<tr>
<td>AA</td>
<td>13,361</td>
<td>1.25%</td>
</tr>
<tr>
<td>AA+</td>
<td>13,785</td>
<td>1.29%</td>
</tr>
<tr>
<td>AAA</td>
<td>56,910</td>
<td>5.31%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$1,071,691</td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

1This is to record the trade on June 30, 2010. GASB requires that investments be stated at the trade date.
As of June 30, 2010, the Retiree Trust Funds restricted investments consisted of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATU Pension Plan Investments</td>
<td>$316,057</td>
</tr>
<tr>
<td>ATU Spousal Medical Investment</td>
<td>11,905</td>
</tr>
<tr>
<td>Retiree Medical Trust</td>
<td>119,419</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$447,381</strong></td>
</tr>
</tbody>
</table>

**NOTE 4 – INTERFUND TRANSACTIONS**

The composition of interfund balances as of June 30, 2010 is as follows (in thousands):

<table>
<thead>
<tr>
<th>Due from other funds</th>
<th>Due to other funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>VTA Transit Fund</td>
<td>Congestion Management &amp; Highway Program Fund</td>
<td>$294</td>
</tr>
<tr>
<td>VTA Transit Fund</td>
<td>Measure B Transit Program Fund</td>
<td>3</td>
</tr>
<tr>
<td>VTA Transit Fund</td>
<td>Measure B Highway Program Fund</td>
<td>37</td>
</tr>
<tr>
<td>VTA Transit Fund</td>
<td>Measure A Program Fund</td>
<td>1,195</td>
</tr>
<tr>
<td>Measure B Ancillary Program Fund</td>
<td>Congestion Management &amp; Highway Program Fund</td>
<td>7</td>
</tr>
<tr>
<td>Congestion Management &amp; Highway Program Fund</td>
<td>Measure A Program Fund</td>
<td>1,110</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$2,646</td>
</tr>
</tbody>
</table>

1 represents labor and internal charges for the program.
2 represents operating assistance due to VTA Transit Fund.
3 represents the swap project cost.

**NOTE 5 – DUE FROM AND DUE TO OTHER GOVERNMENTAL AGENCIES**

**Due from** other governmental agencies as of June 30, 2010 consisted of the following (in thousands):

<table>
<thead>
<tr>
<th>GOVERNMENTAL AGENCY</th>
<th>Business Type Activity</th>
<th>Governmental Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprise Fund</td>
<td>Congestion Management Program</td>
</tr>
<tr>
<td>Federal Government</td>
<td>$44,617</td>
<td>$325</td>
</tr>
<tr>
<td>State Government</td>
<td>76,578</td>
<td>20</td>
</tr>
<tr>
<td>Others</td>
<td>4,547</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total All Governmental Agencies</strong></td>
<td><strong>$125,742</strong></td>
<td><strong>$367</strong></td>
</tr>
</tbody>
</table>
Due from other governmental agencies as of June 30, 2010, is reported in the accompanying general-purpose financial statements as follows (in thousands):

<table>
<thead>
<tr>
<th>Business-Type Activity</th>
<th>Governmental Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ASSETS</td>
</tr>
<tr>
<td></td>
<td>Enterprise Fund</td>
</tr>
<tr>
<td>Current assets - unrestricted</td>
<td>$73,395</td>
</tr>
<tr>
<td>Current assets - restricted</td>
<td>$52,347</td>
</tr>
<tr>
<td>Total</td>
<td>$125,742</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business-Type Activity</th>
<th>Governmental Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GOVERNMENTAL AGENCY</td>
</tr>
<tr>
<td></td>
<td>Enterprise Fund</td>
</tr>
<tr>
<td>State government</td>
<td>$32,136</td>
</tr>
<tr>
<td>County of Santa Clara</td>
<td>7,905</td>
</tr>
<tr>
<td>City of San Jose</td>
<td>7,905</td>
</tr>
<tr>
<td>City of Fremont</td>
<td>3,674</td>
</tr>
<tr>
<td>City of Milpitas</td>
<td>-</td>
</tr>
<tr>
<td>Santa Clara Valley Water District</td>
<td>1,014</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$44,729</td>
</tr>
</tbody>
</table>

Due to other governmental agencies as of June 30, 2010, consisted of the following (in thousands):

<table>
<thead>
<tr>
<th>Business-Type Activity</th>
<th>Governmental Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LIABILITIES</td>
</tr>
<tr>
<td></td>
<td>Enterprise Fund</td>
</tr>
<tr>
<td>Current Liabilities (unrestricted)</td>
<td>$1,669</td>
</tr>
<tr>
<td>Liabilities payable from restricted assets</td>
<td>43,060</td>
</tr>
<tr>
<td>Total</td>
<td>$44,729</td>
</tr>
</tbody>
</table>

Due to other governmental agencies as of June 30, 2010, is reported in the accompanying basic financial statements as follows (in thousands):

<table>
<thead>
<tr>
<th>Business-Type Activity</th>
<th>Governmental Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LIABILITIES</td>
</tr>
<tr>
<td></td>
<td>Enterprise Fund</td>
</tr>
<tr>
<td>Current Liabilities (unrestricted)</td>
<td>$1,669</td>
</tr>
<tr>
<td>Liabilities payable from restricted assets</td>
<td>43,060</td>
</tr>
<tr>
<td>Total</td>
<td>$44,729</td>
</tr>
</tbody>
</table>
NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA’s business-type activity for the year ended June 30, 2010 were as follows (in thousands):

<table>
<thead>
<tr>
<th>Land and right of way</th>
<th>July 1, 2009</th>
<th>Additions</th>
<th>Retirements</th>
<th>Transfers</th>
<th>June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,119,217</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 4,104</td>
<td>$ 1,123,321</td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>781,381</td>
<td>59,518</td>
<td>(26,658)</td>
<td>814,241</td>
<td></td>
</tr>
<tr>
<td>Total capital assets, not being depreciated</td>
<td>1,900,598</td>
<td>59,518</td>
<td>(22,554)</td>
<td>1,937,562</td>
<td></td>
</tr>
</tbody>
</table>

| Buildings, improvements, furniture and fixtures | 488,156 | - | (60) | 7,340 | 495,436 |
| Vehciles | 442,771 | - | (8,478) | 1,359 | 435,652 |
| Light-rail tracks and electrification | 399,824 | - | (339) | 3,137 | 402,622 |
| Caltrain – Gilroy extension | 53,155 | - | - | 152 | 53,307 |
| Other operating equipment | 32,044 | - | - | 10,566 | 42,610 |
| Leasehold Improvement | 9,686 | - | - | - | 9,686 |
| Total capital assets, being depreciated | 1,425,636 | - | (8,877) | 22,554 | 1,439,313 |

| Buildings, improvements, furniture and fixtures | (189,338) | (13,555) | 60 | - | (202,833) |
| Vehciles | (138,365) | (16,422) | 5,961 | - | (148,826) |
| Light-rail tracks and electrification | (154,639) | (15,991) | 231 | - | (170,399) |
| Caltrain – Gilroy extension | (10,979) | (1,632) | - | - | (12,611) |
| Other operating equipment | (25,860) | (3,336) | - | - | (29,196) |
| Leasehold Improvement | (705) | (442) | - | - | (1,147) |
| Total accumulated depreciation | (519,886) | (51,378) | 6,252 | - | (565,012) |
| Total capital assets, being depreciated, net | 905,750 | (51,378) | (2,625) | 22,554 | 874,301 |

| Total capital assets, net | $2,806,348 | $8,140 | (2,625) | $ - | $2,811,863 |

Construction in progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2010 (in thousands):

- Silicon Valley Rapid Transit Corridor $688,230
- Capitol Corridor Projects 46,507
- Facilities Modifications 56,862
- Project Studies 15,991
- Software development 1,514
- Vasona Corridor Projects 4,020
- Coach & Vehicle Replacements 36
- Guadalupe Corridor 1,081

Total project costs expended to date $814,241
Additional information regarding projects in progress as of June 30, 2010 is as follows (in thousands):

<table>
<thead>
<tr>
<th>Information Regarding Projects:</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Board approved project budget</td>
<td>$1,661,578</td>
</tr>
<tr>
<td>Expended to date</td>
<td>$(814,241)</td>
</tr>
<tr>
<td>Remaining budget available for CIP</td>
<td>$847,337</td>
</tr>
</tbody>
</table>

Anticipated funding sources are as follows:
- Federal, state, and other local assistance: $422,561
- Local contributions: $424,776
- Total funding sources: $847,337

VTA has outstanding commitments of about $164.0 million as of June 30, 2010, related to the above capital projects.

**NOTE 7 - LONG-TERM DEBT & LIABILITIES**

Long-term debt as of June 30, 2010, consisted of the following (in thousands):

**Secured by VTA’s 1976 1/2 cent Sales Tax**
- 1998 Series A Junior Lien: $37,120
- 2000 Series A Junior Lien: 30,275
- 2001 Series A Senior Lien: 3,455
- 2007 Series A Refunding ($24,525 plus unamortized premium of $869 and less unamortized loss in refunding of $2,089): 23,305
- 2008 Series A-C Refunding ($166,155 less refunding deferred amount of $14,012): 152,143

**Secured by VTA’s 2000 Measure A 1/2 cent Sales Tax**
- 2007 Series A Measure A Refunding ($120,095 plus unamortized premium of $4,274 and deferred amount in refunding of $4,491): 128,860
- 2008 Series A-D Measure A Refunding ($235,875 plus deferred amount in refunding of $5,040): 240,915

Total long-term debt: **616,073**

Less current portion of long-term debt: **(11,800)**

Long-term debt, excluding current portion: **$604,273**

(a) **Sales Tax Revenue Bonds, secured by 1976 ½ cent sales tax revenues**

- $50.0 million of 1998 Series A Junior Lien Sales Tax Revenues Bonds (1998 Bonds) were issued through the California Transit Variable Rate Program of the California Transit Finance Authority (CTFA) (Note 20d), to finance certain capital expenditures. The 1998 Bonds bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the bonds at par value. Their maturities extend to October 1, 2027 and are subject to mandatory and optional redemption provisions.

- $40.0 million of 2000 Series A Junior Lien Sales Tax Revenue Bonds (2000 Bonds) were issued through the California Transit Variable Rate Program of the California Transit Finance Authority (CTFA) (Note 20d), to finance certain capital expenditures. The 2000
Bonds bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the bonds at par value. Their maturities extend to October 1, 2027 and are subject to mandatory and optional redemption provisions.

- $200.0 million of 2001 Series A Senior Lien Sales Tax Revenue Bonds (2001 Bonds) were issued, at a true interest cost of 5.08%, to finance portions of the Tasman East, Vasona, and Capitol Corridor Light Rail projects. Their maturities extended through June 1, 2026. Maturities through June 1, 2011 are not subject to redemption before their maturities. Maturities from June 1, 2012 through June 1, 2026 (the Defeased 2001 Bonds) were defeased from proceeds of the 2005 Series A - C Sales Tax Revenue Refunding Bonds and will be redeemed on June 1, 2011. Such proceeds were placed in an escrow account held by a Trustee to provide for future debt service payments on the Defeased 2001 Bonds through their redemption date. The advance refunding met the requirement of an in-substance debt defeasance, and the Defeased Bonds were removed from VTA’s long-term debt. Accordingly, the escrow account assets and liabilities from the Defeased 2001 Bonds are not included in VTA’s financial statements. At June 30, 2009, $155.3 million of bonds outstanding are considered defeased with an escrow balance of $157.4 million.

- $26.3 million of 2007 Series A Sales Tax Revenue Refunding Bonds (2007 Bonds) were issued, at a true interest cost of 3.97%, to refund and completely pay off a portion of the 1997 Series A Sales Tax Revenue Bonds, maturing in series on each June 1st from 2010 – 2021. Proceeds of the 2007 Bonds were deposited into an escrow account held by a Trustee, and were used to pay the principal and accrued interest on the refunded bonds on the redemption date of June 1, 2007; therefore there are no refunded bonds outstanding and no funds remaining in escrow. The 2007 Bonds have a final maturity of June 1, 2021. 2007 Bonds maturing on or before June 1, 2017 are not subject to redemption prior to their respective stated maturities. The 2007 Bonds maturing on or after June 1, 2018 are subject to redemption prior to their stated maturities any time on or after June 1, 2017.

- $168.6 million of 2008 Series A-C Sales Tax Revenue Refunding Bonds (2008 VTA Bonds) were issued to implement a current refunding and completely pay off the 2005 Sales Tax Revenue Refunding Bonds, originally issued to finance the retirement of a portion of 2001 Bonds (see note regarding 2001 bonds). There is no escrow fund nor are there 2005 Sales Tax Revenue Refunding Bonds outstanding. The 2008 VTA Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 VTA Bonds at par value. The maturities of the 2008 VTA Bonds extend to June 1, 2026 and are subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity.
Concurrent with the issuance and sale of the 2008 VTA Bonds, VTA was required to amend transferred interest rate swap agreements (originally entered into concurrent with the issuance of the retired 2005 Sales Tax Revenue Refunding Bonds) to reflect current market rates. Pursuant to the amended terms of the swap agreements, VTA owes interest at a fixed rate of 3.145% to the counterparties to the swaps. In return, the counterparties pay VTA interest based on a formula (lower of 1 Month LIBOR\(^1\) or a rate equal to the greater of 63.5% of 1 Month LIBOR, or 55.5% of 1 Month LIBOR plus 0.44%). The amendment changing VTA’s fixed rate to an on-market rate of 3.145% was necessary due to tax code compliance related to the still existing refunding escrow (see note regarding 2001 bonds), which had been funded from proceeds of the retired 2005 Sales Tax Revenue Refunding Bonds. The outstanding principal on the 2008 VTA Bonds is used as the basis on which the interest payments are calculated. In consideration for the market rate adjustment on the fixed rate paid to the counterparties of the swaps, VTA received a one-time benefit of $1.1 million. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 VTA Bonds.

(b) **Sales Tax Revenue Bonds, secured by 2000 Measure A ½ cent sales tax revenues**

- $120.1 million of 2007 Measure A Series A Sales Tax Revenue Refunding Bonds (2007 Measure A Bonds) were issued, at a true interest cost of 4.60%, to current refund Series F and G of the 2006 Measure A Sale Tax Revenue Bonds, none of which remain outstanding. Proceeds of the 2007 Measure A Bonds were deposited into an escrow account held by a Trustee, and were used to fully pay the principal and accrued interest on the refunded bonds on the redemption date of November 6, 2007. There is no open escrow or refunded bonds outstanding. Maturities for the 2007 Measure A Bonds extend to April 1, 2036. 2007 Measure A Bonds maturing on or before April 1, 2017 are not subject to redemption prior to their respective stated maturities. 2007 Measure A Bonds maturing on or after April 1, 2018 are subject to redemption any time on or after April 1, 2017.

- $236.7 million of 2008 Series A-D Measure A Sales Tax Revenue Refunding Bonds (2008 Measure A Bonds) were issued to current refund Series A-D of the 2006 Measure a Sales Tax Revenue Bonds, none of which remain outstanding. The 2008 Measure A Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 Measure A Bonds at par value. The maturities of the 2008 Measure A Bonds extend to April 1, 2036 and are

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\(^1\) LIBOR: London Inter Bank Offering Rate is a daily reference rate based on the interest rate at which banks offer to lend unsecured funds to other banks in the London wholesale (interbank) money market.
subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity.

- Concurrent with the issuance and sale of the 2008 Measure A Bonds, the four interest rate swap agreements (originally entered into concurrent with the issuance of the Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, none of which remain outstanding) were reassigned to the 2008 Measure A Bonds. Pursuant to the terms of the swap agreements, VTA pays interest at a fixed rate of 3.765% to the counterparties to the swaps. In return, the counterparties pay VTA a variable rate of interest equal to 65% of three-month LIBOR. The outstanding principal is used as the basis on which the interest payments are calculated. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 Measure A Bonds.

(c) **Interest Rate Swaps**

VTA has seven interest rate swap agreements outstanding as of year end. Three require that VTA pay fixed interest rates and receive variable interest at the lower of: 1) 1 month LIBOR or, 2) a rate equal to the greater of 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%. Four agreements require that VTA pay fixed interest rates and receive interest at 65% of three-month LIBOR.

**Objective of the Swaps:** The objective of the swaps is to hedge VTA’s exposure to variable rate risk by synthetically fixing its interest costs at rates anticipated to be less than what VTA otherwise would have paid to issue fixed rate debt in the tax-exempt municipal bond market.

(d) **Summary:** The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2010 were as follows (dollars in thousands):

<table>
<thead>
<tr>
<th>Associated Bonds</th>
<th>Notional Amount</th>
<th>Effective Date</th>
<th>Fixed Rate Paid</th>
<th>Variable Rate Received</th>
<th>Fair Value FV</th>
<th>Swap Termination Date</th>
<th>Counterparty Credit Rating CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008A</td>
<td>$66,575</td>
<td>7/7/2005 ED</td>
<td>3.15%</td>
<td>Cal-E³⁸</td>
<td>(6,621)</td>
<td>6/1/2026</td>
<td>Aa1,AAA,---</td>
</tr>
<tr>
<td>2008B</td>
<td>49,790</td>
<td>7/7/2005 ED</td>
<td>3.15%</td>
<td>Cal-E³⁸</td>
<td>(4,954)</td>
<td>6/1/2026</td>
<td>A1, A+, ---</td>
</tr>
<tr>
<td>2008C</td>
<td>49,790</td>
<td>7/7/2005 ED</td>
<td>3.15%</td>
<td>Cal-E³⁸</td>
<td>(4,954)</td>
<td>6/1/2026</td>
<td>A2, A, A</td>
</tr>
<tr>
<td>MA2008A</td>
<td>85,875</td>
<td>8/10/2006</td>
<td>3.77%</td>
<td>65% 3Mo LIBOR</td>
<td>(20,008)</td>
<td>4/1/2036</td>
<td>A1, A+, ---</td>
</tr>
<tr>
<td>MA2008B</td>
<td>50,000</td>
<td>8/10/2006</td>
<td>3.77%</td>
<td>65% 3Mo LIBOR</td>
<td>(11,651)</td>
<td>4/1/2036</td>
<td>Aa3, A+, A+</td>
</tr>
<tr>
<td>MA2008C</td>
<td>50,000</td>
<td>8/10/2006</td>
<td>3.77%</td>
<td>65% 3Mo LIBOR</td>
<td>(11,651)</td>
<td>4/1/2036</td>
<td>A2, A, A</td>
</tr>
<tr>
<td>MA2008D</td>
<td>50,000</td>
<td>8/10/2006</td>
<td>3.77%</td>
<td>65% 3Mo LIBOR</td>
<td>(11,651)</td>
<td>4/1/2036</td>
<td>Aa1,AAA,---</td>
</tr>
</tbody>
</table>

| Total            | $402,030        |                |                 |                        | (71,490)      |                      |                               |

FV: Includes accrued interest.
³⁸ Moody’s, Standard and Poor’s, and Fitch, respectively.
ED: Amended June 26, 2008 to reflect on-market fixed rate to be paid of 3.145%.
ID: Lower of 1 month LIBOR or a rate equal to the greatest of 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%.
**Fair Values:** At June 30, 2010, the swaps had a negative fair value of $71.5 million. This is because interest rates have declined since the execution of the swaps. The fair values include accrued interest. Because the coupons on VTA’s variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases or decreases. The fair values of the interest rate swaps were estimated using the zero-coupon method. The swaps were deemed to be effective derivative instruments using regression analysis and therefore were recorded as deferred outflow of resources in the assets section and as a derivative instrument liability in the liability section of the statement of net assets.

**Credit Risks:** It is VTA’s policy to enter into derivative agreements with highly rated counterparties. As of the end of the period, all interest rate swap counterparties are rated A2 or higher by Moody’s, and A or higher by S&P. VTA manages credit risk by requiring counterparties to post collateral based on certain events. VTA is entitled to collateral in an amount up to 100% of the swap’s fair value as identified in the following table.

<table>
<thead>
<tr>
<th>Swap</th>
<th>Amount of Collateral Required</th>
<th>Rating Threshold for Collateral Requirement&lt;sup&gt;CR&lt;/sup&gt;</th>
<th>Rating Threshold for 100% Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008A</td>
<td>$5,000,000</td>
<td>A3/A-</td>
<td>Baa1/BBB+</td>
</tr>
<tr>
<td>2008B</td>
<td>7,000,000</td>
<td>A2/A</td>
<td>A3/A-</td>
</tr>
<tr>
<td>2008C</td>
<td>5,000,000</td>
<td>A3/A-</td>
<td>Baa3/BBB-</td>
</tr>
<tr>
<td>MA2008A</td>
<td>7,000,000</td>
<td>A2/A</td>
<td>A3/A-</td>
</tr>
<tr>
<td>MA2008B</td>
<td>7,000,000</td>
<td>A2/A</td>
<td>A3/A-</td>
</tr>
<tr>
<td>MA2008C</td>
<td>5,000,000</td>
<td>A3/A-</td>
<td>Baa1/BBB+</td>
</tr>
<tr>
<td>MA2008D</td>
<td>5,000,000</td>
<td>A3/A-</td>
<td>Baa3/BBB-</td>
</tr>
</tbody>
</table>

<sup>CR</sup> Moody’s or Standard and Poor’s, respectively

Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities, held by a third party custodian. VTA enters into derivative agreements with multiple counterparties to limit concentration of credit risk. Currently, VTA has interest rate swaps with four different counterparties and no counterparty accounts for more than 35% of outstanding notional. VTA monitors counterparty credit risk on an ongoing basis.

**Basis Risk:** The variable rate debt hedged by VTA’s derivatives are variable rate demand obligation (VRDO) bonds that are remarketed weekly. VTA is exposed to basis risk because the variable rate receipts from the hedging derivative are based on a rate or index other than the interest rates VTA pays on the VRDO bonds. VTA is exposed to basis risk to the extent that
variable payments on the hedged item are not offset by the variable receipts from the hedging derivative. On June 30, 2010, the weighted average interest rates of the variable rate debt associated with the 2008 VTA VRDO Bonds was 0.34%. The interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.35%. The weighted average interest rates of the variable rate debt associated with the 2008 Measure A VRDO Bonds was 0.26%, and the interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.35%.

**Interest Rate Risk:** Interest payments on VTA’s variable rate debt will typically increase as interest rates increase. VTA believes it has significantly reduced interest rate risk by entering into pay-fixed, receive floating interest rate swaps. As interest rates increase, variable rate debt interest payments increase and net swap payments decrease. As interest rates decrease, variable rate debt interest payments decrease and net swap payments increase.

**Rollover Risk:** Rollover risk is the risk that a hedging derivative instrument associated with a hedgeable items does not extend to the maturity of that hedgeable item. All of VTA’s swap agreements have maturities equal to the term of the bonds.

**Termination Risk:** VTA has the right to terminate any swap at its option at any time. In addition, each counterparty may terminate a swap if VTA fails to perform under the terms of the contract. Furthermore, the terms of the agreements provide for Additional Termination Events in the event that the ratings of either the counterparty or the unenhanced long-term revenue bonds ratings of VTA are downgraded below Baa3 by Moody’s or BBB- by S & P. An additional termination event, if it occurs, could cause a substantial termination payment to be owed by VTA. As of the end of the period, VTA’s unenhanced long-term revenue bond rating is Aa2 by Moody’s and AAA by S&P (AA+ for Measure A secured bonds).

**Tax Risk:** As with other forms of variable rate exposure and the relationship between the taxable and tax-exempt markets, VTA is exposed to tax risk should tax-exempt interest rates on variable rate debt issued in conjunction with the swaps rise faster than taxable interest rates received by the swap counterparties, due particularly to reduced federal or state income tax rates, over the term of the swaps.

**Foreign Currency Risk:** All of VTA’s swaps are denominated in US Dollars and therefore VTA is not exposed to foreign currency risk.

**Commitments:** Because the Swap Insurer has been downgraded below minimum thresholds, all of the swap agreements contain provisions that require collateral posting by VTA at specific
fair value amounts based on VTA’s unenhanced long term credit ratings during times when the
swaps are in liability positions (negative fair value). For swaps associated with long-term
variable rate bonds secured by VTA’s 1976 Sales Tax Revenues, VTA is required to post the
full collateralization of the fair value of the transactions should VTA’s credit rating fall below
A or A2 for two of the swaps and below A- or A3 for one of the swaps. For the swaps
associated with long-term variable rate bond secured by 2000 Measure A Sales Tax Revenues,
VTA is required to post the full collateralization of the fair value of the transaction should the
long-term unenhanced rating fall below A or A2 for two swaps, A- or A3 for one swap or
below BBB or Baa2 for the fourth remaining Measure A swap. In addition, each credit support
annex requires collateral posting at various rating levels and threshold amounts. Collateral
generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June
30, 2010, no collateral is posted by VTA to any counterparty under any swap agreement.

(e) **Swap Payments and Associated Debt**

Using rates as of June 30, 2010, debt service requirements on VTA’s swap-related variable rate
debt and net swap payments are as follows. As rates vary, variable rate bond interest payments
and net swap payments will vary (dollars in thousands).

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Variable Rate Bonds</th>
<th>Interest Rate Swap, Net</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$ 1,275</td>
<td>$ 1,192</td>
<td>$ 12,704</td>
</tr>
<tr>
<td>2012</td>
<td>4,670</td>
<td>1,188</td>
<td>12,668</td>
</tr>
<tr>
<td>2013</td>
<td>4,760</td>
<td>1,172</td>
<td>12,538</td>
</tr>
<tr>
<td>2014</td>
<td>4,555</td>
<td>1,155</td>
<td>12,405</td>
</tr>
<tr>
<td>2015</td>
<td>4,570</td>
<td>1,140</td>
<td>12,277</td>
</tr>
<tr>
<td>2016-2020</td>
<td>53,925</td>
<td>5,259</td>
<td>57,817</td>
</tr>
<tr>
<td>2021-2025</td>
<td>75,225</td>
<td>4,208</td>
<td>49,294</td>
</tr>
<tr>
<td>2026-2030</td>
<td>17,175</td>
<td>3,155</td>
<td>40,758</td>
</tr>
<tr>
<td>2031-2035</td>
<td>173,600</td>
<td>2,651</td>
<td>34,495</td>
</tr>
<tr>
<td>2036-2036</td>
<td>62,275</td>
<td>163</td>
<td>2,127</td>
</tr>
</tbody>
</table>

|                  | $ 402,030 | $ 21,283 | $ 247,083 | $ 670,396 |
Long-term Debt Obligation Summary

Interest Rates on all outstanding fixed-rate obligations range from 4.00% - 5.00%. Interest on the variable rate debt is reset weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2010 are as follows:

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>Year ending June 30:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
</tr>
<tr>
<td>2011</td>
<td>$11,800</td>
</tr>
<tr>
<td>2012</td>
<td>$12,045</td>
</tr>
<tr>
<td>2013</td>
<td>$12,465</td>
</tr>
<tr>
<td>2014</td>
<td>$12,620</td>
</tr>
<tr>
<td>2015</td>
<td>$13,015</td>
</tr>
<tr>
<td>2016-2020</td>
<td>$99,490</td>
</tr>
<tr>
<td>2021-2025</td>
<td>$119,695</td>
</tr>
<tr>
<td>2026-2030</td>
<td>$58,225</td>
</tr>
<tr>
<td>2031-2035</td>
<td>$207,940</td>
</tr>
<tr>
<td>2036-2036</td>
<td>$70,205</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Unamortized bond discount, premium and deferred amount on refunding, (1,427)
Total debt 616,073
Less current portion (11,800)
Long-term portion of debt $ 604,273

(f) Restrictions and limitations

There are a number of restrictions and limitations contained in the various bond indentures. VTA’s management believes that VTA has complied with all applicable restrictions and limitations.

(g) Long Term Liabilities

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>July 1, 2009</th>
<th>Additions</th>
<th>Reductions</th>
<th>June 30, 2010</th>
<th>Amounts Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax Revenue Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured by 1976 ½ Cent Sales Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998 Series A</td>
<td>$38,605</td>
<td>-</td>
<td>(1,485)</td>
<td>$37,120</td>
<td>$ 1,535</td>
</tr>
<tr>
<td>2000 Series A</td>
<td>$31,500</td>
<td>-</td>
<td>(1,225)</td>
<td>$30,275</td>
<td>$ 1,265</td>
</tr>
<tr>
<td>2001 Series A</td>
<td>$6,940</td>
<td>-</td>
<td>(3,485)</td>
<td>$3,455</td>
<td>$ 3,455</td>
</tr>
<tr>
<td>2007 Series A</td>
<td>$26,275</td>
<td>-</td>
<td>(1,750)</td>
<td>$24,525</td>
<td>$ 1,840</td>
</tr>
<tr>
<td>2008 Series A</td>
<td>$167,390</td>
<td>-</td>
<td>(1,235)</td>
<td>$166,155</td>
<td>$ 1,275</td>
</tr>
<tr>
<td>Sales Tax Revenue Bonds: Secured by 2000 Measure A ½ Cent Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007 Series A</td>
<td>$120,095</td>
<td>-</td>
<td>-</td>
<td>$120,095</td>
<td>$ 2,430</td>
</tr>
<tr>
<td>2008 Series A</td>
<td>$235,875</td>
<td>-</td>
<td>-</td>
<td>$235,875</td>
<td>-</td>
</tr>
<tr>
<td>Total Outstanding Debt</td>
<td>$626,680</td>
<td>-</td>
<td>(9,180)</td>
<td>$617,500</td>
<td>$ 11,800</td>
</tr>
<tr>
<td>Plus (less) premiums, deferred amount on refundings and discounts</td>
<td>(1,338)</td>
<td>1,071</td>
<td>(1,160)</td>
<td>(1,427)</td>
<td>-</td>
</tr>
<tr>
<td>Outstanding Debt, Net</td>
<td>$625,342</td>
<td>1,071</td>
<td>(10,340)</td>
<td>$616,073</td>
<td>$ 11,800</td>
</tr>
<tr>
<td>Derivative Instruments Liability</td>
<td>-</td>
<td>71,490</td>
<td>-</td>
<td>71,490</td>
<td>-</td>
</tr>
<tr>
<td>Arbitrage Liability</td>
<td>238</td>
<td>105</td>
<td>-</td>
<td>343</td>
<td>-</td>
</tr>
<tr>
<td>Claims Liability:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Liability</td>
<td>5,691</td>
<td>-</td>
<td>(775)</td>
<td>4,916</td>
<td>3,006</td>
</tr>
<tr>
<td>Worker’s Compensation</td>
<td>22,325</td>
<td>-</td>
<td>(652)</td>
<td>21,693</td>
<td>4,292</td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>22,126</td>
<td>3,700</td>
<td>(3,700)</td>
<td>22,126</td>
<td>5,887</td>
</tr>
<tr>
<td>Total Long-Term Liabilities</td>
<td>$675,722</td>
<td>$76,366</td>
<td>(15,447)</td>
<td>$736,641</td>
<td>$ 24,985</td>
</tr>
</tbody>
</table>

2-54
NOTE 8 – SALES TAX REVENUES

Sales tax revenue represents sales tax receipts from the California State Board of Equalization, which, under voter-approved 1976 and 2000 Sales Tax Measures, collects a half-cent for each taxable sales dollar spent in the County. These amounts are available to fund both operations and capital expenditures except that portion which is to be used to repay long-term debt as described in Note 7. The amount of the 1976 Sales Tax and 2000 Measure A Sales Tax recognized during FY2010 was $140.0 million and $139.3 million respectively, totaling $279.3 million.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

Measure B Transportation Improvement Program (MBTIP)

In November 1996, the voters of Santa Clara County approved Measure A - an advisory measure listing an ambitious program of transportation improvements for the County. Also approved on the same ballot, Measure B authorized the County Board of Supervisors to collect a nine-year half-cent sales tax for general County purposes. The tax was identified as a funding source for Measure A projects. Collection of the tax began in April 1997; however, use of the revenue was delayed pending the outcome of litigation challenging the legality of the sales tax. In August 1998, the California courts upheld the tax allowing the Measure A transportation program to move forward.

In March 1999, the VTA Board of Directors and the County Board of Supervisors approved a Master Agreement formalizing the partnership to implement Measure A. With this partnership in place, the County and VTA were in a position to complete a transportation program valued at $2.1 billion. The County administered the funding, and VTA was responsible for the project management of the transit and highway projects as well as assisting in the administration of the pavement management and bicycle elements of the program.

The Measure B Transit Projects, which consist mainly of light rail extensions and new rail vehicles, become the property of VTA. The Measure B Highway projects, which consist primarily of widening highways and improvements become the property of the state. The accompanying basic financial statements include the financial activities of the Measure B Transit Projects in the Enterprise Fund and in the business-type activity, Measure B Highway Projects in a capital projects fund and in governmental activity and the Measure B Ancillary Program, which includes pavement and bicycle elements, in an agency fund. The Ancillary Program was created to administer the Measure B Pavement & Bikeways Program and Measure B Ancillary Fund, also known as the Local Program Reserves.
In fiscal year 2001, VTA and the County entered into two agreements for Fund Swap arrangements, whereby VTA agreed to secure federal and/or state grant funds and program them for certain 1996 MBTIP Projects in exchange for the County to release the corresponding 1996 MBTIP Project funds for other local projects. The Tasman East Light Rail Project was programmed for $72.8 million with $67.9 million being available for other local projects, the Vasona Light Rail Project was programmed for $51.6 million with the same amount being available for other local projects, and the Route 237/880 Interchange Hwy Project was programmed for $22.5 million with the same amount being available for other local projects.

A third agreement provided for a simultaneous exchange of funds. VTA secured 2001 Series A Senior Lien Sales Tax Revenue Bonds to reimburse the County approximately $184.1 million of 1996 MBTIP project costs, namely the Tasman East, Vasona and Capitol Corridor Light Rail Projects. The reimbursement of 1996 MBTIP project costs made $184.1 million available for the acquisition of low floor vehicles. On February 15, 2002, Amendment Number 1 to the Master Agreement was executed to increase the amount of reimbursement to $198.3 million. As of FY2002, full reimbursement of the $198.3 million was made to the Measure B Ancillary Program Agency Fund. As of June 30, 2008, the full amount of $198.3 million has been expended out of the agency fund for the acquisition of low floor vehicles.

Amendment 20 to the Master Agreement was executed in June 2007 to formalize the process for winding down the Measure B Program. That amendment included the following significant terms:

- VTA was paid the value of all approved 1996 Measure B project budgets, less the funds already paid by the County to VTA, and the net remaining Measure B funding for Fund Swap Projects and Ancillary Programs administered by VTA.
- A lump sum amount of approximately $4.0 million was also paid to VTA by the County to cover the closeout effort associated with incomplete projects.

During the current fiscal year, VTA paid approximately $13.3 million for current year costs for the program. This amount was contributed by the Santa Clara County as follows: $5.3 million of Measure B fund for transit projects in the Enterprise Fund; $2.4 million ($2.2 million Measure B fund and $0.2 million Measure B Swap fund) for highway projects in the Measure B Highway Capital Projects Fund; and $5.6 million for the Ancillary Program (Measure B Projects, Pavement and Bikeways).
2000 Measure A Program

The Santa Clara Valley Transportation Authority 2000 Measure A Program (the Measure A Program) was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The Measure A Program is responsible for a number of key capital transit projects, including the connection of rapid transit to San Jose, increased bus and light rail service and providing for related operating expenses. The Measure A Program is funded by the half-cent sales tax to be imposed for a period of 30 years and took effect upon expiration of the current County of Santa Clara 1996 Measure B half-cent sales tax on March 31, 2006.

The Measure A Program consists of those projects and increased operations included in the 2000 Measure A ballot, as noted below:

- Extend San Francisco Bay Area Rapid Transit District service ("BART") from Fremont through Milpitas to Downtown San Jose and the Santa Clara Caltrain Station (the “Silicon Valley Rapid Transit Project” or “SVRT”);
- Provide connections from the San Jose International Airport to BART, Caltrain commuter rail service (“Caltrain”) and VTA’s light rail system;
- Extend VTA’s light rail system from Downtown San Jose to the East Valley portion of Santa Clara County (“DTEV Extension”);
- Purchase low floor light rail vehicles to better serve the disabled, senior and other segments of the ridership;
- Improve Caltrain by extending the system’s double track to Gilroy and providing funds to electrify the system;
- Increase Caltrain service;
- Construct a new Palo Alto Intermodal Transit Center;
- Improve bus service in major bus corridors;
- Upgrade the Altamont Commuter Express (“ACE”) services;
- Improve the Highway 17 express bus service;
- Connect Caltrain with the Dumbarton Rail Corridor (serving Alameda and San Mateo County);
- Purchase zero emission buses and construct service facilities;
- Provide funds to develop new light rail corridors;
- Fund operating and maintenance costs associated with increased bus, rail and paratransit service.

The following activities have either been completed or are in progress, funded by a combination of Tax revenues, state and federal grants, bond proceeds and other locally obtained funds:
• Completed the purchase of low floor light rail vehicles
• Completed the Zero Emission Bus demonstration project.
• The Bus Rapid Transit (BRT) Strategic Plan, adopted by the VTA Board in May 2009, recommends moving forward with BRT deployment in the Santa Clara/Alum Rock corridor. VTA has initiated a federal environmental review to make this project eligible for federal funds. Preliminary Engineering began in mid 2010.
• Fiber optic cable relocation began on Phase 1 of the South County Improvements: grading and crossing work in preparation for eight miles of double-track installation in the UPRR corridor from Coyote to Morgan Hill.
• In June 2010, VTA received notification that the FTA issued a Record of Decision (ROD) for the first 10-mile phase of the SVRT project. This milestone signifies that VTA satisfied the requirements of the National Environmental Policy Act (NEPA), thereby issuing environmental impact approval for the $2.1 billion Berryessa Extension.
• Currently, utility relocation and construction are moving forward in the freight rail corridor in Fremont and Milpitas. The Freight Railroad Relocation (FRR) activities fulfill VTA’s obligations under the Purchase and Sale Agreement with Union Pacific Railroad (UPRR) and eliminate ongoing freight operations on VTA property. The FRR activities are compatible with the eventual use of the property as a transportation corridor but do not include SVRT project-level elements.
• A Federal Environmental Impact Statement is being prepared for the Capitol Expressway Light Rail Extension to Eastridge. A draft for circulation is anticipated in mid 2010, with final approval in early 2011. Pedestrian Improvements (sidewalk and landscaping) and the Eastridge Transit Center are being advanced as the initial stage of the light rail project.
• The Light Rail Systems Analysis is complete and was adopted by the VTA Board in May 2010. The Light Rail Improvement Plan will now serve as an action plan for future implementation and an investment program which identifies capital and operating improvements for the system over the next 20 years. The study recommends making improvements in two phases. Phase I is designed for near-term implementation (within the next several years), while Phase II is designed to complement the introduction of BART service to East San Jose in 2018.
• The first contract under the second phase of the Caltrain Safety Improvements – JPB Crossings project was awarded. It will construct safety improvements at eight JPB crossings from Sunnyvale to Palo Alto. Design work also continued on the Blossom Hill Pedestrian Overcrossing.
• Receiving TCRP funds as reimbursements for the preliminary engineering phase on the BART extension.
• Providing operating assistance to VTA Transit operations.

NOTE 10 – FEDERAL, STATE, AND LOCAL ASSISTANCE
VTA is dependent upon the receipt of funds from several sources to meet its operating, maintenance, and capital requirements. The receipt of such revenues is controlled by federal,
state, and local laws, the provisions of various grant contracts and regulatory approvals and, in some instances, is dependent on the availability of grant funds and the availability of local matching funds. A summary of the various governmental funding sources is as follows:

(a) Federal Grants

Federal grants are approved principally by the Federal Transportation Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2010 are summarized as follows (in thousands):

<table>
<thead>
<tr>
<th>Operating Assistance Grants:</th>
<th>Enterprise Fund</th>
<th>Special Revenue Fund</th>
<th>Capital Project Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTA Section 9</td>
<td>$58,668</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>FTA Section 18</td>
<td>$229</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Federal Technical Studies/Training Grants</td>
<td>$204</td>
<td>$1,235</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Total Operating Assistance Grants</strong></td>
<td>$59,101</td>
<td>$1,235</td>
<td>$-</td>
</tr>
<tr>
<td>Capital Grants:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FTA Section 3</td>
<td>$3,363</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>FTA Section 9</td>
<td>$7,240</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Pass-through Grants</td>
<td>$-</td>
<td>$-</td>
<td>$5,269</td>
</tr>
<tr>
<td><strong>Total Capital Grants</strong></td>
<td>$10,603</td>
<td>$-</td>
<td>$5,269</td>
</tr>
<tr>
<td><strong>Total Operating Assistance and Capital Grants</strong></td>
<td>$69,704</td>
<td>$1,235</td>
<td>$5,269</td>
</tr>
</tbody>
</table>

FTA and FHWA reserve the right to audit expenditures financed by their grants to determine if such expenditures comply with the conditions of the grant agreements. VTA’s management believes the results of such audits would not have a material adverse effect on VTA’s financial position. FTA and FHWA retain their interest in assets acquired under federal grants should the assets be disposed of prior to the end of their economic lives, or not be used for mass transit purposes.

FTA Section 3 capital grants represent the transit capital investment program (49 U.S.C. 5309), which provides capital assistance for three primary activities:

- New and replacement of buses and facilities
- Modernization of existing rail systems, and
- New fixed guideway systems

FTA Section 9 grants represent the federal program (49 U.S.C. 5307), which makes federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation related planning.

The grants from the following passthrough fund agreements are presented as part of the Capital Grants – FTA Section 9:
Clipper® fees are funds received from the Metropolitan Transportation Commission in accordance with the Clipper® Phase II site preparation fund agreement whereby VTA is to perform site preparation on its premises for the implementation of Clipper® Phase II project. The agreement is funded in whole or in part from the proceeds of a grant from the United States Department of Transportation.

The Transit Security Grant Program (TSGP) award comes from the State Governor’s Office of Homeland Security for costs related to addressing security and preparedness enhancements for transit systems. The program includes a requirement that transit systems selected for funding participate in a Regional Transit Security Working Group for the purpose of developing the Regional Transit Security Strategy as well as a regional consensus on the expenditure of TSGP funds.

The pass-through federal grants under the Capital Project Funds represent fund agreements covering highway projects with various government agencies of the State of California.

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2010, are summarized as follows (in thousands):

<table>
<thead>
<tr>
<th>Operating Assistance Grants:</th>
<th>Enterprise Fund</th>
<th>Special Revenue Fund</th>
<th>Capital Projects Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Development Act</td>
<td>$ 65,801</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>State and Local Operating Assistance Grants</td>
<td>367</td>
<td>619</td>
<td>$0</td>
</tr>
<tr>
<td>Other Operating Assistance Grants</td>
<td>112</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>AB434</td>
<td>1,553</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total Operating Assistance Grants</strong></td>
<td><strong>67,833</strong></td>
<td><strong>619</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

Capital grants:

<table>
<thead>
<tr>
<th>Capital grants:</th>
<th>Enterprise Fund</th>
<th>Special Revenue Fund</th>
<th>Capital Projects Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic Congestion Relief Program</td>
<td>59,445</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>AB434 BAAQ TFCA</td>
<td>22</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Regional Measure 2</td>
<td>2,166</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Public Transportation Modernization</td>
<td></td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Improvement and Service Enhancement Act</td>
<td>1,961</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Congestion Management Highway Program</td>
<td>-</td>
<td>14,606</td>
<td>2,412</td>
</tr>
<tr>
<td>Measure B Highway</td>
<td>-</td>
<td>-</td>
<td>2,412</td>
</tr>
<tr>
<td>Santa Clara County (Measure B Program) -</td>
<td>3,787</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proposition 1B Fund</td>
<td>2,903</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Various cities, counties and others</td>
<td>11,707</td>
<td>27</td>
<td>17,018</td>
</tr>
<tr>
<td><strong>Total Capital Grants</strong></td>
<td><strong>81,991</strong></td>
<td><strong>27</strong></td>
<td><strong>17,018</strong></td>
</tr>
</tbody>
</table>

**Total State and Local Grants**

<table>
<thead>
<tr>
<th></th>
<th>Enterprise Fund</th>
<th>Special Revenue Fund</th>
<th>Capital Projects Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$149,824</strong></td>
<td><strong>$646</strong></td>
<td><strong>$17,018</strong></td>
<td></td>
</tr>
</tbody>
</table>

Transportation Development Act (TDA) funds represent VTA’s share of the 0.25% sales tax collected in the County.
State Transit Assistance (STA) represents funds received pursuant to the STA Program, whereby, a portion of gasoline sales tax revenues is appropriated by the state legislature to the State Transportation Planning and Development Account for certain transit and energy-related purposes. STA funds are allocated throughout the state on the basis of population and operating revenues and are claimed by VTA on a cost-reimbursement basis. Due the State slashing the entire STA funding to transit agencies in FY2010, VTA did not receive STA grants.

State Operating Assistance Grants represent (a) reimbursement receipts for operating bus lines in the City of Gilroy under the Enterprise Fund and (b) grant receipts from the California Department of Transportation for project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program under the Congestion Management Program.

AB434 fees represent funds received from the Bay Area Air Quality Management District. These funds are used for shuttle services and projects promoting clean air in the South Bay. The Traffic Congestion Relief Program (TCRP) provides funds for projects throughout the state of California to reduce traffic congestion, provide for safe and efficient movement of goods, and provide system connectivity. The California Transportation Commission (CTC), in consultation with the California Department of Transportation, implements TCRP.

Santa Clara County Fund Swap is Measure B revenue received by VTA for local projects in exchange for federal and/or state grant funds and program them for certain 1996 MBTIP Projects. Additional information on the 1996 MBTIP can be found in Note 9.

Proposition 1B Fund provides funding under the California Transit Security Grant Program and is administered by the California Emergency Management Agency.

Various cities, counties and others contribute revenue to light rail projects and Silicon Valley Rapid Transit Corridor for project enhancements and to procurement of zero emission buses and the corresponding facility improvements.

Capital Projects revenues consist of federal, state, and local grant revenues pertaining to Congestion Management and Highway Program of $19.9 million and Measure B Highway Program of $2.4 million.
NOTE 11 – SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

(a) Plan Description

All ATU represented employees are covered by the Plan, which is a noncontributory single-employer defined benefit pension plan. The Plan provides retirement, disability, and death benefits based on the employees’ years of service, age, and final compensation.

Employees with 10 or more years of service are entitled to full annual pension benefits beginning at normal retirement age of 65. Employees with less than 10 years of service are entitled to a reduced annual benefit at age 65 provided the Pension Board approves of such benefit. Employees with 15 or more years of service are entitled to full annual pension benefits beginning at age 55. The Plan permits early retirement if an employee becomes disabled after 10 or more years of service, and deferred vested retirement upon employee termination after 10 or more years of service, with benefits payable permitted at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by California statute and the labor agreement with the ATU.

Separately issued audited GAAP basis financial statements of the Plan are available and can be obtained from Santa Clara Valley Transportation Authority, Fiscal Resources, 3331 North First Street, Building C-2, San Jose, California 95134-1906.

The current membership of the Plan as of June 30, 2010 is comprised of the following:

<table>
<thead>
<tr>
<th>Membership Status</th>
<th>No. of Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees and beneficiaries currently receiving benefits</td>
<td>982</td>
</tr>
<tr>
<td>Terminated vested members not yet receiving benefits</td>
<td>172</td>
</tr>
<tr>
<td>Active Members</td>
<td>1,394</td>
</tr>
<tr>
<td>Total</td>
<td>2,548</td>
</tr>
</tbody>
</table>

(b) Basis of Accounting

Contributions are recognized as revenue in the period in which employee services are performed. Benefits (distributions to participants) and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal
year at current exchange rates. Purchases and sales of securities are reflected on the trade
date and investment income is recognized as earned.

(c) **Actuarial Methods and Assumptions**

<table>
<thead>
<tr>
<th>Description</th>
<th>Methods/Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation date</td>
<td>January 1, 2010</td>
</tr>
<tr>
<td>Actuarial cost method</td>
<td>Aggregate Entry Age Normal</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level dollar open</td>
</tr>
<tr>
<td>Remaining amortization period</td>
<td>20 years</td>
</tr>
<tr>
<td>Actuarial asset valuation method</td>
<td>Market value less unrecognized investment gain or losses during the prior four years, phased in at 20% per year, subject to a minimum of 80% and a maximum of 120% of market value.</td>
</tr>
<tr>
<td>Actuarial assumptions</td>
<td>Investment rate of return 8.0%</td>
</tr>
<tr>
<td></td>
<td>Projected salary increases 22.13% for the first three years of service, 3.76% thereafter.</td>
</tr>
<tr>
<td></td>
<td>Inflation rate 3.5%</td>
</tr>
<tr>
<td></td>
<td>Cost of living adjustments None</td>
</tr>
</tbody>
</table>

(d) **Concentration**

Investments in the commingled State Street Global Advisers, S&P 500 Conservative Index Fund and MFS Investment Management represented 14.83% and 15.18%, respectively, of the Plan’s investments as of June 30, 2010.

(e) **Funding Policy**

VTA contributes to the Plan at actuarially determined rates applied to eligible payroll sufficient to maintain funding of vested benefits. VTA’s contributions to the Plan for the year ended June 30, 2010 were made in accordance with actuarially determined requirements computed as of January 1, 2010. VTA’s contribution rate as a percentage of payroll was 18.25% for fiscal year 2010.

(f) **Net Pension Obligation**

VTA’s net pension obligation to the Plan was zero as of June 30, 2010. The three-year trend information is shown below (in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual Pension Cost (APC)</th>
<th>Percentage of APC Contributed</th>
<th>Net Pension Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/08</td>
<td>$16,137</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/09</td>
<td>14,843</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/10</td>
<td>17,905</td>
<td>100%</td>
<td>-</td>
</tr>
</tbody>
</table>
(g) **Funding Status & Progress**

As of January 1, 2010, the most recent actuarial valuation date, the plan was 77% funded. The actuarial accrued liability was $462.9 million and the actuarial value of assets was $354.8 million resulting in an unfunded actuarial accrued liability (UAAL) of $108.1 million. The total covered payroll was $102.6 million which resulted in a UAAL percentage of 105% of total covered payroll. The schedule of funding progress is presented on page 2-78, in the required supplementary information following the notes to the financial statements.

**NOTE 12 – PUBLIC EMPLOYEES’ RETIREMENT PLAN**

(a) **Plan Description**

All eligible non-ATU employees of VTA participate in the California Public Employees Retirement System (CalPERS). Prior to separation from the County on January 1, 1995, all eligible VTA employees participated in CalPERS through the County. As a result of the separation from the County, certain administrative employees were transferred from the County to VTA. All of those administrative employees’ service credits earned during the period they worked for the County’s transportation agency were transferred to VTA’s CalPERS account. The transfer of related assets at a market value totaling approximately $52,300,000 was completed by CalPERS in FY1999.

CalPERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within California. CalPERS provides retirement, disability, and death benefits based on the employees’ years of service, age, and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and VTA resolutions. VTA contracts with CalPERS to administer these benefits.

Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814. A separate report for VTA’s plan is not available.
(b) **Actuarial Methods and Assumptions**

<table>
<thead>
<tr>
<th>Description</th>
<th>Methods/Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation date</td>
<td>June 30, 2008</td>
</tr>
<tr>
<td>Actuarial cost method</td>
<td>Entry Age Normal Cost Method</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level Percent of Payroll</td>
</tr>
<tr>
<td>Average Remaining Period</td>
<td>26 years as of the Valuation Date</td>
</tr>
<tr>
<td>Asset Valuation Method</td>
<td>15 Year Smoothed Market</td>
</tr>
<tr>
<td>Actuarial Assumptions</td>
<td></td>
</tr>
<tr>
<td>Investment Rate of Return</td>
<td>7.75% (net of administrative expenses)</td>
</tr>
<tr>
<td>Projected Salary Increases</td>
<td>3.25% to 14.45% Depending on Age, Service, and Type of employment</td>
</tr>
<tr>
<td>Inflation</td>
<td>3.00%</td>
</tr>
<tr>
<td>Payroll Growth</td>
<td>3.25%</td>
</tr>
<tr>
<td>Individual Salary Growth</td>
<td>A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%</td>
</tr>
</tbody>
</table>

(c) **Funding Policy**

Active members in VTA’s CalPERS Plan are not required to contribute to the CalPERS Plan. VTA elected to contribute the actuarially determined amount necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution rate from July 1, 2009 through June 30, 2010, was 12.077% for the employer and 7% for employees. Employees are contributing 0.154% more than the required 6.846%. The required employee contribution was paid by VTA. The contribution requirements of the CalPERS Plan are established by state statute and the employer contribution is established and may be amended by CalPERS. The amortization period used is closed which means that amortization periods for initial unfunded liability, benefit change, and assumption change decline every year.

(d) **Net Pension Obligation**

VTA’s net pension obligation to the CalPERS Plan was zero as of June 30, 2010. For FY2010, VTA’s annual pension cost was approximately $6.2 million, which was fully contributed. The required contribution for FY2010 was determined as part of the June 30, 2008, actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. Three-year trend information follows (in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual Pension Cost (APC)</th>
<th>Percentage of APC Contributed</th>
<th>Net Pension Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/08</td>
<td>$6,278</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/09</td>
<td>6,507</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/10</td>
<td>6,167</td>
<td>100%</td>
<td>-</td>
</tr>
</tbody>
</table>
(e) **Funding Status and Progress**

As of June 30, 2008, the most recent actuarial valuation date, plan was 88.1% funded. The actuarial accrued liability was $214.4 million and the actuarial value of assets was $188.9 million resulting in an unfunded accrued actuarial liability of $25.5 million. The total covered payroll was $51 million which resulted in a 50.1% UAAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-79, in the required supplementary information following the notes to the financial statements.

**NOTE 13 – ATU SPOUSAL MEDICAL AND VISION/DENTAL FUND**

VTA administers the ATU Spousal Medical and Retiree Vision and Dental Fund. Both are considered to be employee plans. As of June 30, 2010, VTA has net assets of approximately $7.6 million for the ATU Spousal Medical Fund and $4.4 million for the Retiree Vision and Dental Fund.

The Spousal Medical Fund is a medical insurance benefit for eligible pensioners’ spouses. Pursuant to a collective bargaining agreement with ATU represented employees, contribution to the Spousal Fund was changed from $0.20 to $0.35 per hour worked. In May 2010, the contribution was increased to $0.40 per hour worked. As of June 30, 2010, there were 251 participating spouses who were eligible for benefits from the Spousal Medical Fund. Contributions were approximately $909 thousand. Benefit payments made by the Fund for during FY2010 were approximately $1.2 million.

The Retiree Vision and Dental Fund is a vision and dental benefit for eligible pensioners. Effective 1999 and pursuant to a collective bargaining agreement, ATU represented employees are required to contribute $0.10 per hour worked. As of June 30, 2010, there were 883 eligible participants. Contributions were approximately $324.6 thousand for the Retiree Vision and Dental Fund during the current fiscal year.

**NOTE 14 – INTERNAL SERVICE FUND**

As of June 30, 2010, the assets and liabilities by individual components of the Internal Service Fund are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Workers’ Compensation</th>
<th>General Liability</th>
<th>Compensated Absences</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>$ 35,065</td>
<td>$ 10,898</td>
<td>$ 21,575</td>
<td>$ 67,538</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>21,937</td>
<td>4,963</td>
<td>22,126</td>
<td>49,026</td>
</tr>
<tr>
<td><strong>Net Assets (Reserve)</strong></td>
<td>$ 13,128</td>
<td>$ 5,935</td>
<td>(551)</td>
<td>$ 18,512</td>
</tr>
</tbody>
</table>
**Workers’ Compensation and General Liability**

VTA contracts with third-party administrators to process claims for both programs. VTA’s annual contribution to General Liability is based on a budgeted self-insured expense amount. Contributions to Workers’ Compensation fund occur every pay period. Actuarial studies for both activities are obtained on an annual basis.

**Actuarial Information**

An actuarial analysis as of June 30, 2010 disclosed that the present values of estimated outstanding losses, at 4% average discount rate using a 90% confidence level, are $21.9 million and $5 million for Workers’ Compensation and General Liability, respectively. However, VTA has decided to maintain the provision of estimated outstanding losses for the Workers’ Compensation and General Liability programs at higher levels in unrestricted net assets. For Workers’ Compensation, the decrease in reserves is predominantly due to paid and incurred development that was far less than anticipated. This favorable emergence is particularly pronounced in the claim experience after January 1, 2004, the date of the first statutory benefit reform. The decrease in reserves for General Liability program was based on similar trends for all policy periods. The accrued liabilities for both Workers’ Compensation and General Liability claims were based on the actuarial estimates. It is VTA’s practice to obtain full actuarial studies annually.

Changes in the balance of Workers’ Compensation and General Claims Liabilities for the two years ended June 30, 2010, are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Workers’ Compensation</th>
<th>General Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid claims at June 30, 2008</td>
<td>$22,116</td>
<td>$9,955</td>
</tr>
<tr>
<td>Provision for claims and claims adjustment</td>
<td>5,904</td>
<td>(29)</td>
</tr>
<tr>
<td>Payment for claims and other adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in estimates for provision for future</td>
<td>(5,695)</td>
<td>(4,235)</td>
</tr>
<tr>
<td>Unpaid claims at June 30, 2009</td>
<td>22,325</td>
<td>5,691</td>
</tr>
<tr>
<td>Provision for claims and claims adjustment</td>
<td>5,726</td>
<td>2,479</td>
</tr>
<tr>
<td>Payment for claims and other adjustments</td>
<td>(6,114)</td>
<td>(3,207)</td>
</tr>
<tr>
<td>Unpaid claims at June 30, 2010</td>
<td>$21,937</td>
<td>$4,963</td>
</tr>
</tbody>
</table>
Compensated Absences

This represents the amount charged each month to accrue the estimated increase in unused vacation and sick leave. This account is adjusted annually to reflect the year-end value of unused vacation and sick leave. Compensated absences are limited to leaves that are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. At June 30, 2010, the outstanding balance of compensated absence liability was $22.1 million.

NOTE 15 – SANTA CLARA VALLEY TRANSPORTATION AUTHORITY OTHER POST EMPLOYMENT BENEFITS TRUST

(a) OPEB Trust Description

VTA offers post employment benefits to its employees through the Santa Clara Valley Transportation Authority Other Post Employment Benefit Trust, a single employer defined benefit health plan funded and administered by VTA.

Employees who retire directly from VTA are eligible for retiree health benefits if they meet certain requirements relating to age and service. For ATU represented retirees, VTA provides an ATU Retiree Health Care Program (the ATU Program), a post-employment benefit, in accordance with the agreement between VTA and the ATU, to all ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of service, or age 65 with 10 years of service, or if an employee becomes disabled and has completed at least 10 years of service. ATU retirees can select either the Kaiser or PacifiCare retiree health plans. Certain ATU retirees are grandfathered in other plans. VTA pays the full cost of employee-only premium, and ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium. ATU employees who retire on or after September 1, 2004, must contribute $25 toward the employee only monthly premium. As of June 30, 2010, 883 retirees met the eligibility requirements for the ATU Program.

All Non-ATU employees who retire directly from VTA with age at least 50 years are also covered under a Retiree Health Care Program (the Non-ATU Program) provided that they retire with at least 5 years of service, if hired before the following dates or at least 8 years of service (2,088 days) if hired on or after the following dates.

- Service Employees International Union (SEIU) represented employees on or after May 15, 2006.
- Transportation Authority Engineers and Architects Association (TAEA) represented
employees on or after December 5, 2006.

- American Federation of State, County and Municipal Employees (AFSCME) represented employees on or after August 30, 2007.

VTA’s contribution towards retiree health benefits for Non-ATU retirees is limited to the Kaiser rate for active single employees. VTA is also reimbursed for Medicare Part B premiums for retirees eligible for Medicare. Non-ATU employees who retire on or after January 1, 2006, must contribute $25 toward the employee only monthly premium. As of June 30, 2010, 275 retirees met the eligibility requirements for the Non-ATU Program.

VTA also provides life insurance benefits for all ATU retirees and Executive Management retirees. ATU retirees receive $5,000 in life insurance coverage. Executive Management retirees receive $50,000 in life insurance coverage for the first year of retirement, decreasing to $10,000 each year until its expiration in the sixth year.

(b) Funding Policy

Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between VTA and unions representing its employees. VTA’s contributions to the plans are based on Annual Required Contribution (ARC) as determined by an actuarial valuation study. In FY2008, VTA established an irrevocable trust to fund the ARC in accordance with the provisions of GASB Statement 45.

As of June 30, 2010, VTA had assets of $119.7 million to cover costs of the ATU and Non-ATU Programs. The Plan is presented in these financial statements as the OPEB Trust. Separate financial statements are also prepared for the trust.

(c) Annual OPEB Cost and Net OPEB Obligations

VTA’s Annual Plan Cost (Expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years, using an open amortization methodology.

Plan cost which was estimated using the level percentage method, the percentage of annual cost contributed to the Plan, and the net Plan obligation for the year is as follows (in thousands):
Annual Required Contributions $ (14,849)
Interest on Net Plan Asset -
Annual Plan Cost (Expense) (14,849)
Contributions Made 14,213
Net Plan Assets, Beginning of Year 1,473
Net Plan Asset, End of Year $ 837

Net plan assets shown above represent the contributed amount above the ARC in FY2010. This amount is recorded as a prepaid item in the other current assets on the Statement of Fund Net Assets – Proprietary Funds (VTA Transit Fund).

Plan cost, the percentage of annual cost contributed to the Plan, and the net Plan assets for the year ended June 30, 2010 is as follows (in thousands):

<table>
<thead>
<tr>
<th>Annual Required Contribution</th>
<th>Amount Contributed</th>
<th>Percentage Contributed</th>
<th>Net Plan Asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 14,849</td>
<td>$ 15,187</td>
<td>102%</td>
<td>$ 837</td>
</tr>
</tbody>
</table>

**Net Other Post Employment Benefit Obligation**

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual Other Post Employment Benefit (OPEB) Cost</th>
<th>Percentage of Annual OPEB Contributed</th>
<th>Net Other Post Employment Benefit Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/08</td>
<td>$ 15,685</td>
<td>106%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/09</td>
<td>15,900</td>
<td>104%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/10</td>
<td>15,187</td>
<td>102%</td>
<td>-</td>
</tr>
</tbody>
</table>

(d) Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

As of July 1, 2008, the most recent actuarial valuation date, the plan was 46.3% funded. The actuarial accrued liability was $225.4 million and the actuarial value of assets was $104.4 million, resulting in an unfunded accrued liability (UAAL) of $121 million. The covered payroll was $155.4 million which resulted in a 77.9% UAAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-80, in the required supplementary information following the notes to the financial statements.
NOTE 16 – INSURANCE

VTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; injuries to employees; injuries to the public; and natural disasters. For additional information on workers’ compensation and general liability, see Note 14. Coverage provided by self-insurance/insurance and excess coverage as of June 30, 2009, is shown below.

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>Self-Insurance/Deductible</th>
<th>Excess Coverage (in aggregate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers’ compensation</td>
<td>Self-Insured</td>
<td>None</td>
</tr>
<tr>
<td>Employer’s liability</td>
<td>$3,000,000</td>
<td>$22,000,000 per accident</td>
</tr>
<tr>
<td>Excess public liability/property damage</td>
<td>$3,000,000</td>
<td>$22,000,000</td>
</tr>
<tr>
<td>Property, boiler, and machinery</td>
<td>$100,000</td>
<td>$70,000,000 combined blanket limit</td>
</tr>
<tr>
<td>National Flood Insurance (eligible locations)</td>
<td>$5,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>Light rail vehicles (includes spare parts coverage, no earthquake coverage)</td>
<td>$250,000</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Buses</td>
<td>$100,000</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Community Buses</td>
<td>$75,000</td>
<td></td>
</tr>
<tr>
<td>Vans and mobile equipment</td>
<td>$25,000</td>
<td>Included in $20,000,000 with buses</td>
</tr>
<tr>
<td>Public officials liability</td>
<td>Self-Insured</td>
<td>$22,000,000</td>
</tr>
<tr>
<td></td>
<td>$3,000,000</td>
<td></td>
</tr>
</tbody>
</table>

NOTE 17 – LEASES

VTA leases various properties for use as transfer facilities, parking lots, information centers, and warehouses under lease agreements that expire at various dates through 2030. These agreements are accounted for as operating leases. Rent expense was approximately $288 thousand in FY2010. The future lease payments under noncancellable lease agreements are as follows (in thousands):

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>Future Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$313</td>
</tr>
<tr>
<td>2012</td>
<td>330</td>
</tr>
<tr>
<td>2013</td>
<td>348</td>
</tr>
<tr>
<td>2014</td>
<td>366</td>
</tr>
<tr>
<td>2015-2019</td>
<td>386</td>
</tr>
<tr>
<td>2020-2024</td>
<td>2,270</td>
</tr>
<tr>
<td>2025-2029</td>
<td>2,964</td>
</tr>
<tr>
<td>2030</td>
<td>3,854</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10,831</strong></td>
</tr>
</tbody>
</table>

NOTE 18 – LITIGATION

As of September 30, 2010, VTA has no open claims which will have any adverse financial impact or liability. VTA’s management believes its actuarially determined reserves and excess
insurance coverage will adequately cover estimated potential material adverse losses as of June 30, 2010.

NOTE 19 – CONTRACTED SERVICES PROVIDED BY THE COUNTY OF SANTA CLARA

The County provides support services to VTA for protection (Office of the Sheriff), vehicle maintenance and fuel, and contributions for retiree medical for County public safety staff assigned to VTA. Amounts paid to the County for such services were approximately $5.1 million during FY2010.

NOTE 20 – JOINT VENTURES

(a) Peninsula Corridor Joint Powers Board

VTA is a member agency of the Peninsula Corridor Joint Powers Board (PCJPB), along with the San Mateo County Transit District (SamTrans) and the City and County of San Francisco (CCSF). The PCJPB is governed by a separate board composed of nine members, three from each participating agency. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula Corridor rail service (Caltrain), which began operating on July 1, 1992. Prior to July 1, 1992, such rail service was operated by Caltrans.

The net operating costs and administrative expenses of the PCJPB for services provided between San Francisco and San Jose are reimbursed by the member agencies. In FY2010, VTA, SamTrans, and CCSF were responsible for 40.3%, 41.9%, and 17.8%, respectively, of the member agencies’ total reimbursement for such expenses. During the year ended June 30, 2010, VTA paid $15.9 million to the PCJPB for operating costs.

SamTrans serves as the managing agency of the PCJPB, providing administrative personnel and facilities. The disbursement of funds received by the PCJPB is controlled by provisions of various grant contracts entered into with the U.S. government, the state, and the member agencies.

VTA’s agreement with the PCJPB expired in 2001 and continues in full force and effect on a year-to-year basis, until any member provides a one-year’s prior written notice of withdrawal. If two or more parties to the agreement withdraw, then the agreement shall terminate at the end of the fiscal year following expiration of the one-year’s notice given by the second party. In that event, the property and funds of the PCJPB would be distributed to the member agencies in accordance with a separate agreement to be entered into between the parties.
Summary financial information (not included in VTA’s financial statements) for the PCJPB for the years ended June 30, 2009 and 2008 (in thousands), are as follows:\(^1\):

<table>
<thead>
<tr>
<th>PCJPB Financial Information</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$ 1,188,338</td>
<td>$ 1,175,491</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(61,087)</td>
<td>(64,157)</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 1,127,251</td>
<td>$ 1,111,334</td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$ 46,719</td>
<td>$ 43,760</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(143,450)</td>
<td>(133,248)</td>
</tr>
<tr>
<td>Non-operating revenues, net</td>
<td>41,407</td>
<td>43,220</td>
</tr>
<tr>
<td>Capital contributions</td>
<td>71,241</td>
<td>82,551</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 15,917</td>
<td>$ 36,283</td>
</tr>
</tbody>
</table>

\(^1\)Latest audited information available.

Complete financial statements for the PCJPB can be obtained from SamTrans at 1250 San Carlos Avenue, San Carlos, California 94070.

(b) Altamont Commuter Express

The Altamont Commuter Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, Santa Clara, and San Jose. ACE is funded by VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission which also serves as the managing agency.

ACE commenced operations in October 1998, and now provides four daily round trips commuter rail service from San Joaquin County through the Tri-Valley Area of Alameda County to Santa Clara County. The operating maintenance and management costs of the service is reimbursed by the members at a rate of approximately 42\% from VTA, 28\% from San Joaquin Regional Rail Commission and 30\% from the Alameda County Congestion Management Agency. In June 2003, VTA entered into a Cooperative Service Agreement with the San Joaquin Regional Rail Commission (SJRRC) and the Alameda County Congestion Management Agency (ACCMA) for continued VTA funding of Altamont Commuter Express (ACE) commuter rail service. The cooperative agreement replaced the ACE Joint Powers Agreement (JPA) executed by the ACE member agencies – VTA, SJRRC and ACCMA. During the year ended June 30, 2010, VTA contributed approximately $2.7 million for operating costs.

Summary financial information (not included in VTA’s financial statements) for the Altamont Commuter Express for the years ended June 30, 2009 and 2008 (in thousands), are as follows:\(^1\)
<table>
<thead>
<tr>
<th>ACE Financial Information</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$155,322</td>
<td>$117,287</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(20,947)</td>
<td>(2,243)</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$134,375</td>
<td>$115,044</td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$4,793</td>
<td>$4,352</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(19,811)</td>
<td>(16,978)</td>
</tr>
<tr>
<td>Non-operating revenues, net</td>
<td>11,800</td>
<td>10,697</td>
</tr>
<tr>
<td>Capital contributions</td>
<td>22,906</td>
<td>8,646</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$19,688</td>
<td>$6,717</td>
</tr>
</tbody>
</table>

1 Latest audited information available.
2 Restated in 2009

Complete financial statements for ACE can be obtained from the San Joaquin Regional Rail Commission at 949 East Channel Street, Stockton, California 95202.

(c) **Capitol Corridor Intercity Rail Service**

VTA is a member agency of the Capitol Corridor Joint Powers Authority, which provides intercity rail service between Sacramento and San Jose. The Capitol Corridor intercity rail service is provided by the Capitol Corridor Joint Powers Board, which is comprised of members of the governing bodies of VTA, the Sacramento Regional Transit District, the Placer County Transportation Planning Agency, the congestion management agencies of Solano and Yolo counties, and the Bay Area Rapid Transit District (BART). BART is the managing agency for the Capitol Corridor Service. VTA offers no funds to the operation of this service.

Complete financial statements for the Capitol Corridor Service can be obtained from the San Francisco Bay Area Rapid Transit District (BART) at P.O. Box 12688, Oakland, California 94606-2688.

(d) **California Transit Finance Authority**

VTA is a participant of the California Transit Finance Authority (CTFA), which was formed in 1997 through a joint powers agreement for the purpose of establishing the California Transit Variable Rate Finance Program (Program). The Program makes low-cost, variable rate financing available to the members of the California Transit Association for the acquisition of transit equipment and facilities. In December 1997, the CTFA issued $200,000,000 of variable rate demand bonds (the “CTFA Bonds”) to fund the Program. In March 1998, VTA borrowed $50,000,000 under the Program and evidenced its borrowing through the issuance of $50,000,000 Junior Lien Sales Tax Revenue Bonds, 1998 Series A held by the CTFA Bond trustee. In November 2000, VTA borrowed an additional $40,000,000 under the Program and evidenced its borrowing through the issuance of
$40,000,000 Junior Lien Sales Tax Revenue Bonds, 2000 Series A held by the CTFA Bond trustee. (Note 7 – Long-Term Liabilities).

Complete financial statements for the CTFA can be obtained from Shaw/Yoder Inc., 1414 K Street, Suite 320, Sacramento, California 95814.

NOTE 21 – OTHER FINANCING TRANSACTIONS

(a) Lease/Leaseback

In September 1998, VTA simultaneously entered into two transactions to lease 50 vehicle cars to investors (Headlease), U.S. Bank National Association (Successor Trustee), and simultaneously subleased the vehicles back from the investors for a period of 32 to 33 years. VTA maintains ownership of the vehicles and is obligated to insure and maintain the vehicles throughout the term of the lease. VTA has the right to buy out the lease after 16.5 and 18.5 years depending on the equity investor and the condition of the equipment.

VTA received a prepayment of approximately $92,286,000, which represented certain rental obligations owed by the investors under the Headlease. Investors made equity contributions of approximately 20% and a financial institution made loans to the trust for the balance of the Headlease rental prepayment amount. VTA is required to make annual rental payments pursuant to the sublease.

Simultaneously, VTA entered into a payment agreement with a American International Group, Inc (AIG). Under the terms of the payment agreement, VTA made a payment of $68,149,000 in consideration of the agreement by AIG to make payments equal to the debt portion of future rental payments, the debt portion of the early buy-out option and its absolute, unconditional and irrevocable guarantee of the prompt payment of such amounts when due. VTA is obligated to replace American International Group (AIG) if the credit rating assigned to such Provider by Standard & Poor’s or Moody’s falls below Baa1/BBB+.

VTA used an additional $16,853,000 of the Headlease prepayment to purchase obligations of the United States government in various dollar amounts and maturities, which coincide with the due dates of the equity portion of the sublease rental obligations and the equity portion of the early buy-out option. The investments have been transferred to a custodian. Additionally, VTA acquired a financial guaranty insurance policy from FSA to secure part of the equity portion of the sublease termination obligations. VTA is obligated to replace FSA if its credit rating by Standard & Poor’s or Moody’s falls below Aa3/AA-. VTA paid
$1,683,000 in appraisal, legal advisor and other fees. The pecuniary benefit to VTA in fiscal 1999 was $5,600,000.

(b) Sublease Agreement with Utah Transit Authority (UTA) and Sacramento Regional Transit District (RT)

In May 2003, the VTA Board approved the execution of the sublease agreements with the Utah Transit Authority (UTA) and Sacramento Regional Transit District (RT) for the sublease of 50 UTDC Light Rail Vehicles (LRVs) with aggregate prepaid rent in the amount of $9.3 million.

Per the sublease agreement, VTA shipped 29 LRV cars to UTA and 21 LRV cars to Sacramento. The UTA/RT Agreements provide that UTA and RT pay the prorated portion of the prepaid rent for the UTDC LRVs upon the delivery of each vehicle to UTA or RT. The aggregate amount of rental payments for UTA and RT are $5.2 million and $4.1 million, respectively. During FY2006, VTA shipped 14 cars to UTA, 21 cars to Sacramento, and the remaining 15 cars were shipped to UTA with total proceeds of approximately $2.3 million.

The basic sublease term is approximately 13 years with a sublease renewal term of 9 years thereafter. The sublease transaction was recorded as a capital lease during FY2004. The net book value of assets amounting to $23 million was taken out from the books and a loss in the amount of $16 million was immediately recognized as a special item in FY2004 and FY2005 respectively.

(c) Lease to Service Contracts

In August and December 2003, VTA entered into four “lease to service” agreements covering 66 Kinkisharyo low floor light rail vehicles. These agreements included four head leases to lease the vehicles to trusts created by equity and simultaneously lease them back under separate leases. Under certain conditions there could be 12-19 year service periods following the lease periods, which range from 24-30 years. VTA received prepayments of the head lease rents from the investors of approximately $291.2 million, of which $221.5 million was invested with a debt payment undertaker, who will make the scheduled lease rent payments and $33.5 million was invested in fixed rate securities or payment undertakers to fund purchase options at the end of the lease terms, should VTA decide to exercise its purchase options.

Approximately $30.0 million represents considerations for tax benefits net of $6.2
million in expenses, and was reported as revenue from head lease in the enterprise fund. VTA’s payment obligations under these leases are guaranteed by either AIG or Ambac Assurance Corporation (Ambac). VTA is obligated to replace these parties if their credit rating by Standard & Poor’s or Moody’s falls below designated levels.

During 2008, AIG’s credit rating was reduced amid the U.S. global economic crisis. The downgrade of AIG impacted three of four lease to service contracts. Although each equity investor had the right to demand that VTA replace AIG as guarantor, one of the investors decided to exercise the option to terminate a transaction. VTA entered negotiations with this investor to unwind the transaction at the current market value in the equity defeasance account plus a return of $3.0 million (equal to 24% of the original net benefit received by VTA for the transaction). The negotiations were finalized in FY2009 and final payment was made and a termination agreement was executed. VTA is in negotiations with the other equity investor (covering two transactions) to determine a mutually agreeable resolution as no replacements for AIG are available in the current market.

During 2008, Ambac’s credit rating was also reduced, impacting the fourth lease to service contract. In June 2010, VTA and the equity investor entered into a Collateral Delivery and Pledge Agreement (Pledge Agreement). Under the terms of the Pledge Agreement the equity investor waived the requirement to replace Ambac as the surety provider in the transaction, in exchange for a pledge of collateral in an amount equal to 50% of Ambac’s scheduled obligations (adjusted to account for market values). The initial amount of pledged collateral was $6.7 million and will be adjusted on an annual basis based on the June 30 market values of the securities that have been pledged. Pledged collateral is held by VTA’s custodian and is included in the Statement of Fund Net Assets as a restricted investment. Also in June 2010, one light rail vehicle was removed from this transaction due to loss.

VTA is obligated to insure and maintain the light rail vehicles. The lease agreements provide for VTA’s right to continue to use and control the light rail vehicles. VTA has also agreed to indemnify the lessor from any taxes imposed by United States taxing authorities and from any other increased costs.
REQUIRED SUPPLEMENTARY INFORMATION
(other than MD&A)
Amalgamated Transit Union Pension Plan
(Unaudited)
(In thousands)

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (in thousands)</th>
<th>Actuarial Accrued Liability (AAL)</th>
<th>Unfunded AAL</th>
<th>Funded Ratio</th>
<th>Covered Payroll (in thousands)</th>
<th>Unfunded AAL as a Percentage of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2008</td>
<td>$344,522</td>
<td>$423,739</td>
<td>$79,218</td>
<td>81.3%</td>
<td>$98,722</td>
<td>80.2%</td>
</tr>
<tr>
<td>1/1/2009</td>
<td>$325,247</td>
<td>$442,831</td>
<td>$117,583</td>
<td>73.0%</td>
<td>$100,878</td>
<td>117.0%</td>
</tr>
<tr>
<td>1/1/2010</td>
<td>$354,785</td>
<td>$462,912</td>
<td>$108,127</td>
<td>77.0%</td>
<td>$102,626</td>
<td>105.0%</td>
</tr>
</tbody>
</table>

(1) The schedule of funding progress presents the most recent actuarial information regarding the funding progress of the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan.
<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Accrued Liability</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Accrued Liability (AAL)</th>
<th>Funded Ratio</th>
<th>Annual Covered Payroll</th>
<th>Unfunded AAL as a Percentage of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2006</td>
<td>$177,983</td>
<td>$152,536</td>
<td>$25,447</td>
<td>85.70%</td>
<td>$50,302</td>
<td>50.60%</td>
</tr>
<tr>
<td>6/30/2007</td>
<td>195,099</td>
<td>170,837</td>
<td>24,262</td>
<td>87.60%</td>
<td>49,682</td>
<td>48.80%</td>
</tr>
<tr>
<td>6/30/2008</td>
<td>214,451</td>
<td>188,898</td>
<td>25,553</td>
<td>88.10%</td>
<td>51,043</td>
<td>50.10%</td>
</tr>
</tbody>
</table>
Retirees’ Other Post Employment Benefits (OPEB) Trust
(Unaudited)
(In thousands)

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) - Entry Age Normal (b)</th>
<th>Unfunded AAL (UAAL) (b-a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll (b-a)/c</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/2007</td>
<td>$101,738</td>
<td>$208,775</td>
<td>$107,037</td>
<td>48.7%</td>
<td>$153,176</td>
<td>69.9%</td>
</tr>
<tr>
<td>7/1/2008</td>
<td>104,404</td>
<td>225,482</td>
<td>121,078</td>
<td>46.3%</td>
<td>155,426</td>
<td>77.9%</td>
</tr>
</tbody>
</table>


**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY**

Required Supplementary Information

Budgetary Comparison Schedule

Congestion Management Program Special Revenue Fund

For the Year ended June 30, 2010

(In thousands)

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Favorable/(Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessments to member agencies</td>
<td>$2,495</td>
<td>$2,495</td>
<td>$2,495</td>
<td>$-</td>
</tr>
<tr>
<td>Federal grant revenues</td>
<td>1,085</td>
<td>1,085</td>
<td>1,235</td>
<td>150</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>-</td>
<td>130</td>
<td>111</td>
<td>(19)</td>
</tr>
<tr>
<td>State and local operating assistance grants</td>
<td>980</td>
<td>850</td>
<td>619</td>
<td>(231)</td>
</tr>
<tr>
<td>Other revenues</td>
<td>50</td>
<td>50</td>
<td>42</td>
<td>(8)</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>-</td>
<td>-</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>$4,610</td>
<td>$4,610</td>
<td>$4,514</td>
<td>($96)</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VTA labor and overhead costs</td>
<td>4,302</td>
<td>4,302</td>
<td>3,709</td>
<td>593</td>
</tr>
<tr>
<td>Services and other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional services</td>
<td>500</td>
<td>500</td>
<td>518</td>
<td>(18)</td>
</tr>
<tr>
<td>Other services</td>
<td>31</td>
<td>31</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td>Data processing</td>
<td>12</td>
<td>12</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>25</td>
<td>25</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>Capital outlay on behalf of other agencies</td>
<td>-</td>
<td>-</td>
<td>12</td>
<td>(12)</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$4,870</td>
<td>$4,870</td>
<td>$4,279</td>
<td>591</td>
</tr>
<tr>
<td>Change in fund balance, on a budgetary basis</td>
<td>$ (260)</td>
<td>$ (260)</td>
<td>$235</td>
<td>$495</td>
</tr>
</tbody>
</table>

Revenues and Expenditure not budgeted:

- Investment earnings: (12)
- Capital Outlay on behalf of other agencies: 12

Change in fund balance, on a GAAP basis: 235

**Fund Balance, Beginning of Year**

52

**Fund Balance, End of Year**

$287
Budgetary Basis of Accounting

State law requires the adoption of an annual budget, which must be approved by the VTA’s Board of Directors. The VTA Board adopts a biennial budget for its Congestion Management Program Special Revenue Fund. The budget for the Special Revenue Fund is prepared on a modified accrual basis.

Budgetary control is maintained at the fund level. The Division Chief must authorize line item reclassification amendments to the budget. Managers are assigned the responsibility for controlling their budgets and monitoring operating expenses. Annual appropriations for the operating budget lapse at the end of the fiscal year to the extent that they have not been expended. The unexpended capital budget at fiscal year end is carried forward from year to year until the project is completed.
SUPPLEMENTARY INFORMATION
(Combining and Individual Fund Statements)
## SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
### Comparative Statement of Fund Net Assets
#### Enterprise Funds
#### June 30,
#### (In thousands)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 510</td>
<td>$ 5,502</td>
</tr>
<tr>
<td>Investments</td>
<td>3,847</td>
<td>4,167</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>3,526</td>
<td>4,417</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>1,529</td>
<td>526</td>
</tr>
<tr>
<td>Due from other governmental agencies</td>
<td>73,395</td>
<td>65,149</td>
</tr>
<tr>
<td>Inventories</td>
<td>20,818</td>
<td>21,158</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,308</td>
<td>1,305</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>104,933</strong></td>
<td><strong>102,224</strong></td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6,707</td>
<td>11,266</td>
</tr>
<tr>
<td>Cash and investments with fiscal agent</td>
<td>20,808</td>
<td>20,563</td>
</tr>
<tr>
<td>Investments</td>
<td>500,164</td>
<td>433,587</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>1,003</td>
<td>1,267</td>
</tr>
<tr>
<td>Due from other governmental agencies</td>
<td>52,347</td>
<td>47,883</td>
</tr>
<tr>
<td>Other current assets</td>
<td>33</td>
<td>173</td>
</tr>
<tr>
<td><strong>Total restricted current assets</strong></td>
<td><strong>581,062</strong></td>
<td><strong>514,739</strong></td>
</tr>
<tr>
<td><strong>Non-current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPEB obligation over-contributions</td>
<td>837</td>
<td>1,473</td>
</tr>
<tr>
<td>Deferred charges</td>
<td>11,767</td>
<td>10,944</td>
</tr>
<tr>
<td>Deferred outflow of resources</td>
<td>71,490</td>
<td>-</td>
</tr>
<tr>
<td><strong>Capital Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Nondepreciable:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and right-of-way</td>
<td>1,123,321</td>
<td>1,119,217</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>814,241</td>
<td>781,381</td>
</tr>
<tr>
<td><strong>Depreciable:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings, improvements, furniture, and fixtures</td>
<td>495,436</td>
<td>488,156</td>
</tr>
<tr>
<td>Vehicles</td>
<td>435,652</td>
<td>442,771</td>
</tr>
<tr>
<td>Light-rail tracks and electrification</td>
<td>402,622</td>
<td>399,824</td>
</tr>
<tr>
<td>CalTrain - Gilroy extension</td>
<td>53,307</td>
<td>53,155</td>
</tr>
<tr>
<td>Other</td>
<td>52,296</td>
<td>41,730</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(565,012)</td>
<td>(519,886)</td>
</tr>
<tr>
<td><strong>Net capital assets</strong></td>
<td><strong>2,811,863</strong></td>
<td><strong>2,806,348</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>3,581,952</strong></td>
<td><strong>3,435,728</strong></td>
</tr>
</tbody>
</table>

(Continued)
<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>15,755</td>
<td>12,813</td>
</tr>
<tr>
<td>Deposits</td>
<td>481</td>
<td>459</td>
</tr>
<tr>
<td>Accrued payroll and related liabilities</td>
<td>10,033</td>
<td>8,642</td>
</tr>
<tr>
<td>Bond interest and other fee payable</td>
<td>763</td>
<td>704</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>2,116</td>
<td>1,470</td>
</tr>
<tr>
<td>Due to other governmental agencies</td>
<td>1,669</td>
<td>448</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>133</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>30,950</strong></td>
<td><strong>24,536</strong></td>
</tr>
<tr>
<td><strong>Liabilities payable from restricted assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>11,800</td>
<td>9,180</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>19,093</td>
<td>19,326</td>
</tr>
<tr>
<td>Bond interest and other fee payable</td>
<td>3,665</td>
<td>3,642</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>27</td>
<td>286</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>2,609</td>
<td>1,173</td>
</tr>
<tr>
<td>Due to other governmental agencies</td>
<td>43,060</td>
<td>33,811</td>
</tr>
<tr>
<td>Other accrued liabilities-current</td>
<td>-</td>
<td>3,302</td>
</tr>
<tr>
<td><strong>Total current liabilities payable from restricted assets</strong></td>
<td><strong>80,254</strong></td>
<td><strong>70,720</strong></td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt, excluding current portion</td>
<td>604,273</td>
<td>616,162</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>71,490</td>
<td>-</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>343</td>
<td>238</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>676,106</strong></td>
<td><strong>616,400</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>787,310</strong></td>
<td><strong>711,656</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td><strong>$ 2,794,642</strong></td>
<td><strong>$ 2,724,072</strong></td>
</tr>
</tbody>
</table>
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets  
Enterprise Fund  
For the Years Ended June 30,  
(In thousands)  

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger fares</td>
<td>$36,857</td>
<td>$36,184</td>
</tr>
<tr>
<td>Advertising and other</td>
<td>1,973</td>
<td>2,255</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td>38,830</td>
<td>38,439</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor cost</td>
<td>246,539</td>
<td>246,150</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>26,216</td>
<td>27,097</td>
</tr>
<tr>
<td>Services</td>
<td>18,345</td>
<td>22,777</td>
</tr>
<tr>
<td>Utilities</td>
<td>6,718</td>
<td>6,869</td>
</tr>
<tr>
<td>Casualty and Liability</td>
<td>4,689</td>
<td>5,818</td>
</tr>
<tr>
<td>Purchased transportation</td>
<td>24,245</td>
<td>27,974</td>
</tr>
<tr>
<td>Leases and rentals</td>
<td>2,217</td>
<td>3,499</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,461</td>
<td>1,966</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>51,378</td>
<td>51,762</td>
</tr>
<tr>
<td>Costs allocated to capital and other programs</td>
<td>(33,989)</td>
<td>(39,628)</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSE</strong></td>
<td>347,819</td>
<td>354,284</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING LOSS</strong></td>
<td>(308,989)</td>
<td>(315,845)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales tax revenue</td>
<td>279,342</td>
<td>274,903</td>
</tr>
<tr>
<td>Federal operating assistance and other grants</td>
<td>59,101</td>
<td>33,449</td>
</tr>
<tr>
<td>State and local operating assistance grants</td>
<td>67,833</td>
<td>81,488</td>
</tr>
<tr>
<td>Caltrain subsidy</td>
<td>(15,878)</td>
<td>(15,878)</td>
</tr>
<tr>
<td>Capital expenses on behalf of, and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>contribution to, other agencies</td>
<td>(81,714)</td>
<td>(42,626)</td>
</tr>
<tr>
<td>Altamont Commuter Express subsidy</td>
<td>(2,707)</td>
<td>(2,707)</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>5,764</td>
<td>15,341</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(20,583)</td>
<td>(11,651)</td>
</tr>
<tr>
<td>Other income</td>
<td>3,075</td>
<td>3,385</td>
</tr>
<tr>
<td>Other expense</td>
<td>(7,268)</td>
<td>(5,446)</td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUE, NET</strong></td>
<td>286,965</td>
<td>330,258</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INCOME (LOSS) BEFORE CONTRIBUTIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(22,024)</td>
<td>14,413</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CAPITAL CONTRIBUTIONS</strong></td>
<td>92,594</td>
<td>82,175</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>70,570</td>
<td>96,588</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET ASSETS, BEGINNING OF YEAR</strong></td>
<td>2,724,072</td>
<td>2,627,484</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET ASSETS, END OF YEAR</strong></td>
<td>$2,794,642</td>
<td>$2,724,072</td>
</tr>
</tbody>
</table>
## SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended June 30,
(In thousands)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from passenger fares</td>
<td>$36,857</td>
<td>$36,184</td>
</tr>
<tr>
<td>Cash received from advertising</td>
<td>1,973</td>
<td>2,255</td>
</tr>
<tr>
<td>Cash paid to employees</td>
<td>(212,509)</td>
<td>(206,475)</td>
</tr>
<tr>
<td>Cash paid to suppliers</td>
<td>(53,698)</td>
<td>(79,011)</td>
</tr>
<tr>
<td>Cash paid for purchased transportation</td>
<td>(24,245)</td>
<td>(27,974)</td>
</tr>
<tr>
<td>Net cash provided by/(used in) operating activities</td>
<td>(251,622)</td>
<td>(275,021)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating grants received</td>
<td>125,894</td>
<td>113,712</td>
</tr>
<tr>
<td>Sales tax received</td>
<td>267,139</td>
<td>292,241</td>
</tr>
<tr>
<td>Caltrain subsidy</td>
<td>(15,878)</td>
<td>(15,878)</td>
</tr>
<tr>
<td>Altamont Commuter Express subsidy</td>
<td>(2,707)</td>
<td>(2,707)</td>
</tr>
<tr>
<td>Other non-operating receipts/(payments)</td>
<td>2,477</td>
<td>(1,237)</td>
</tr>
<tr>
<td></td>
<td>376,925</td>
<td>386,131</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment of long-term debt</td>
<td>(9,180)</td>
<td>(9,745)</td>
</tr>
<tr>
<td>Advance from other governments</td>
<td>14,210</td>
<td>(2,114)</td>
</tr>
<tr>
<td>Interest paid on long-term debt</td>
<td>(12,454)</td>
<td>(26,500)</td>
</tr>
<tr>
<td>Cost of bond issuance</td>
<td>-</td>
<td>(11,651)</td>
</tr>
<tr>
<td>Acquisition and construction of capital assets</td>
<td>(92,384)</td>
<td>(180,496)</td>
</tr>
<tr>
<td>Capital contribution to other agencies</td>
<td>(68,190)</td>
<td>(23,893)</td>
</tr>
<tr>
<td>Capital contribution from other governments</td>
<td>100,189</td>
<td>107,550</td>
</tr>
<tr>
<td></td>
<td>(67,809)</td>
<td>(146,849)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>685,211</td>
<td>1,151,288</td>
</tr>
<tr>
<td>Purchases in investments</td>
<td>(756,365)</td>
<td>(1,135,915)</td>
</tr>
<tr>
<td>Interest income received</td>
<td>4,354</td>
<td>10,752</td>
</tr>
<tr>
<td></td>
<td>(66,800)</td>
<td>26,125</td>
</tr>
<tr>
<td><strong>NET DECREASE IN CASH AND CASH EQUIVALENTS</strong></td>
<td>(9,306)</td>
<td>(9,614)</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</strong></td>
<td>37,331</td>
<td>46,945</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, END OF YEAR</strong></td>
<td>$28,025</td>
<td>$37,331</td>
</tr>
</tbody>
</table>

(continued on next page)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:

Operating income/(loss) $ (308,989) $ (315,845)

Adjustments to reconcile operating income (loss) to net cash used in operating activities:

Depreciation 51,378 51,762

Changes in operating assets and liabilities:

Receivables 1,155 (2,539)
Due from other governmental agencies (1,003) -
Inventories 340 (1,214)
Accounts payable 2,709 (6,911)
Other accrued liabilities 133 1,665
Other Current assets (3) (2,099)
Due to other governmental agencies 2,658 30,718
Due to/from other funds - (30,558)

Net cash provided by/(used in) operating activities $ (251,622) $ (275,021)

Reconciliation of cash and cash equivalents to the Statement of Fund Net Assets:

Cash and cash equivalents, end of year:

Unrestricted $ 510 $ 5,502
Restricted 27,515 31,829

$ 28,025 $ 37,331

NONCASH ACTIVITIES:

Increase/(Decrease) in fair value of investments $ 3,315 $ 3,316
Amortization expense of Caltrain Access Fee (1,314) (832)

Total non-cash activities $ 2,001 $ 2,484
## SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

**Budgetary Comparison Schedule - Enterprise Fund**

**VTA Transit Fund**

For the year ended June 30, 2010

(In thousands)

<table>
<thead>
<tr>
<th>FY10</th>
<th>Adopted Budget</th>
<th>Final Budget</th>
<th>Actual Budget</th>
<th>Favorable (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fares</td>
<td>$38,533</td>
<td>$38,533</td>
<td>$36,857</td>
<td>$(1,676)</td>
</tr>
<tr>
<td>1976 1/2 Cent Sales Tax</td>
<td>144,420</td>
<td>144,420</td>
<td>140,037</td>
<td>$(4,383)</td>
</tr>
<tr>
<td>Transportation Development Act funds</td>
<td>67,877</td>
<td>67,877</td>
<td>65,801</td>
<td>$(2,076)</td>
</tr>
<tr>
<td>Measure A Sales Tax Oper Assistance</td>
<td>26,380</td>
<td>26,380</td>
<td>25,711</td>
<td>$(669)</td>
</tr>
<tr>
<td>Federal Operating Grants</td>
<td>50,946</td>
<td>50,946</td>
<td>59,101</td>
<td>8,155</td>
</tr>
<tr>
<td>State Operating Grants</td>
<td>2,023</td>
<td>2,023</td>
<td>2,032</td>
<td>9</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>2,196</td>
<td>2,196</td>
<td>2,147</td>
<td>(49)</td>
</tr>
<tr>
<td>Advertising Income</td>
<td>2,023</td>
<td>2,023</td>
<td>1,671</td>
<td>$(352)</td>
</tr>
<tr>
<td>Other Income</td>
<td>15,202</td>
<td>15,202</td>
<td>13,603</td>
<td>$(1,599)</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>349,600</strong></td>
<td><strong>349,600</strong></td>
<td><strong>346,960</strong></td>
<td><strong>$(2,640)</strong></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Costs</td>
<td>253,360</td>
<td>249,777</td>
<td>246,539</td>
<td>3,238</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>15,432</td>
<td>15,412</td>
<td>15,537</td>
<td>(125)</td>
</tr>
<tr>
<td>Security</td>
<td>7,584</td>
<td>7,484</td>
<td>7,273</td>
<td>211</td>
</tr>
<tr>
<td>Professional &amp; Special Services</td>
<td>3,685</td>
<td>3,680</td>
<td>2,788</td>
<td>892</td>
</tr>
<tr>
<td>Other Services</td>
<td>8,016</td>
<td>7,863</td>
<td>7,022</td>
<td>841</td>
</tr>
<tr>
<td>Fuel</td>
<td>10,829</td>
<td>10,829</td>
<td>10,151</td>
<td>678</td>
</tr>
<tr>
<td>Traction Power</td>
<td>3,351</td>
<td>3,351</td>
<td>3,072</td>
<td>279</td>
</tr>
<tr>
<td>Tires</td>
<td>1,597</td>
<td>1,597</td>
<td>1,528</td>
<td>69</td>
</tr>
<tr>
<td>Utilities</td>
<td>2,461</td>
<td>2,462</td>
<td>2,533</td>
<td>(71)</td>
</tr>
<tr>
<td>Insurance</td>
<td>4,847</td>
<td>4,772</td>
<td>4,689</td>
<td>83</td>
</tr>
<tr>
<td>Data Processing</td>
<td>2,694</td>
<td>2,259</td>
<td>2,134</td>
<td>125</td>
</tr>
<tr>
<td>Office Expense</td>
<td>347</td>
<td>347</td>
<td>308</td>
<td>39</td>
</tr>
<tr>
<td>Communications</td>
<td>1,039</td>
<td>1,039</td>
<td>1,113</td>
<td>(74)</td>
</tr>
<tr>
<td>Employee Related Expense</td>
<td>828</td>
<td>828</td>
<td>630</td>
<td>198</td>
</tr>
<tr>
<td>Leases &amp; Rents</td>
<td>512</td>
<td>512</td>
<td>404</td>
<td>108</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>946</td>
<td>908</td>
<td>539</td>
<td>369</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>$(41,966)</td>
<td>$(41,603)</td>
<td>$(43,441)</td>
<td>1,838</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>275,562</strong></td>
<td><strong>271,517</strong></td>
<td><strong>262,819</strong></td>
<td><strong>8,698</strong></td>
</tr>
<tr>
<td><strong>OTHER EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paratransit</td>
<td>32,132</td>
<td>29,275</td>
<td>26,376</td>
<td>2,899</td>
</tr>
<tr>
<td>Caltrain</td>
<td>18,179</td>
<td>18,179</td>
<td>18,149</td>
<td>30</td>
</tr>
<tr>
<td>Light Rail Shuttles</td>
<td>34</td>
<td>34</td>
<td>41</td>
<td>(7)</td>
</tr>
<tr>
<td>Altamont Commuter Express</td>
<td>4,509</td>
<td>4,468</td>
<td>4,389</td>
<td>79</td>
</tr>
<tr>
<td>Highway 17 Express</td>
<td>411</td>
<td>411</td>
<td>325</td>
<td>86</td>
</tr>
<tr>
<td>Dumbarton Express</td>
<td>457</td>
<td>457</td>
<td>410</td>
<td>47</td>
</tr>
<tr>
<td>Monterey-San Jose Express Service</td>
<td>46</td>
<td>46</td>
<td>40</td>
<td>6</td>
</tr>
<tr>
<td>Contribution to Other Agencies</td>
<td>671</td>
<td>670</td>
<td>588</td>
<td>82</td>
</tr>
<tr>
<td>Debt Service</td>
<td>20,893</td>
<td>20,408</td>
<td>17,541</td>
<td>2,867</td>
</tr>
<tr>
<td>Other expenses</td>
<td>-</td>
<td>2</td>
<td></td>
<td>(2)</td>
</tr>
<tr>
<td>Contingencies</td>
<td>500</td>
<td>250</td>
<td></td>
<td>250</td>
</tr>
<tr>
<td><strong>Total other expenses</strong></td>
<td><strong>77,832</strong></td>
<td><strong>74,198</strong></td>
<td><strong>67,861</strong></td>
<td><strong>6,337</strong></td>
</tr>
<tr>
<td><strong>Total operating and other expenses</strong></td>
<td><strong>353,394</strong></td>
<td><strong>345,715</strong></td>
<td><strong>330,680</strong></td>
<td><strong>15,035</strong></td>
</tr>
<tr>
<td><strong>Net income(loss), on a budgetary basis</strong></td>
<td><strong>$(3,794)</strong></td>
<td><strong>$3,885</strong></td>
<td><strong>16,280</strong></td>
<td><strong>$12,395</strong></td>
</tr>
</tbody>
</table>

(continued on next page)
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule - Enterprise Fund (continued)
VTA Transit Fund
For the year ended June 30, 2010
(In thousands)

<table>
<thead>
<tr>
<th>FY10</th>
<th>Adopted Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Favorable (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income(loss), on a budgetary basis</td>
<td>$ (3,794)</td>
<td>$ 3,885</td>
<td>$ 16,280</td>
<td>$ 12,395</td>
</tr>
</tbody>
</table>

Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:

- Project Revenues - VTA Enterprise: $16,104
- Project Expenditure: $(2,929)
- Capital Contributions to Other Agencies: $(3,403)
- Bond Principal Payment: $9,180
- Amortization of Bond Discounts: $(1,036)
- Unrealized Gain on investment: $819
- Debt Reduction Fund Interest Earnings: $1,553
- Other non-budgetary revenues/(expenses): $421
- Gain/(Loss) on Disposal of assets: $(176)
- Depreciation: $(51,378)

Net Loss, on a GAAP Basis: $(14,565)
### SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

**Combining Statement of Fiduciary Net Assets**

**Retiree Trust Funds**

**June 30, 2010**

(In thousands)

<table>
<thead>
<tr>
<th></th>
<th>ATU Pension Trust</th>
<th>OPEB Trust</th>
<th>Spousal Medical</th>
<th>Vision/Medical</th>
<th>Medical Trust</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$466</td>
<td>$292</td>
<td>$20</td>
<td>$11</td>
<td>$31</td>
<td>$789</td>
</tr>
<tr>
<td>Investments</td>
<td>316,057</td>
<td>119,419</td>
<td>7,559</td>
<td>4,346</td>
<td>11,905</td>
<td>447,381</td>
</tr>
<tr>
<td>Receivables</td>
<td>1,125</td>
<td>498</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,623</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>317,648</td>
<td>120,209</td>
<td>7,579</td>
<td>4,357</td>
<td>11,936</td>
<td>449,793</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Restricted liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>254</td>
<td>522</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>777</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets held in trust for:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension benefits</td>
<td>317,394</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>317,394</td>
</tr>
<tr>
<td>Other post-employment benefits</td>
<td>-</td>
<td>119,687</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>119,687</td>
</tr>
<tr>
<td>Spousal medical benefits</td>
<td>-</td>
<td>-</td>
<td>7,578</td>
<td>-</td>
<td>7,578</td>
<td>7,578</td>
</tr>
<tr>
<td>Retiree dental and vision benefits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,357</td>
<td>4,357</td>
<td>4,357</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>$317,394</td>
<td>$119,687</td>
<td>$7,578</td>
<td>$4,357</td>
<td>$11,935</td>
<td>$449,016</td>
</tr>
</tbody>
</table>
### SANTA CLARA VALLEY TRANSPORTATION AGENCY
Combining Statement of Changes in Fiduciary Net Assets
Retiree Trust Funds
For the Year Ended June 30, 2010
(In thousands)

<table>
<thead>
<tr>
<th></th>
<th>ATU Pension Trust</th>
<th>ATU OPEB Trust</th>
<th>ATU Medical Trust</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$17,905</td>
<td>$14,213</td>
<td>$910</td>
<td>$325</td>
</tr>
<tr>
<td><strong>Investment earnings:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>12,950</td>
<td>2,669</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Net appreciation in the fair value of investments</td>
<td>27,305</td>
<td>10,121</td>
<td>898</td>
<td>502</td>
</tr>
<tr>
<td>Investment expense</td>
<td>(1,316)</td>
<td>(131)</td>
<td>(2)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td>38,939</td>
<td>12,659</td>
<td>898</td>
<td>502</td>
</tr>
<tr>
<td><strong>TOTAL ADDITIONS</strong></td>
<td>56,844</td>
<td>26,872</td>
<td>1,808</td>
<td>827</td>
</tr>
</tbody>
</table>

|                      |                   |                |                   |       |
| **DEDUCTIONS**       |                   |                |                   |       |
| Benefit payments     | 22,043            | 7,477          | 1,202             | -     | 1,202  | 30,722  |
| Administrative expenses | 209             | -              | -                 | -     | -      | 209     |
| **TOTAL DEDUCTIONS** | 22,252            | 7,477          | 1,202             | -     | 1,202  | 30,931  |

|                      |                   |                |                   |       |
| NET INCREASE         | 34,592            | 19,395         | 606               | 827   | 1,433  | 55,420  |

|                      |                   |                |                   |       |
| **NET ASSETS HELD IN TRUST** |                   |                |                   |       |
| BEGINNING OF YEAR    | $282,802          | $100,292       | $6,972            | $3,530| $10,502| $393,596|
| END OF YEAR          | $317,394          | $119,687       | $7,578            | $4,357| $11,935| $449,016|

(26.c)
## SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010
(In thousands)

### Measure B

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Measure B</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BAAQMD Ancillary</td>
<td>Program</td>
<td>Program</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 230</td>
<td>$ 2,168</td>
<td></td>
<td>$ 2,398</td>
</tr>
<tr>
<td>Investments</td>
<td>3,052</td>
<td>-</td>
<td></td>
<td>3,052</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>7</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>3,282</td>
<td>2,175</td>
<td></td>
<td>5,457</td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th>Liability Type</th>
<th>Measure B</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>BAAQMD Ancillary</td>
<td>Program</td>
<td>Program</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Liabilities payable from restricted assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program payable</td>
<td>3,282</td>
<td>2,175</td>
<td></td>
<td>5,457</td>
</tr>
<tr>
<td><strong>Total Liabilities Payable from Restricted Assets</strong></td>
<td>$ 3,282</td>
<td>$ 2,175</td>
<td>$ 5,457</td>
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</table>
### BAAQMD Program

<table>
<thead>
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<th>Restricted assets:</th>
<th>Balance</th>
<th>Increase</th>
<th>Decrease</th>
<th>Balance</th>
</tr>
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<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,012</td>
<td>$230</td>
<td>$-</td>
<td>$3,012</td>
</tr>
<tr>
<td>Investments</td>
<td>3,012</td>
<td>40</td>
<td>-</td>
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<tr>
<td><strong>Total restricted assets</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Liabilities payable from restricted assets:</th>
<th>Balance</th>
<th>Increase</th>
<th>Decrease</th>
<th>Balance</th>
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</thead>
<tbody>
<tr>
<td>Program payable</td>
<td>$3,012</td>
<td>$270</td>
<td>$-</td>
<td>$3,282</td>
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<tr>
<td><strong>Total liabilities payable from restricted assets</strong></td>
<td>$3,012</td>
<td>$270</td>
<td>$-</td>
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### Measure B Ancillary Program

<table>
<thead>
<tr>
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<th>Increase</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$8,285</td>
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<td>Due from other funds</td>
<td>-</td>
<td>$7</td>
<td>-</td>
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<tr>
<td><strong>Total restricted assets</strong></td>
<td>$8,285</td>
<td>$7</td>
<td>$6,117</td>
<td>$2,175</td>
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</table>

<table>
<thead>
<tr>
<th>Liabilities payable from restricted assets:</th>
<th>Balance</th>
<th>Increase</th>
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<tr>
<td>Program payable</td>
<td>$411</td>
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<td>Due to other funds</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Due to other governmental agencies</td>
<td>7,871</td>
<td>-</td>
<td>7,871</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total liabilities payable from restricted assets</strong></td>
<td>$8,285</td>
<td>$1,764</td>
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</table>

### Total - All Agency Funds

<table>
<thead>
<tr>
<th>Restricted assets:</th>
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<th>Increase</th>
<th>Decrease</th>
<th>Balance</th>
</tr>
</thead>
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<td>$230</td>
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<tr>
<td>Investments</td>
<td>3,012</td>
<td>40</td>
<td>-</td>
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<tr>
<td>Due from other funds</td>
<td>-</td>
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<td>-</td>
<td>7</td>
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<td><strong>Total restricted assets</strong></td>
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<td>$277</td>
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</table>

<table>
<thead>
<tr>
<th>Liabilities payable from restricted assets:</th>
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<th>Increase</th>
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<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>Due to other funds</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Due to other governmental agencies</td>
<td>7,871</td>
<td>-</td>
<td>7,871</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total liabilities payable from restricted assets</strong></td>
<td>$11,297</td>
<td>$2,034</td>
<td>$7,874</td>
<td>$5,457</td>
</tr>
</tbody>
</table>
APPENDIX C

COUNTY OF SANTA CLARA DEMOGRAPHIC AND ECONOMIC INFORMATION

The historical economic and demographic data set forth in this Remarketing Memorandum are the most current data available as of the date of this Remarketing Memorandum. However, certain data relate to periods prior to the commencement of the recent recession in the economy. The inclusion in this Remarketing Memorandum of historical data relating to periods prior to the commencement of such recession in the economy should not be regarded as a representation by the Authority with respect to future performance or any guarantee of any future results.

General Information

The County of Santa Clara (the “County”) lies immediately south of San Francisco Bay and is the sixth most populous county in the State of California (the “State”). It encompasses an area of approximately 1,316 square miles. The County was incorporated in 1850 as one of the original 28 counties of the State and operates under a home rule charter adopted by County voters in 1950 and amended in 1976.

The southern portion of the County has retained the agricultural base which once existed throughout the area and has two cities, separated by roughly 10 miles. The northern portion of the County is densely populated, extensively urbanized and heavily industrialized. The County contains 15 cities, the largest of which is the City of San Jose, the third largest city in the State and the County seat. The uppermost northwestern portion of the County, with its concentration of high-technology, electronics-oriented industry, is popularly referred to as the “Silicon Valley.” Large employers include Hewlett-Packard, Intel Corp., National Semiconductor Corp., Lockheed Martin Space Systems Co. and IBM Corp.

Neighboring counties include San Mateo in the northwest, Santa Cruz in the southwest, San Benito in the south, Merced and Stanislaus in the east, and Alameda in the northeast. The City of San Jose is approximately 50 miles south of San Francisco and 42 miles south of the City of Oakland. These are the three largest cities of the nine-county San Francisco Bay Area, with the City of San Jose being the largest.

As required under the County Charter and under County ordinances, or by State and federal mandate, the County is responsible at the local level for activities involving public welfare, health and justice (courts and jails) and for the maintenance of public records. The County also operates recreational and cultural facilities serving the unincorporated areas of the County and on a regional basis.

Population

Historical Population Growth. Over the past 60 years, the County’s population growth pattern has exhibited three decades of rapid growth followed by three decades of more sustainable growth rates.

According to U.S. Census figures, the number of County residents grew by 66% between 1940 and 1950, with most of the increase concentrated in the unincorporated areas and in the largest cities of San Jose, Palo Alto and Santa Clara. In the next decade, from 1950 to 1960, population grew by 121% with every major city as well as the unincorporated areas experiencing huge increases. The County also
recorded the incorporation of four new cities during the 1950s, raising the total number of cities to its current level of fifteen.

The County’s population growth subsided somewhat during the 1960s, although the 66% growth rate was over four times the 15.4% statewide increase. The population of San Jose doubled for the second decade in a row, while the cities of Mountain View, Santa Clara, and Sunnyvale added at least 23,000 residents each. As a result of the incorporation of four cities, the unincorporated area of the County posted its first decline in the 1960s, setting the stage for further drops in each of the subsequent three decades.

The County population growth rate fell to 21.5% during the 1970s. San Jose continued to add more residents (183,621) than any other city, while two of the larger cities (Palo Alto and Santa Clara) recorded small population declines and residents in the unincorporated area fell by 25,160. The slower growth of the 1970s reflected a slowing urbanization, due in part to policies adopted by the County to preserve agricultural areas.

The data from the 2000 U.S. Census indicate that the County’s population reached 1,682,585, representing a 12.4% increase from the population base in 1980. Over the same period, statewide population grew more rapidly at a rate of 13.8%. San Jose surpassed San Francisco as the largest city in the Bay Area, with a population of 894,943. According to the 2000 census data, over one-half of the County’s residents live in San Jose.

The proportion of residents living in cities is currently 94.9%, in contrast to the County’s makeup in 1940 when urban residents made up only 6.5% of the County’s population. Since the 1940s, the increasing maturation of the County’s employment and economic sectors has resulted in the incorporation of new cities as well as the expansion of city boundaries, resulting in a shrinking fraction (currently 5.6%) of residents living in unincorporated areas.

**Recent Annual Population Performance.** Between 2000 and 2010, the County experienced population growth of 11.8%. All of the cities in the County experienced growth during this period, with the City of Gilroy posting the fastest growth (25.5%). From 2007 to 2010, San Jose and Milpitas were the fastest growing cities in the County, growing at rates of 5.69% and 8.1%, respectively. The number of residents living in the unincorporated areas of the County decreased by 8.0% from 2000 to 2010. Currently, approximately 4.9% of the County residents live in unincorporated areas, a percentage which has steadily decreased over time as the population continues to migrate toward the cities.

By the year 2020, the State Department of Finance predicts that the County’s population will grow to approximately 110,000 residents, a 6.0% increase from 2010. (Source: State of California, Department of Finance, Demographic Research Unit (Report P-1).) The following table provides a historical summary of population in the County and its incorporated cities.
County of Santa Clara
Population

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Campbell</td>
<td>24,731</td>
<td>26,843</td>
<td>36,088</td>
<td>38,138</td>
<td>39,978</td>
<td>40,415</td>
<td>40,860</td>
</tr>
<tr>
<td>Cupertino</td>
<td>18,216</td>
<td>34,297</td>
<td>39,967</td>
<td>50,602</td>
<td>55,045</td>
<td>55,838</td>
<td>56,431</td>
</tr>
<tr>
<td>Gilroy</td>
<td>12,665</td>
<td>21,641</td>
<td>31,487</td>
<td>41,464</td>
<td>50,933</td>
<td>51,505</td>
<td>52,027</td>
</tr>
<tr>
<td>Los Altos</td>
<td>24,872</td>
<td>25,769</td>
<td>26,599</td>
<td>27,693</td>
<td>28,165</td>
<td>28,457</td>
<td>28,863</td>
</tr>
<tr>
<td>Los Altos Hills</td>
<td>6,862</td>
<td>7,421</td>
<td>7,514</td>
<td>8,025</td>
<td>8,799</td>
<td>8,890</td>
<td>9,042</td>
</tr>
<tr>
<td>Los Gatos</td>
<td>23,466</td>
<td>26,906</td>
<td>27,357</td>
<td>28,592</td>
<td>30,161</td>
<td>30,495</td>
<td>30,802</td>
</tr>
<tr>
<td>Milpitas</td>
<td>27,149</td>
<td>37,820</td>
<td>50,690</td>
<td>62,698</td>
<td>69,115</td>
<td>70,812</td>
<td>71,552</td>
</tr>
<tr>
<td>Monte Sereno</td>
<td>3,074</td>
<td>3,434</td>
<td>3,287</td>
<td>3,483</td>
<td>3,564</td>
<td>3,619</td>
<td>3,666</td>
</tr>
<tr>
<td>Morgan Hill</td>
<td>6,485</td>
<td>17,060</td>
<td>23,928</td>
<td>33,586</td>
<td>39,042</td>
<td>39,813</td>
<td>40,246</td>
</tr>
<tr>
<td>Mountain View</td>
<td>54,206</td>
<td>58,655</td>
<td>67,365</td>
<td>70,708</td>
<td>73,598</td>
<td>74,758</td>
<td>75,787</td>
</tr>
<tr>
<td>Palo Alto</td>
<td>55,999</td>
<td>55,225</td>
<td>55,900</td>
<td>58,598</td>
<td>63,080</td>
<td>64,480</td>
<td>65,408</td>
</tr>
<tr>
<td>San Jose</td>
<td>445,779</td>
<td>629,400</td>
<td>782,224</td>
<td>895,131</td>
<td>985,047</td>
<td>1,006,846</td>
<td>1,023,083</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>87,717</td>
<td>87,700</td>
<td>93,613</td>
<td>102,361</td>
<td>114,988</td>
<td>117,237</td>
<td>118,830</td>
</tr>
<tr>
<td>Saratoga</td>
<td>27,199</td>
<td>29,261</td>
<td>28,061</td>
<td>29,849</td>
<td>31,451</td>
<td>31,679</td>
<td>31,997</td>
</tr>
<tr>
<td>Sunnyvale</td>
<td>95,408</td>
<td>106,618</td>
<td>117,324</td>
<td>131,844</td>
<td>136,915</td>
<td>138,819</td>
<td>140,450</td>
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<tr>
<td>Unincorporated</td>
<td>152,181</td>
<td>127,021</td>
<td>106,173</td>
<td>99,813</td>
<td>99,096</td>
<td>93,853</td>
<td>91,832</td>
</tr>
</tbody>
</table>

County Total(2)  1,066,009  1,295,071  1,497,577  1,682,585  1,828,977  1,857,516  1,880,876

<table>
<thead>
<tr>
<th>California</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>18,136,045</td>
<td>23,668,145</td>
<td>29,760,021</td>
<td>33,873,086</td>
<td>37,871,509</td>
<td>38,255,508</td>
<td>38,648,090</td>
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</table>

(1) As of January 1.
(2) Totals may not be precise due to independent rounding.

Employment and Industry

The County is home to a highly skilled and diverse work force, a situation that has traditionally translated into lower unemployment rates in the County when compared to State and national average unemployment rates. Three major industry sectors comprise approximately 55.5% of the County’s employment: Goods Producing 189,800, Professional & Business Activities 161,900 and Trade, Transportation & Utilities 126,400.

Development of high technology has been enhanced by the presence of Stanford University, Santa Clara University, San Jose State University, other institutions of higher education, and research and development facilities, such as SRI International, the Stanford Linear Accelerator Center, and Ames Research Center (NASA) within the County. In addition, the Rincon de los Esteros Redevelopment Area in northern San Jose has been the site of industrial/research and development submarkets in Silicon Valley.
The following table lists wage and salary employment in the County by Industry.

### County of Santa Clara

**Average Annual Employment by Industry**

(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian Labor Force</td>
<td>824,900</td>
<td>817,000</td>
<td>826,300</td>
<td>848,500</td>
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<td>877,800</td>
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<td>Employment</td>
<td>771,700</td>
<td>773,200</td>
<td>789,300</td>
<td>808,900</td>
<td>822,000</td>
<td>781,400</td>
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<td>County Unemployment</td>
<td>53,200</td>
<td>43,700</td>
<td>37,000</td>
<td>39,600</td>
<td>52,100</td>
<td>96,400</td>
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<tr>
<td>Unemployment Rate</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County</td>
<td>6.4%</td>
<td>5.3%</td>
<td>4.5%</td>
<td>4.7%</td>
<td>6.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>State of California</td>
<td>6.2%</td>
<td>5.2%</td>
<td>4.9%</td>
<td>5.4%</td>
<td>7.2%</td>
<td>11.4%</td>
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**Industry Employment**

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<tr>
<th>Industry</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, All Industries</td>
<td>868,700</td>
<td>876,300</td>
<td>897,400</td>
<td>917,900</td>
<td>921,000</td>
<td>861,300</td>
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<tr>
<td>Total Farm</td>
<td>6,700</td>
<td>6,300</td>
<td>6,200</td>
<td>6,700</td>
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<td>5,700</td>
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<tr>
<td>Total Nonfarm</td>
<td>862,000</td>
<td>869,900</td>
<td>891,200</td>
<td>911,200</td>
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<td>Goods Producing</td>
<td>210,300</td>
<td>209,600</td>
<td>210,800</td>
<td>214,200</td>
<td>212,400</td>
<td>189,800</td>
</tr>
<tr>
<td>Natural Resources and Mining</td>
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<td>200</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>200</td>
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<tr>
<td>Construction</td>
<td>43,000</td>
<td>44,500</td>
<td>46,800</td>
<td>47,200</td>
<td>44,200</td>
<td>33,900</td>
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<td>Manufacturing</td>
<td>167,200</td>
<td>164,900</td>
<td>163,700</td>
<td>166,700</td>
<td>168,000</td>
<td>155,700</td>
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<tr>
<td>Service Providing</td>
<td>651,700</td>
<td>660,300</td>
<td>680,400</td>
<td>697,000</td>
<td>702,500</td>
<td>665,800</td>
</tr>
<tr>
<td>Trade, Transportation &amp;</td>
<td>130,900</td>
<td>132,800</td>
<td>137,100</td>
<td>139,700</td>
<td>137,600</td>
<td>126,400</td>
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<td>Utilities</td>
<td>32,600</td>
<td>35,300</td>
<td>37,500</td>
<td>39,600</td>
<td>42,300</td>
<td>41,100</td>
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<td>36,300</td>
<td>37,100</td>
<td>37,200</td>
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<td>31,700</td>
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<td>165,800</td>
<td>172,000</td>
<td>178,300</td>
<td>178,900</td>
<td>161,900</td>
</tr>
<tr>
<td>Professional &amp; Business</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>Education &amp; Health Services</td>
<td>95,900</td>
<td>96,800</td>
<td>100,400</td>
<td>103,200</td>
<td>107,900</td>
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<tr>
<td>Leisure &amp; Hospitality</td>
<td>70,900</td>
<td>72,800</td>
<td>75,200</td>
<td>76,800</td>
<td>78,100</td>
<td>74,300</td>
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<tr>
<td>Other Services</td>
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<td>24,800</td>
<td>25,100</td>
<td>25,400</td>
<td>24,300</td>
</tr>
<tr>
<td>Government</td>
<td>96,300</td>
<td>95,900</td>
<td>96,400</td>
<td>97,200</td>
<td>97,800</td>
<td>98,000</td>
</tr>
</tbody>
</table>

(1) Data in this table is for Santa Clara and San Benito Counties combined (San Jose-Santa Clara-Sunnyvale MSA), where Santa Clara County employment share is approximately 98.0% of the total industry.

Source: Employment Development Department.
Major Employers

The County, which is centered in the heart of Silicon Valley, is home to numerous high technology and computer software and hardware manufacturing companies. Public-sector employers continue to top the list of the largest employers in Silicon Valley. The County ranks as number one, employing over 15,000 workers. In addition, the City of San Jose has over 7,000 full-time employees. Although there have been hiring freezes and cut-backs that have impacted public-sector organizations, such organizations typically tend to remain more stable in a volatile job market.

Income

Owing to the presence of relatively high-wage skilled jobs and wealthy residents, the County historically achieves high rankings relative to the rest of the state on a variety of income measurements. The U.S. Census Bureau reported the County as having the 15th highest median household income in the United States, and the highest among California counties, at $85,569 (2009 inflation adjusted - U.S. Census Bureau, 2005-2009 American Community Survey, Santa Clara County, California).

Commercial Activity

The County is an important center of commercial activity. Taxable sales activity at business and personal service outlets, as well as at other non-retail commercial establishments, is a significant component of the County’s commercial activity. The following table sets forth the amount of taxable transactions from 2005 through the third quarter of 2009, which is the last period for which annual information is available. [update when available]

[Remainder of Page Intentionally Left Blank]
## County of Santa Clara
### Taxable Transactions by Sector
#### 2005 through the Third Quarter of 2009

**Table: Taxable Transactions by Sector (In thousands)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel Stores</td>
<td>1,169,069</td>
<td>1,264,215</td>
<td>1,334,050</td>
<td>1,422,687</td>
<td>1,690,211</td>
</tr>
<tr>
<td>General Merchandise Stores</td>
<td>2,839,877</td>
<td>2,979,387</td>
<td>3,112,536</td>
<td>2,946,466</td>
<td>2,272,162</td>
</tr>
<tr>
<td>Specialty Stores(2)</td>
<td>3,377,917</td>
<td>3,674,311</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Service Stations(3)</td>
<td>-</td>
<td>-</td>
<td>2,320,507</td>
<td>2,526,073</td>
<td>1,800,162</td>
</tr>
<tr>
<td>Food Stores</td>
<td>830,483</td>
<td>849,281</td>
<td>890,341</td>
<td>868,612</td>
<td>975,086</td>
</tr>
<tr>
<td>Eating and Drinking Places</td>
<td>2,440,418</td>
<td>2,645,787</td>
<td>2,813,519</td>
<td>2,876,837</td>
<td>2,705,143</td>
</tr>
<tr>
<td>Home Furnishings and Appliances</td>
<td>850,634</td>
<td>879,892</td>
<td>901,164</td>
<td>1,068,519</td>
<td>1,622,804</td>
</tr>
<tr>
<td>Building Materials</td>
<td>1,577,165</td>
<td>1,659,844</td>
<td>1,581,859</td>
<td>1,356,505</td>
<td>1,164,960</td>
</tr>
<tr>
<td>Automotive</td>
<td>5,289,878</td>
<td>5,534,342</td>
<td>3,468,163</td>
<td>2,709,927</td>
<td>2,284,032</td>
</tr>
<tr>
<td>Other Retail Stores</td>
<td>528,067</td>
<td>552,873</td>
<td>4,368,119</td>
<td>3,537,686</td>
<td>1,870,513</td>
</tr>
<tr>
<td>Total Retail Stores</td>
<td>18,903,508</td>
<td>20,039,932</td>
<td>20,790,258</td>
<td>19,313,313</td>
<td>16,385,238</td>
</tr>
<tr>
<td>Business and Personal Services(4)</td>
<td>1,214,550</td>
<td>1,265,315</td>
<td>1,244,445</td>
<td>1,111,792</td>
<td>-</td>
</tr>
<tr>
<td>All Other Outlets</td>
<td>10,075,744</td>
<td>10,967,991</td>
<td>11,628,745</td>
<td>11,849,202</td>
<td>11,042,471</td>
</tr>
<tr>
<td>Total All Outlets(1)</td>
<td>30,193,802</td>
<td>32,273,238</td>
<td>33,663,448</td>
<td>32,274,306</td>
<td>27,427,709</td>
</tr>
</tbody>
</table>

(1) Totals may not add due to independent rounding.
(2) Not available after 2006.
(3) Not available prior to 2006.
(4) Not available after 2008.

Source: State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

The local economy started to slow down in late calendar year 2007 and the beginning of 2008, leading to a decline in taxable sales. Contributing to the slowdown of the local economy are recent increases in energy, food, and raw material costs, and a downturn in the housing industry. Reduced home building, home sales, and auto sales contributed to a slowdown in taxable sales growth. As a result of the economic slowdown, the Authority experienced a flattening of growth in 1976 Sales Tax Revenues in Fiscal Year 2008 and a decline in Fiscal Year 2009. See “THE 1976 SALES TAX – Historical Sales Tax Revenues” in the forepart of this Remarketing Memorandum.
Construction Activity and Home Sales

The following tables provide a summary of building permit valuations and the number of new dwelling units authorized in the County since 2001.

### County of Santa Clara
**Building Permit Valuations**
**2001 to 2010**
*(In Millions of Dollars)*

<table>
<thead>
<tr>
<th>Year</th>
<th>New Residential</th>
<th>New Non-Residential</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$1,051.5</td>
<td>$2,254.8</td>
<td>$3,306.3</td>
</tr>
<tr>
<td>2002</td>
<td>1,087.3</td>
<td>1,330.6</td>
<td>2,417.9</td>
</tr>
<tr>
<td>2003</td>
<td>1,466.4</td>
<td>972.9</td>
<td>2,439.3</td>
</tr>
<tr>
<td>2004</td>
<td>1,406.2</td>
<td>915.8</td>
<td>2,322.0</td>
</tr>
<tr>
<td>2005</td>
<td>1,537.3</td>
<td>1,287.8</td>
<td>2,825.1</td>
</tr>
<tr>
<td>2006</td>
<td>1,652.9</td>
<td>1,534.2</td>
<td>3,187.1</td>
</tr>
<tr>
<td>2007</td>
<td>1,378.2</td>
<td>1,986.2</td>
<td>3,361.3</td>
</tr>
<tr>
<td>2008</td>
<td>1,051.1</td>
<td>1,914.5</td>
<td>2,965.7</td>
</tr>
<tr>
<td>2009</td>
<td>578.7</td>
<td>1,187.8</td>
<td>1,766.5</td>
</tr>
<tr>
<td>2010</td>
<td>1,083.2</td>
<td>1,134.7</td>
<td>2,207.8</td>
</tr>
</tbody>
</table>

Source: Construction Industry Research Board.

### County of Santa Clara
**Number of New Dwelling Units**
**2001 to 2010**

<table>
<thead>
<tr>
<th>Year</th>
<th>Single Family</th>
<th>Multiple Family</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1,641</td>
<td>4,319</td>
<td>5,960</td>
</tr>
<tr>
<td>2002</td>
<td>2,057</td>
<td>2,456</td>
<td>4,513</td>
</tr>
<tr>
<td>2003</td>
<td>2,320</td>
<td>5,170</td>
<td>7,490</td>
</tr>
<tr>
<td>2004</td>
<td>2,688</td>
<td>2,816</td>
<td>5,504</td>
</tr>
<tr>
<td>2005</td>
<td>2,577</td>
<td>3,295</td>
<td>5,872</td>
</tr>
<tr>
<td>2006</td>
<td>2,257</td>
<td>3,928</td>
<td>6,185</td>
</tr>
<tr>
<td>2007</td>
<td>2,063</td>
<td>2,520</td>
<td>4,583</td>
</tr>
<tr>
<td>2008</td>
<td>1,254</td>
<td>2,417</td>
<td>3,671</td>
</tr>
<tr>
<td>2009</td>
<td>667</td>
<td>450</td>
<td>1,117</td>
</tr>
<tr>
<td>2010</td>
<td>832</td>
<td>[3,609]</td>
<td>4,441</td>
</tr>
</tbody>
</table>

Source: Construction Industry Research Board.
APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of November 1, 1997, between the Santa Clara Valley Transportation Authority (the “Issuer”) and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented and amended (hereinafter collectively referred to as the “Indenture”). 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 Remarketing Memorandum, 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 Remarketing Memorandum 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 a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

**Act** means the Santa Clara Valley Transportation Authority Act, Part 12 of Division 10 (Section 100000 et seq.) of the California Public Utilities Code and Chapter 5 of Part 1 of Division 2 of Title 5 (Section 54300 et seq.) of the California Government Code as referenced in said Santa Clara Valley Transportation Authority Act.

**Alternate Liquidity Facility** means a letter of credit, insurance policy, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, issued in accordance with the terms hereof with respect to a Series of 2008 Series Bonds as a replacement or substitute for any Liquidity Facility then in effect.

**Annual Debt Service** means for any Fiscal Year the aggregated amount of principal and interest on all Bonds and Parity Debt becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

**ARS** means Auction Rate Securities.

**ARS Mode** means, with respect to a Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at the ARS Rate.

**ARS Rate** shall have the mean specified in the Indenture.

**Authority** means the Santa Clara Valley Transportation Authority, formerly known as the Santa Clara County Transit District, a public entity of the State of California, duly organized and existing under the Act.
Automatic Termination Event means an event of default set forth in a Reimbursement Agreement between the Issuer and a Liquidity Facility Provider which would result in the immediate termination of the Liquidity Facility provided pursuant to such Reimbursement Agreement prior to its stated expiration date without prior notice from the Liquidity Facility Provider to the Trustee.

Beneficial Owner means the actual beneficial Owner of any Bond, notwithstanding the registration thereof under any other name for book-entry purposes.

Board means the Board of Directors of the Authority.

Bond Counsel means any firm of nationally recognized municipal bond attorneys selected by the Issuer and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for federal income tax purposes.

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 the fund by that name established pursuant to the Indenture.

Bond Reserve Requirement means, as of any date of calculation, zero dollars ($0), except that if Sales Tax Revenues during the Fiscal Year immediately preceding the date of calculation do not equal at least three (3) times Maximum Annual Debt Service, (a) the Bond Reserve Requirement with respect to any Series of Bonds bearing only a fixed rate of interest shall be an amount not less than the lesser of (i) 10% of the aggregate original principal amount of such Series (less any original issue discount), or (ii) 125% of average Annual Debt Service for such Series or (iii) 100% of Maximum Annual Debt Service for such Series, and (b) the Bond Reserve Requirement with respect to any Series of Bonds which may bear a variable rate of interest shall be the amount set forth in the Supplemental Indenture authorizing such Series.

Bonds means the Santa Clara Valley Transportation Authority Sales Tax Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

Book-Entry System means a system under which physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee.

Business Day means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, and (2) for purposes of payments and other actions relating to Bonds secured by a letter of credit, 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 letter of credit 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 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 the Chairperson of its Board, its General Manager, its Chief Financial Officer, its Deputy Director, Fiscal Resources or any other person authorized by the General Manager to execute such instruments. Any such
instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

**Code** means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder.

**Continuing Disclosure Certificate** means any certificate or agreement executed by the Authority in connection with any Series of Bonds in order to assist the underwriter or underwriters of such Series of Bonds in complying with the continuing disclosure requirements of Rule 15c2-12(b)(5) of the Securities and Exchange Commission. When used in connection with any particular Series of Bonds, “Continuing Disclosure Certificate” shall mean that certain continuing disclosure certificate or agreement executed in connection therewith.

**Conversion Date** shall have the meaning specified in the Indenture.

**Corporate Trust Office** or **corporate trust office** means the corporate trust office of the Trustee at 1 California Street, Suite 400, San Francisco, California 94111 Attention: Corporate Trust Department, but for purposes of transfer, exchange or payment of Bonds, means the principal corporate trust office of the Trustee at 180 East Fifth Street, St. Paul, Minnesota, or, in each case, 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 the 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 the 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 and credit enhancement costs, and any other cost, charge or fee in connection with the delivery 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 which pay interest at least semiannually to the Owners thereof excluding the first payment of interest thereon.

**Daily Mode** means, with respect to a Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at the Daily Rate.

**Debt Service**, when used with respect to any Sales Tax Debt, means, as of any date of calculation and with respect to any fiscal period, the sum of (1) the interest falling due on such Sales Tax Debt during such fiscal period (except to the extent that such interest is payable from the proceeds of such Sales Tax Debt set aside for such purpose), and (2) the principal or mandatory sinking account or installment purchase price or lease rental or similar payments or deposits required with respect to such Sales Tax Debt during such fiscal period, computed on the assumption that no portion of such Sales Tax Debt shall cease to be outstanding during such fiscal period except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(a) if Sales Tax Debt as (i) secured by an irrevocable letter of credit or irrevocable line of credit issued by a financial institution having a combined capital and surplus of at least $100,000,000 and whose unsecured securities are rated in one of the two highest Rating Categories by Rating Agency, or (ii)
insured by an insurance policy issued by an insurance company rated at least “A” by Alfred M. Best Company in Best’s Insurance Reports and in one of the two highest Rating Categories by Rating Agency, then principal or mandatory sinking fund or installment purchase price or lease rental or similar payments or deposits with respect to such Sales Tax Debt nominally due in the last Fiscal Year in which such Sales Tax Debt matures may, at the option of the Authority, be treated as if they were due as specified in any loan agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy (or, if such loan agreement or repayment provisions provide for repayment over less than 10 years and the Authority certifies that it intends to refinance such Sales Tax Debt prior to maturity, as if they were amortized over a ten-year period with substantially level debt service) and interest on such Sales Tax Debt after such period shall be assumed to be payable pursuant to the terms of such loan agreement or repayment provisions;

(b) if interest on Sales Tax Debt is payable pursuant to a variable interest rate, the interest rate on such Sales Tax Debt for fiscal periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the lesser of (i) the maximum interest rate permitted by the agreement under which such Sales Tax Debt was issued or incurred, or (ii) the greater of (A) the current interest rate calculated pursuant to the provisions of such agreement, or (B) the prime interest rate of the Trustee (or the principal banking affiliate of the Trustee) as of the date of calculation (or 65% of the prime interest rate of the Trustee (or the principal banking affiliate of the Trustee) if in the opinion of nationally recognized bond counsel interest on such Sales Tax Debt is not includable in gross income for purposes of federal income taxation; and

(c) if interest is capitalized with respect to Sales Tax Debt, Debt Service on such Sales Tax Debt shall be included in computations of Maximum Annual Debt Service only in proportion to the amount of interest payable in such fiscal period from sources other than amounts capitalized to pay such interest.

Delayed Remarketing Period shall have the meaning specified in the Indenture.

Event of Default means any of the events specified in the Indenture, certain of which are discussed herein under “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Events of Default and Remedies of Bondholders.”

Favorable Opinion of Bond Counsel means, with respect to any action the occurrence of which requires such an opinion, an Opinion of Bond Counsel, addressed to the Trustee, to the effect that the action proposed to be taken will not, in and of itself, adversely affect any exclusion from gross income of interest on the affected Series of 2008 Series Bonds.

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 of the Authority.

Fitch means Fitch Inc., and its successors and assigns.

Fixed Rate means the per annum interest rate or interest rates on any Series of 2008 Series Bonds in a Fixed Rate Mode determined pursuant to the Indenture.

Fixed Rate Mode means, with respect to a Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at a Fixed Rate.
**Flexible Mode** means, with respect to a Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at Flexible Rates.

**Flexible Rate Period** means, with respect to any 2008 Series Bond in a Flexible Mode, the period of from one (1) to three hundred ninety-seven (397) calendar days (which Flexible Rate Period must end on a day preceding a Business Day) during which a Flexible Rate Bond shall bear interest at a Flexible Rate, as established by the applicable Remarketing Agent pursuant to the Indenture.

**Indenture** means the Indenture, dated as of November 1, 1997, by and between the Trustee and the Authority, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions thereof.

**Information Services** means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10004, Moody’s “FIS,” 5250-77 Center Drive, Charlotte, NC 28217, Attention: Municipal News Reports; and S&P’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or no such services, as the Authority may designate in a Request of the Authority delivered to the Trustee.

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

**Interest Payment Date** means each date on which interest is to be paid and is: (i) with respect to 2008 Series Bonds in an ARS Mode, each date defined as an Interest Payment Date in the ARS Provisions set forth in Appendix I hereto, and any date that is an ARS Rate Conversion Date; (ii) with respect to any 2008 Series Bond in a Flexible Mode, each Mandatory Purchase Date applicable thereto; (iii) with respect to 2008 Series Bonds in a Daily Mode or a Weekly Mode, the first Business Day of each month, commencing the first Business Day of the month following conversion of such Series of 2008 Series Bonds to a Daily Mode or a Weekly Mode, as applicable; (iv) with respect to 2008 Series Bonds in a Fixed Rate Mode or a Term Rate Mode, the first day of April or October, which is at least three (3) months after the month in which such Long-Term Mode takes effect, and the first day of each April and October thereafter or, upon the receipt by the Trustee of a Favorable Opinion of Bond Counsel, any other six-month interval chosen by the Issuer (beginning with the first such day which is at least three months after the Mode Change Date) and, with respect to a Term Rate Mode, the final day of the current Interest Period if other than a regular six-month interval; (v) (without duplication as to any Interest Payment Date listed above) any Mode Change Date, other than a change between a Daily Mode and a Weekly Mode, and each Maturity Date; and (vi) with respect to any Liquidity Facility Bonds, the day set forth in the applicable Reimbursement Agreement.

**Interest Period** means, for each Series of 2008 Series Bonds in a particular Mode, the period of time that such Series of 2008 Series Bonds bear interest at the rate (per annum) which becomes effective at the beginning of such period, and shall include an ARS Rate Period, a Daily Rate Period, a Weekly Rate Period, a Flexible Rate Period, a Term Rate Period, and a Fixed Rate Period.

**Interest Rate Mode** or **Mode** means, as the context may require, the ARS Mode, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Rate Mode, or the Fixed Rate Mode.

**Investment Policy** means the investment policy of the Authority adopted by the Board on December 14, 2000, as such investment policy may be modified, amended or supplemented from time to time.
**Investment Securities** means any of the following, to the extent the same are permitted investments of the Authority under the Investment Policy:

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

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


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

(v) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing, provided that at the time of their purchase such obligations are rated in either of the two highest Rating Categories by the Rating Agency;

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

(vii) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by the Rating Agency in their respective highest short-term Rating Category, or, if the term of such indebtedness is longer than three (3) years, rated by the Rating Agency in one of their respective two highest long-term Rating Categories, or comparable types of debt obligations;
(viii) demand or time deposits or certificates of deposit, whether negotiable or non-negotiable, 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) or by a state-licensed branch of any foreign bank, provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (v), inclusive, which 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;

(ix) taxable commercial paper, other than that issued by bank holding companies, or tax-exempt commercial paper in each case rated in the highest Rating Category by the Rating Agency;

(x) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment or 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 the Rating Agency, 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 the Rating Agency;

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

(xii) any cash sweep or similar account arrangement of or available to the trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (vi) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (vi) of this definition of Investment Securities; provided that as used in this clause (xii) and clause (xiii) investments will be deemed to satisfy the requirements of clause (vi) if they meet the requirements set forth in clause (xi) ending with the words “clauses (i), (ii), (iii) or (iv) above” and without regard to the remainder of such clause (xi);
(xiii) any investment agreement with a financial institution or insurance company which has at
the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt
obligations or a claim paying ability rated in either of the two highest long-term Rating Categories by the
Rating Agency;

(xiv) shares of beneficial interest in diversified management companies investing exclusively
in securities and obligations described in clauses (i) through (xiii) of this definition of Investment
Securities and which companies have the highest rating by the Rating Agency; and

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

(xvi) Bankers’ Acceptances issued by domestic or foreign banks, which are eligible for
purchase by the Federal Reserve System, the short-term paper of which is rated in the highest Rating
Category by the Rating Agency, which purchases may not exceed 270 days maturity or 40 percent of the
Authority’s surplus money;

(xvii) the commingled investment fund of the County of Santa Clara, California, which is
administered in accordance with the investment policy of said County as established by the Director of
Finance thereof, as permitted by Section 53601 of the Government Code of the State, copies of which
policy are available upon written request to said Director of Finance;

(xviii) any investments approved by the Board for which confirmation is received from each
rating agency then rating any of the Bonds that such investment will not adversely affect such agency’s
rating of such Bonds; and

(xix) the Local Agency Investment Fund of the State of California.

**Liquidity Facility** means any line of credit, letter of credit, standby purchase agreement or other
instrument, if any, which provides for the payment of the purchase price of a Series of 2008 Series Bonds
upon the tender thereof in the event remarketing proceeds are insufficient therefor. The initial Liquidity
Facility with respect to the 2008 Series A Bonds, the 2008 Series B Bonds and the 2008 Series C Bonds is
the Standby Bond Purchase Agreement, dated as of June 1, 2008 between the Issuer and Dexia Credit
Local, acting through its New York Branch.

**Liquidity Facility Provider** means any bank, insurance company, pension fund or other financial
institution which provides a Liquidity Facility or Alternate Liquidity Facility for a Series of 2008 Series
Bonds. The initial Liquidity Facility Provider with respect to the 2008 Series A Bonds, the 2008 Series B
Bonds and the 2008 Series C Bonds is Dexia Credit Local, acting through its New York Branch.

**Liquidity Facility Bonds** means any 2008 Series Bonds purchased by a Liquidity Facility
Provider with funds drawn on or advanced under the Liquidity Facility provided by such Liquidity
Facility Provider.

**Long-Term Mode** means a Term Rate Mode or a Fixed Rate Mode.

**Mandatory Sinking Account Payments** means, with respect to Bonds of any Series and
maturity, the amount required by the Indenture 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 2008 Series Bonds, the maturity date specified for such Series of 2008 Series Bonds in the Indenture, or, if Serial Bonds are established for a Series of 2008 Series Bonds pursuant to the Indenture upon a change of such Series of 2008 Series Bonds to a Fixed Rate Mode, the maturity dates established for such Serial Bonds.

**Maximum Annual Debt Service** shall mean the greatest amount or Debt Service becoming due and payable on all Bonds and Parity Debt in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year; provided, however, that for the purposes of computing Maximum Annual Debt Services:

(a) principal and interest payments on Bonds and Parity Debt shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from the proceeds of Bonds or Parity Debt held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest by the Trustee or other fiduciary;

(b) if the Bonds or the Parity Debt are Variable Rate Indebtedness and an interest rate swap agreement with a Qualified Counterparty is in effect with respect to such Bonds or Parity Debt pursuant to which the Issuer has agreed to pay a fixed rate, then at the option of the Issuer set forth in a written direction to the Trustee, the interest rate on such Variable Rate Indebtedness shall be the fixed rate payable under such interest rate swap agreement for the period that such agreement is in effect, and thereafter the variable rate on such Bonds or Parity Debt shall be calculated as provided in the definition of “Debt Service”;

(c) if interest on the Bonds or Parity Debt is payable at a fixed interest rate and an interest rate swap agreement with a Qualified Counterparty is in effect with respect to such Bonds or Parity Debt pursuant to which the Authority has agreed to pay a variable rate, then at the option of the Issuer set forth in a written direction to the Trustee, the interest rate on such fixed rate Bonds or Parity Debt shall be the variable rate payable under such interest rate swap agreement (which shall be calculated as provided in subsection (b) of definition of Debt Service) for the period that such agreement is in effect, and thereafter at the fixed rate on such Bonds or Parity Debt; and

(d) with respect to Optional Tender Bonds, the Maximum Annual Debt Service thereon shall not include amounts payable upon mandatory or optional tender for purchase, and shall not be based upon the terms of any reimbursement obligation to the provider of any liquidity facility or credit facility for such Optional Tender Bonds except to the extent and for the periods during which Debt Service is required to be made pursuant to such reimbursement obligation due to such provider advancing funds for such purchase.

**Mode** or **Interest Rate Mode** means, as the context may require, the ARS Mode, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Rate Mode, or the Fixed Rate Mode.

**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.

**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.

**Optional Tender Bonds** mean any Bonds or Parity Debt; (1) by its terms may be tendered by and at the option of, or required to be tendered by, the Owners thereof for payment or purchase by the Issuer or another party prior to stated maturity thereof; (ii) by its terms requires such purchase if properly
presented; and (iii) is rated at time of original issuance in one of the two highest rating categories by the Rating Agency.

**Outstanding**, when used as of any particular time with inference to Bonds, means (subject to the provisions of the Indenture relating to the disqualification of certain Bonds in determining the aggregate principal amount of Bonds Outstanding) 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 defeasance provisions of the Indenture; 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.

**Owner** or **Bondholders** or **Bondowner**, whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

**Parity Debt** means the Certificates and any indebtedness, installment sale obligation, lease obligation or other obligation of the Issuer for borrowed money or interest rate swap agreement having an equal lien and charge upon the Sales Tax Revenues and therefore secured on a parity with the Bonds (whether or not any Bonds are Outstanding).

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

**Prior Bonds** means the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2005 Series A, 2005 Series B and 2005 Series C.

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

**Project** means the acquisition, construction, improvement or equipping of any or all real and personal and intellectual property, equipment, computers, information services, software rights or interests to be owned, held or used for transit purposes, including, but not limited to, rights-of-way, rail lines, bus lines, stations, platforms, switches, yards, terminals, parking lots and any and all facilities necessary or convenient for transit service within or partly without the Authority, and the payment of all costs incidental to or connected with the accomplishment of such purpose including, without limitation, engineering, inspection, legal, fiscal agents, financial consultant and other fees, bond and other reserve funds, working capital, bond interest estimated to accrue during construction and for a period not to exceed one year thereafter, and expenses for all proceedings for the authorization, issuance and sale of Bonds.

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

**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 that if the amount available for redemption of Bonds of any maturity is insufficient to redeem a multiple of $5,000 principal amount or Accreted Value payable at maturity, such amount shall be applied to the redemption of the highest possible integral multiple (if any) of $5,000 principal amount or Accreted Value payable at maturity. 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 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 the fund by that name created pursuant to the Indenture.

**Qualified Counterparties** mean any financial institution, including an insurance company or company related to a financial institution, which is a party to an interest rate swap agreement (“Counterparty”) if (i) the unsecured long-term debt obligations of such Counterparty (or of the parent or a subsidiary of such Counterparty under such agreement), or (ii) obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such Counterparty (or such guarantor parent or subsidiary), are rated at the time of initial execution and delivery of such agreement in one of the two highest rating categories by the Rating Agency.

**Rating Agency** means each of Fitch, Moody’s, and Standard & Poor’s maintaining a rating on Bonds or Parity Debt 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 or letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

**Rebate Fund** means that fund established under the Indenture.

**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 principal amount of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereon pursuant to the provisions of such Bond and the Indenture.

**Reimbursement Agreement** means, with respect to any Series of 2008 Series Bonds, any reimbursement agreement, credit agreement, line of credit agreement, standby bond purchase agreement or other agreement, between a Liquidity Facility Provider and the Issuer, as the same may be amended from time to time pursuant to its terms.

**Remarketing Agent** means, with respect to any Series of 2008 Series Bonds, the remarketing agent for such Series of 2008 Series Bonds appointed by the Issuer pursuant to the Indenture. The initial Remarketing Agent for the 2008 Series A Bonds is Goldman, Sachs & Co. The initial Remarketing Agent for the 2008 Series B Bonds is Lehman Brothers Inc. The initial Remarketing Agent for the 2008 Series C Bonds is Morgan Stanley & Co. Incorporated.

**Remarketing Agreement** means, with respect to any Series of 2008 Series Bonds, an agreement providing for the remarketing of such Series of 2008 Series Bonds tendered for purchase, as the same may be amended from time to time pursuant to its terms.

**Remarketing Proceeds Account** means, with respect to any Series of 2008 Series Bonds, an account by that name established for such Series of 2008 Series Bonds pursuant to the Indenture.
Repositories means each National Repository and each State Repository.

Required Stated Amount means, in the case of each Liquidity Facility, at any time of calculation with respect to a Series of 2008 Series Bonds, an amount equal to the aggregate principal amount of such Series of 2008 Series Bonds then Outstanding together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Rate) for the period specified in a certificate of the Issuer to be the minimum period specified by the Rating Agencies then rating such Series of 2008 Series Bonds, as necessary to maintain the short-term rating of such Series of 2008 Series Bonds.

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

Revenues means during any fiscal period the sum of the following amounts for such fiscal period:

1. all Sales Tax Revenues; and
2. all other funds legally available to the Authority for payment of debt service on the Bonds and Parity Debt.

Sales Tax Debt means all outstanding bonds, notes and other obligations secured in whole or in part by Sales Tax Revenues.

Sales Tax Revenues means the amounts collected by the California State Board of Equalization and distributed to the Issuer pursuant to Section 100250 et seq. and Ordinance No. NS-2 adopted by the Issuer on March 29, 1976 and as approved by the voters on March 2, 1976.

Securities Depositories means the following: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 21530, Fax-(216) 227-4039 or 4190, Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 13103, Attention: Bond Department, Dex-(215) 496-5058, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories, 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 Pavements are provided.

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

Sinking Accounts means the accounts in the Principal Fund so designated and established pursuant to the Indenture for the payment of Term Bonds.

Standard & Poor’s means Standard & Poor’s Ratings Group, 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.

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

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

**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.

**Term Rate** means the per annum interest rate for any Series of 2008 Series Bonds in the Term Rate Mode determined pursuant to the Indenture.

**Term Rate Mode** means, with respect to a Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at a Term Rate.

**Trustee** means U.S. Bank Trust National Association, formerly known as First Trust of California, National Association, a national banking association, organized and existing under the laws of the United States, or its successor, as Trustee as provided in the Indenture.


**2008 Series A Bonds** means the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series A, authorized by, and at any time Outstanding pursuant to the Indenture.

**2008 Series B Bonds** means the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series B, authorized by, and at any time Outstanding pursuant to the Indenture.

**2008 Series C Bonds** means the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series C, authorized by, and at any time Outstanding pursuant to the Indenture.

**Variable Rate Indebtedness** means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a single numerical rate for the entire term of the indebtedness.

**Weekly Mode** means, with respect to any Series of 2008 Series Bonds, the Mode during which such Series of 2008 Series Bonds bear interest at the Weekly Rate.

**Additional Indebtedness**

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 Parity
Debt, Refunding Bonds or obligations which are subordinate to the payment of the Bonds and all Parity Debt.

Funds and Accounts; Allocation of Revenues

So long as any Bonds are Outstanding, the Trustee shall set aside in each month following receipt of the Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Owners of the Bonds in accordance with the provisions of the Indenture) 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 outstanding Parity Debt as provided in the proceedings of such Parity Debt delivered to the Trustee (which shall be proportional 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 Debt).

Interest Fund. The Trustee shall set aside in the Interest Fund as soon as practicable in each 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) during the next ensuing six 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 months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness) 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 the amounts so paid with respect to such Series shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said interest payment date with respect to such Series, plus (b) the aggregate amount of interest, calculated at a rate of twelve percent (12%) per annum of the actual rate of interest is not known, to accrue during that month on the Outstanding Variable Rate Indebtedness (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 during that month on said Outstanding Variable Rate Indebtedness and further provided that the amount of such deposit into the interest fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the interest payment dates falling within the next six months upon all of the Bonds issued then Outstanding, and on June 1 of each year any excess amount 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 June 1 and December 1) shall be transferred to the Authority (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates).

Principal Fund; Sinking Accounts. The Trustee shall deposit in the Principal Fund as soon as practicable in each 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 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 12 months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be made during the next six-month period into the respective Sinking
Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which 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 the Bond Reserve Fund that would be in excess of the Bond Reserve Requirement upon such payment, no amounts need to be set aside toward such principal to be so refunded or paid. All of the aforesaid Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment. In the event that the Sales Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as such Serial Bonds and such Term Bonds shall bear to each other, after first deducting for such purposes from such Term Bonds any of such Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of such Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six-month period. In the event that the Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made, on a Proportionate Basis, in such proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligation of all Serial Bonds then Outstanding and maturing by their terms within the next twelve 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 the Bond Reserve Fund that would be in excess of the Bond Reserve Requirement 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 August 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 June 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 June 1) shall be transferred to the Authority.

**Bond Reserve Fund.** Except as otherwise permitted by the Indenture, at such time as the Bond Reserve Requirement is required to be funded due to a decrease in the coverage of Sales Tax Revenues over Maximum Annual Debt Service below 3.00 times, the Authority shall make or cause to be made, within one year, a deposit or deposits into the Bond Reserve Fund equal to the Bond Reserve Requirement. Additionally, except as otherwise provided in the Indenture, upon the occurrence of any deficiency in the Bond Reserve Fund, the Trustee shall deposit in the Bond Reserve Fund, as soon as possible in each month, until the balance therein is at least equal to the Bond Reserve Requirement, (i) one-twelfth (1/12th) of the aggregate amount of each unreplenished prior withdrawal from the Bond Reserve Fund.
Reserve Fund and (ii) the full amount of any deficiency due to any required valuation of the investments in the Bond Reserve Fund.

Any Sales Tax Revenues remaining in the Revenue Fund after the foregoing transfers described above under “Interest Fund,” “Principal Fund; Sinking Accounts” and “Bond Reserve Fund,” except as otherwise provided in a Supplemental Indenture, shall be transferred on the same Business Day to the Authority. 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 days prior to any principal payment date, interest payment date or mandatory redemption date the amounts on deposit in the Interest Fund and Principal Fund, including the Sinking Accounts therein, with respect to the payments to be made on such upcoming date after any transfers from the Bond Reserve Fund are insufficient to make such payments, the Trustee shall immediately notify the Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Authority covenants and agrees in the Indenture 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.

Application of Interest Fund

All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of 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) and making payments on interest rate swap agreements, as provided in the Indenture.

Application of Principal Fund

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

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account payment required on that date to the redemption of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Supplemental Indenture pursuant to which such Series of Bonds was created, provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Authority, apply moneys in such Sinking Account to the purchase or 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 purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal Amount or Accreted Value thereof. If, during the 12 month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking
Account Payment Date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Authority has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to this subsection shall be canceled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Authority by the Trustee. Any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding shall be withdrawn by the Trustee and transferred 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 12-month period ending May 31 (or in a six-month period ending May 31 or November 30 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next June 1 or December 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Authority. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and Maturity of Term Bonds as may be specified in a Request of the Authority.

Funding and Application of Bond Reserve Fund

In lieu of making the Bond Reserve Requirement deposit in compliance with the provisions of the Indenture described above under “Additional Indebtedness” and “Funds and Accounts; Allocation of Revenues,” or in replacement of moneys then on deposit in the Bond Reserve Fund (which shall be transferred by the Trustee to the Authority), the Authority may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of the Rating Agency and rated not less than the rating on the Bonds (excluding any rating attributable to a letter of credit, insurance policy or other credit enhancement securing the Bonds), in an amount, together with moneys, Investment Securities or letters of credit on deposit in the Bond Reserve Fund, equal to the Bond Reserve Requirement. Such letter of credit shall have an original term of no less than three (3) years or, if less, the maturity of the Series of Bonds in connection with which such letter of credit was obtained and such letter of credit shall provide by its terms that it may be drawn upon as provided in the provisions of the Indenture regarding the funding and application of the Bond Reserve Fund. At least one year prior to the stated expiration of such letter of credit, the Authority shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least an additional year or, if less, the maturity of the Series of Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a surety bond or an insurance policy satisfying the requirements of the Indenture provisions relating thereto. Upon delivery of such replacement letter of credit, extended letter of credit, or surety bond or insurance policy, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Authority. If the Authority shall fail to deposit a replacement letter of credit, extended letter of credit or surety bond or insurance policy with the Trustee, the Authority shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement will be on deposit in the Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement as of the date following the expiration of the letter of credit is not on deposit in the Bond Reserve Fund one week prior to the stated expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in the Bond Reserve Fund.
In lieu of making the Bond Reserve Requirement deposit or in replacement of moneys then on deposit in the Bond Reserve Fund (which shall be transferred by the Trustee to the Authority), the Authority may deliver to the Trustee a surety bond or an insurance policy securing an amount, together with moneys, investment securities or letters of credit on deposit in the Bond Reserve Fund, equal to the Bond Reserve Requirement. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance bonds or insurance policies) are rated in one of the two highest Rating Categories of the Rating Agency and rated not less than the rating on the Bonds (excluding any rating attributable to a letter of credit, insurance policy or other credit enhancement securing the Bonds). Such surety bond or insurance policy shall have a term of no less than the maturity of the Series of Bonds in connection with which such surety bond or insurance policy was obtained. In the event that such surety bond or insurance policy for any reason lapses or expires, the Authority shall immediately implement (i) or (iii) of the preceding paragraph or make the required deposits to the Bond Reserve Fund.

All amounts in the Bond Reserve Fund (including all amounts which may be obtained from letters of credit and surety bonds and insurance policies on deposit in the Bond Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter described, solely for the purpose of making up any deficiency in the Interest Fund or the Principal Fund, or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding, or for the payment of the final Principal and Interest Payment to a Series of Bonds if, following such payment, the amounts in the Bond Reserve Fund (including the amounts which may be obtained from letters of credit and surety bonds and insurance policies on deposit therein) will equal the Bond Reserve Requirement. The Trustee shall, on a pro rata basis with respect to the portion of the Bond Reserve Fund held in cash or Investment Securities and amounts held in the form of letters of credit and amounts held in the form of surety bonds and insurance policies (calculated by reference to the maximum amounts of such letters or credit and surety bonds and insurance policies and the amount of the initial deposit of such cash and Investment Securities), draw under each letter of credit or surety bond or insurance policy issued with respect to the Bond Reserve Fund, in a timely manner and pursuant to the terms of such letter of credit or surety bond or insurance policy to the extent necessary in order to obtain sufficient funds on the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds when due. To the extent provided in a letter of credit, insurance policy or surety bond or in the Supplemental Indenture pursuant to which a Series of Bonds is issued, such instrument or portion of the Bond Reserve Fund may be available to pay only the Series of Bonds for which it has obtained or to which it relates. In such event, all other amounts or instruments on deposit in the Bond Reserve Fund shall not be available for payments with respect to such Series of Bonds, but shall be applied by the Trustee to payments with respect to all or such other Series of Bonds not so secured. The Bond Reserve Fund, in such an instance, shall be composed of segregated accounts which shall separately secure a Series or Series of Bonds. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Bondowner 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 and provided that the terms of the letter of credit or surety bond or bond insurance policy, if any, securing the Bonds so provide, shall so notify the issuer thereof and draw on such letter of credit or surety bond or policy to the lesser of the extent required or the maximum amount of such letter of credit or surety bond or policy in order to pay to such Bondowners the principal of and interest so recovered. Any amounts in the Bond Reserve Fund in excess of the Bond Reserve Requirement shall be transferred to the Trustee or the Authority on June 1 and December 1 of each year; provided that such amounts shall be transferred only from the portion of the Bond Reserve Fund held in the form of cash or Investment Securities.
Application of Redemption Fund

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

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts held by the trustee and established pursuant to the Indenture shall be invested, as directed by the Authority, solely in Investment Securities. The Investment Securities shall, as directed by the Authority in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations described below under “Covenants of the Authority - Tax Covenants,” the limitations as to maturities hereinafter in this section described and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority. If and to the extent the Trustee does not receive investment instructions from the Authority with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys shall be invested in Investment Securities described in clause (xii) of the definition thereon and the Trustee shall thereupon request investment instructions from the Authority for such moneys.

Moneys in the Bond Reserve Fund shall be invested in Investment Securities available on demand or maturing within five years of the date of such investment. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not earlier than the date on which it is estimated that such moneys will be required by the Trustee.

Investment Securities purchased with moneys on deposit in the Principal Fund, Interest Fund and Bond Reserve Fund, to the extent such Investment Securities are required by the definition thereof to be rated, shall be rated not less than the rating on the Bonds (excluding any rating of the Bonds attributable to a letter of credit, insurance policy or other credit enhancement securing the Bonds).

All interest, profits and other income received from the investment of moneys in any Fund or account, other than the Rebate Fund, shall be transferred to the Revenue Fund when received. All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited in the Rebate Fund, except as described below under “Covenants of the Authority - Tax Covenants.” All interest, profits and other income received from the investment of moneys in the Project Fund shall be deposited in the Project Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such acceded interest was paid.
All Investment Securities credited to the Bond Reserve Fund shall be valued as of May 31 and November 30 of each year (or the next succeeding Business Day if such day is not a Business Day) at their fair market value determined to the extent practical by reference to the closing bid price thereof published in The Wall Street Journal or any other financial publication or quotation service selected by the Trustee in its sole discretion.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee shall be accounted for separately as required by the Indenture and, provided further, that such commingling shall not be allowed to the extent the Authority so instructs the Trustee, to accommodate rebate calculations. The Trustee may act as principal or agent in the rating 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, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

The Authority may and the Trustee shall, upon the Request of the Authority, enter into a financial futures or financial option contract with an entity the debt securities of which are rated in the highest short-term or one of the two highest long-term Rating Categories by the Rating Agency.

The Authority may and the Trustee shall upon the Request of the Authority, and provided that the Trustee is supplied with an Opinion of Bond Counsel to the effect that such action is permitted under the laws of the State of California, enter into an interest rate swap agreement corresponding to the interest rate or rates payable on a Series of Bonds or any portion thereof and the amounts received by the Authority or the Trustee, if any, pursuant to such a swap agreement may be applied to the deposits required under the Indenture; in which case, the entity with which the Authority or the Trustee may contract for an interest rate swap is limited to entities the debt securities of which are rated at the highest short-term or one of the two highest long-term debt Rating Categories by the Rating Agency. If the Authority so designates to the Trustee and agrees with the Trustee under a paying agent agreement or similar agreement, all or a designated portion of the amounts payable under the interest rate swap agreement shall be secured by Revenues and other assets pledged under the Indenture to the Bonds on a parity basis therewith and, in such event, the Authority shall pay to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by the Indenture, as described above under “Funds and Accounts; Allocation of Revenues,” the amounts to be paid under such interest rate swap agreement, as if such amounts were additional interest due on the Bonds to which such interest rate swap agreement relates, and the Trustee shall pay to the other party to the interest rate swap agreements to the extent required thereunder, amounts deposited in the Interest Fund for the payment or interest on the Bonds with respect to which such agreement was entered into.

The Trustee shall keep proper books of record and accounts containing complete and correct entries of all transactions made by it relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including moneys derived from, pledged to, or to be used to make payments on the Bonds. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee as to be allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity.
The Trustee shall also provide to the Authority, in accordance with a request of the Authority, with respect to each Investment Security such documentation as is reasonably available to the Trustee and is required by the Code or other applicable law to be obtained by the Authority as evidence to establish that each investment had been acquired and disposed of on an established market in an arm’s-length transaction at a price equal to its fair market value and with no amounts having been paid to reduce the yield on the investments, or shall be United States Treasury Obligations - State and Local Government Series as set forth in the Tax Certificate.

Covenants of the Authority

The Authority covenants in the Indenture, among other things, that:

Punctual Payment. 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 shall 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.

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

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

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

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 shall be made of all transactions relating to the Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.
The Authority will furnish the Trustee, within two hundred and ten (210) days after the end of each Fiscal Year, the financial statements of the Authority relating to the Revenues for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant’s examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of the chief financial officer of the Authority 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 owner of Bonds upon written request to the Authority.

Collection of Sales Tax Revenues. The Authority covenants and agrees that it has duly levied a transactions and use tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Authority. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues, and the Authority will continue to levy and collect such transactions and use taxes to the full amount permitted by law. The Authority further covenants that it has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization will process and supervise collection of said transactions and use taxes and will transmit Sales Tax Revenues directly to the Trustee. Said agreement will be continued in effect so long as any of the Bonds are outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The 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 shall be transmitted to the Authority as described above under “Funds and Accounts; Allocation of Revenues;” provided that, during the continuance of an Event of Default, any Sales Tax Revenues received by the Trustee shall be applied first to the payment of the costs and expenses of the Trustee in declaring such Event of Default and pursuing remedies, including reasonable compensation of its agents, attorneys and counsel, which costs and expenses shall be paid from the Revenue Fund, and second, to deposit into the Interest Fund and Principal Fund and to the payment of Parity Debt as more fully set forth in the Indenture and as described under “Events of Default.”

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.

Rebate Fund. The Trustee shall 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 shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of the Tax Certificate subject to the transfer provisions described below, all money at any time deposited in the Rebate Fund shall be held by the Trustee for the account of the Authority in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America, and neither the Trustee nor the Owner of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the Tax Certificate. The Authority covenants to
comply with the directions contained in the Tax Certificate and the Trustee covenants to comply with all written instructions of the Authority delivered to the Trustee pursuant to the Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto). The Trustee shall be deemed conclusively to have complied with the provisions of the Indenture described in this paragraph if it follows such instructions of the Authority, and the Trustee shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate nor to make computations in connection therewith.

The Trustee shall invest all amounts held in the Rebate Fund, pursuant to written instructions of the Authority, in Investment Securities, subject to those restrictions set forth in the Tax Certificate.

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

Notwithstanding any other provision of the Indenture, including in particular the defeasance provisions thereof, the obligation to remit the Rebate Requirement to the Federal Government of the United States of America and to comply with all other requirements of this section and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

The Authority shall retain all records with respect to the calculations and instructions described herein for at least six years after the date on which the last of the principal of and interest on the Bonds has been paid, whether upon maturity or prior redemption thereof.

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 these covenants and the covenants described above under “Rebate Fund” to such Series of Bonds. Without limiting the foregoing, the Authority shall comply with all requirements and covenants contained in the Tax Certificate. In the event that at any time the Authority is of the opinion that it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Notwithstanding any provision of the Indenture described in this subsection and above under “Rebate Fund,” if the Authority shall receive an Opinion of Bond Counsel to the effect that any action required as described herein and therein is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Authority and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

Modification or Amendment of the Indenture

Amendments Requiring the Consent of Bondowners. The Indenture and the rights and obligations of the Authority, the Owners 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 with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding for purposes of this section.

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

No such modification or amendment shall (a) extend the fixed 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 Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the owners of the 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 Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the Trustee and the Authority of any Supplemental Indenture as described herein, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Owners of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Amendments Not Requiring the Consent of Bondowners. The Indenture and the rights and obligations of the Authority, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority may adopt without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the following purposes:

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

(4) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Bonds or Parity Debt 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 “Additional Indebtedness;”

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

(6) to make modifications or adjustments necessary, appropriate or desirable to accommodate credit enhancements including letters of credit and surety bonds and insurance policies delivered with respect to the Bond Reserve Fund;

(7) 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;

(8) to provide for the issuance of an additional Series of Bonds pursuant to provisions of the Indenture described above under “Additional Indebtedness;” and

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

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective, the Indenture shall 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 Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Defeasance of Bonds

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 the same become due and payable;

(b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as discussed below under “Deposit of Money or Securities”) to pay or redeem such Outstanding Bonds; or
by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Authority shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable 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 shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon request of the Authority, the Trustee shall cause an accounting of such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to 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 heretofore 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 discussed below under “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 shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture regarding any principal, Redemption Price of or interest on the Bonds that remains unclaimed for a period of two years after the principal of all the Bonds has become due and payable, and the continuing duties of the Trustee under the Indenture.

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 Moneys or Securities.** Whenever in the Indenture it is provided or permitted 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 moneys or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

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

(b) Investment Securities described in clauses (i), (ii) or (vi) of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee (upon which opinion the Trustee may conclusively rely), provide
money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of 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.

**Defeasance of 2008 Series Bonds Bearing Interest in the Daily Mode, the Weekly Mode or the Flexible Mode**

In addition to the requirements set forth in the Indenture governing defeasance, no 2008 Series Bond bearing interest in a Daily Mode, a Weekly Mode or a Flexible Mode may be defeased unless: (i) the Trustee receives written evidence from Standard & Poor’s if Standard & Poor’s is then maintaining ratings on the 2008 Series Bonds of the applicable Series to the effect that the defeasance would not result in the reduction or withdrawal of the then current ratings assigned to such Series of 2008 Series Bonds; or (ii) the interest on such 2008 Series Bond being defeased is computed at the Maximum Rate to the extent the actual interest rate on such 2008 Series Bond to its redemption date is not known and such 2008 Series Bond is redeemed on the earlier of the first Purchase Date on which it is subject to purchase upon optional or mandatory purchase or its earliest optional redemption date.

**Transfer and Exchange of Bonds**

**Use of Depository.** So long as the Bonds are registered in book-entry form, Beneficial Owners will not receive certificates representing their ownership interests in the Bonds. Transfers of ownership interests in, and exchanges of, the Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants acting on behalf of the Beneficial Owners. In the event that DTC determines to discontinue providing its services as depository or is removed as depository by the Authority (and there is no successor depository), the Authority shall issue, and the Trustee shall authenticate and deliver, Bonds to the DTC Participants for further delivery to the Beneficial Owners. Thereafter, the Trustee shall maintain a register of the Owners of the Bonds, and transfers and exchanges of Bonds shall be effected as described in this section.

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

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

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

Events of Default and Remedies of Bondholders

Events of Default. Each of the following events constitutes an Event of Default under the Indenture:

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

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

(c) if the Authority shall fail to observe or perform any covenant, condition, agreement or provision in 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; except that, if such failure can be remedied but not within such sixty (60) day period and if the Authority has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Authority shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

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

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

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

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

(h) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the retail transactions and use tax, being Sections 100250 to 100256, inclusive, of the Public Utilities Code unless the Authority has determined that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

Remedies; Acceleration; Rights of Bondholders. Except as discussed below in this section, in each and every case during the continuance of an Event of Default, the Trustee or the holders of not less
than a majority in aggregate principal amount of the Bonds at the time outstanding shall be entitled, upon notice in writing to the Authority, to declare the principal of all of the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture other than as discussed in this section or in the Bonds contained to the contrary notwithstanding.

These provisions, however, are subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable because of an Event of Default, the Authority shall pay to or shall deposit with the Trustee a sum sufficient to pay all principal on such Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee shall have been cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall have been made therefor, then, the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

These provisions are subject to the further condition that they are only effective, and the remedy of acceleration of the Bonds is only available, during a period when Parity Debt is outstanding, which Parity Debt, pursuant to the terms thereof, is subject to acceleration and payment prior to maturity.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, the Authority shall immediately transfer to the Trustee all Revenues held by it and the Trustee shall apply all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (except as otherwise provided in the Indenture) as follows and in the following order:

1. To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and Parity Debt, 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 to 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 Debt (upon presentation of the Bonds and Parity Debt to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and Parity Debt, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Debt which shall have become due, whether at maturity by acceleration or by call for redemption, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Debt at the rate borne by the respective Bonds and Parity Debt, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Debt due on any date then to the payment thereof ratably, according to the amounts of principal or Accreted Value due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 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 upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effective to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture, the Act or any other law, and upon instituting such proceedings the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights or 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 shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

**Bondholders Direction of Proceedings.** Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall 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 shall have the right to decline to follow any such direction which in the opinion of the Trustee should be unjustly prejudicial to Bondholders or holders of Parity Debt not parties to such direction.

**Limitation on Bondholders Right to Sue.** No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (2) the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation or the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted under the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Owners of an aggregate amount of Bond Obligation of the Bonds then Outstanding in excess of the aggregate amount of Bond Obligation or Bonds owned by the owners making such request.

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

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

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

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default under the Indenture by the Trustee or the Bondholders shall extend to or affect any subsequent Event of Default or impair any rights or remedies consequent thereto.
SUMMARY OF CERTAIN DEFINITIONS OF THE SEVENTH SUPPLEMENTAL INDENTURE

The following is a brief summary of certain provisions of the Seventh Supplemental Indenture, dated as of June 1, 2008, between the Santa Clara Valley Transportation Authority (the “Issuer”) and U.S. Bank National Association, 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 Remarketing Memorandum, and is qualified in its entirety by reference to the full terms of the Indenture.

**Alternate Liquidity Facility** means a letter of credit, insurance policy, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, issued in accordance with the terms of the Indenture with respect to a Series of 2008 Series Bonds as a replacement or substitute for any Liquidity Facility then in effect.

**Alternate Rate** means, on any Rate Determination Date, for any 2008 Series Bond in a Daily Mode, a Weekly Mode, a Flexible Rate Mode or a Term Rate Mode, a rate per annum equal to (a) the SIFMA Swap Index (such rate being hereinafter referred to as the “SIFMA Rate”) most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Rate is no longer published, the Kenny Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions), or (c) if neither the SIFMA Rate nor the Kenny Index is published, the index determined to equal the prevailing rate determined by the applicable Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by such Remarketing Agent to be comparable under the circumstances to the criteria used by Securities Industry & Financial Markets Association (“SIFMA”) to determine the SIFMA Rate just prior to when SIFMA stopped publishing the SIFMA Rate. If there is no Remarketing Agent for the affected Series of 2008 Series Bonds, if such Remarketing Agent fails to make any such determination or if such Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement entered into by such Remarketing Agent, then the Trustee shall make the determinations required by this definition, or if the Trustee shall decline to make such determination, a financial advisor, investment banker or other qualified party shall make such determination at the expense of the Authority.

**Authorized Denominations** means with respect to 2008 Series Bonds in a Daily Mode or Weekly Mode, $100,000 and any integral multiple of $5,000 in excess thereof.

**Beneficial Owner** means, so long as the 2008 Series Bonds are held in the Book-Entry System, any Person who acquires a beneficial ownership interest in a 2008 Series Bond held by the Securities Depository. If at any time the 2008 Series Bonds are not held in the Book-Entry System, Beneficial Owner shall mean the registered owner.

**Business Day** means for any Series of 2008 Series Bonds any day other than (i) a Saturday or Sunday or (ii) a day on which the Trustee or applicable Remarketing Agent are required or authorized to be closed or (iii) a day on which the office of the Insurer, if any, or applicable Liquidity Facility Provider at which draws or advances will be paid is required or authorized to be closed or (iv) a day on which which The New York Stock Exchange is closed.

**Daily Rate** means the per annum interest rate on any 2008 Series Bond in the Daily Mode determined pursuant to the provisions of the Indenture described below.
**Daily Rate Period** means the period during which a 2008 Series Bond in the Daily Mode shall bear a Daily Rate, which shall be from the Business Day upon which a Daily Rate is set to but not including the next succeeding Business Day.

**Electronic Means** means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

**Expiration Date** means the stated expiration date of a Liquidity Facility, as it may be extended from time to time as provided in such Liquidity Facility, or any earlier date on which the Liquidity Facility shall terminate at the direction of the Authority, expire or be cancelled (other than the date on which a Liquidity Facility shall terminate as a result of an Automatic Termination Event or an event of default under the Reimbursement Agreement entered into in connection with such Liquidity Facility).

**Interest Accrual Period** means the period during which a 2008 Series Bond accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid from the date of original authentication and delivery of the 2008 Series Bonds) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of authentication of any 2008 Series Bond, interest is in default or overdue on the 2008 Series Bonds, such 2008 Series Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding 2008 Series Bonds.

**Mandatory Purchase Date** means: (i) any Mode Change Date (except a change in Mode between the Daily Mode and the Weekly Mode if the then-existing Liquidity Facility provides for the payment of the purchase price of a Series of 2008 Series Bonds in both the Daily Mode and the Weekly Mode); (ii) any Substitution Date; (iii) the fifth Business Day prior to the Expiration Date; (iv) with respect to the affected Series of 2008 Series Bonds, the date specified by the Trustee following the occurrence of an event of default (other than an event of default which constitutes an Automatic Termination Event) under the applicable Reimbursement Agreement, which date shall be a Business Day not less than 20 days after the Trustee’s receipt of notice of such event of default from the applicable Liquidity Facility Provider and in no event later than the Business Day preceding the termination date specified in the notice of event of default delivered to the Trustee by such Liquidity Facility Provider; and (v) for 2008 Series Bonds in the Daily Mode or Weekly Mode, any Business Day specified by the Authority not less than 20 days after the Trustee’s receipt of such notice from the Authority.

**Maximum Rate** means with respect to all 2008 Series Bonds, other than Liquidity Facility Bonds, a rate of interest of 12% per annum, and, with respect to Liquidity Facility Bonds, such rate as is specified in the applicable Liquidity Facility, which rate shall not exceed the highest rate then permitted by law.

**Mode Change Date** means with respect to all of any Series of the 2008 Series Bonds in a particular Mode, the day on which another Mode for all of such Series of the 2008 Series Bonds begins.

**Notice Parties** means the Authority, the Trustee, the Liquidity Facility Provider, if any, and the Remarketing Agent, if any.

**Purchase Date** means (i) for a 2008 Series Bond in the Daily Mode or the Weekly Mode, any Business Day selected by the Beneficial Owner for which a Tender Notice is given prior to the Tender Notice Deadline in accordance with the provisions of the Indenture, and (ii) any Mandatory Purchase Date.
**Purchase Price** means an amount equal to the principal amount of any 2008 Series Bonds purchased on any Purchase Date, plus accrued interest to such Purchase Date (unless such Purchase Date is also an Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be paid in the normal course).

**Rate Determination Date** means any date on which the interest rate on 2008 Series Bonds shall be determined, which: (i) in the case of the Daily Mode, shall be each Business Day commencing with the first day (which must be a Business Day) any of the 2008 Series Bonds become subject to the Daily Mode; and (ii) in the case of a Weekly Mode, shall be each Wednesday (or if Wednesday is not a Business Day, then the next succeeding Business Day), provided that upon the issuance of the 2008 Series Bonds, the Weekly Rate for the first Weekly Rate Period shall be determined no later than the Business Day prior to issuance of the 2008 Series Bonds and in the case of a subsequent conversion to the Weekly Mode, the Weekly Rate shall be determined no later than the Business Day prior to the Mode Change Date for the Series of 2008 Series Bonds being converted.

**SIFMA** means the Securities Industry & Financial Markets Association (formerly the Bond Market Association).

**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 SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

**Substitution Date** means, with respect to any Series of 2008 Series Bonds, the date upon which an Alternate Liquidity Facility is substituted for the Liquidity Facility then in effect.

**Tender Notice** means a notice delivered by Electronic Means or in writing that states: (i) the principal amount of the 2008 Series Bond to be purchased pursuant to provisions of the Indenture relating to optional tender of 2008 Series Bonds; (ii) the Purchase Date on which such 2008 Series Bond is to be purchased; (iii) applicable payment instructions with respect to such 2008 Series Bonds being tendered for purchase; and (iv) an irrevocable demand for such purchase.

**Tender Notice Deadline** means (i) during the Daily Mode, 11:00 a.m. on any Business Day and (ii) during the Weekly Mode, 5:00 p.m. on the Business Day seven days prior to the applicable Purchase Date.

**Weekly Rate** means the per annum interest rate on any 2008 Series Bonds in the Weekly Mode determined pursuant to the provisions of the Indenture described below.

**Weekly Rate Period** means the period during which a Series of 2008 Series Bonds bear interest at a Weekly Rate, which shall be the period commencing on Thursday of each week to and including Wednesday of the following week, except (i) the first Weekly Rate Period which shall commence on the date of issuance of the 2008 Series Bonds to and including Wednesday of the following week and (ii) the first Weekly Rate Period following a change in Mode for a Series of 2008 Series Bonds which shall commence on the Mode Change Date for such Series of 2008 Series Bonds to and including the Wednesday of the following week and the last Weekly Rate Period which shall be from and including the Thursday of the week prior to the Mode Change Date to and including the day next preceding the Mode Change Date.
APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series A, 2008 Series B and 2008 Series C (each a “Series of Bonds” and, hereinafter collectively referred to as the “Bonds”). The Bonds were 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 Series of Bonds in the aggregate principal amount of such Series of Bonds, and will be deposited with DTC. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the front portion of this Remarketing Memorandum or in APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The following information has been provided by DTC, and none of the Santa Clara Valley Transportation Authority (the “Authority”), Goldman, Sachs & Co., Barclays Capital Inc. or Morgan Stanley & Co. Incorporated, each as a remarketing agent of certain series of the above-referenced Bonds, makes any representation as to its accuracy or completeness. For further information, beneficial owners should contact DTC in New York, New York.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtc.com and www.dtc.org. The information set forth on such websites is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (each a “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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on
behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority and the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments, redemption proceeds, distributions and dividend payments, 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 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 the Authority, DTC, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, redemption proceeds, distributions and dividends, 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the applicable remarketing agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant’s interest in the Bonds, on DTC’s records, to the applicable
remarking agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered Bonds to the applicable remarketing agent’s DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or 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 in accordance with the provisions of the Indenture.
APPENDIX F

COPY OF FINAL APPROVING OPINION OF ORRICK, HERRINGTON & SUTCLIFFE LLP
STANDBY BOND PURCHASE AGREEMENT

by and between

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

and

STATE STREET BANK AND TRUST COMPANY

Dated as of May 1, 2011

Santa Clara Valley Transportation Authority
Sales Tax Revenue Refunding Bonds,
2008 Series A and 2008 Series C
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STANDBY BOND PURCHASE AGREEMENT

THIS STANDBY BOND PURCHASE AGREEMENT, dated as of May 1, 2011 (this “Agreement”), by and between SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (the “Authority”) and STATE STREET BANK AND TRUST COMPANY, as the Bank (the “Bank”).

WITNESSETH:

WHEREAS, the Authority has issued $67,565,000 aggregate principal amount, of which $______ is outstanding as of the date hereof, of Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series A (the “2008 Series A Bonds”) and $50,510,000 aggregate principal amount, of which $______ is outstanding as of the date hereof, of Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series C (the “2008 Series C Bonds”, and, together with the 2008 Series A Bonds, the “Bonds”).

WHEREAS, the Authority issued the Bonds pursuant to an Indenture, dated as of November 1, 1997, as heretofore supplemented and as further supplemented by the Seventh Supplemental Indenture, dated as of June 1, 2008 (as the same may be amended and supplemented from time to time hereafter, the “Indenture”) between the Authority, as issuer, and U.S. Bank National Association, as trustee (along with its successors and assigns, the “Trustee”);

WHEREAS, the Bonds have been subject to that certain standby bond purchase agreement, dated June 1, 2008 (as amended and supplemented to the date hereof, the “Prior Agreement”), pursuant to which Dexia Crédit Local, acting through its New York Branch (the “Prior Bank”) agreed to pay the Purchase Price (as defined in the Agreement) of the Bonds that were tendered, but not remarketed, as and to the extent provided in the Prior Agreement;

WHEREAS, the Authority is replacing the Prior Bank and has requested the Bank, and the Bank has agreed and is willing, upon the occurrence of certain events, to purchase Bonds tendered by the owners thereof but not remarketed, upon the terms and conditions set forth in this Agreement; and

WHEREAS, in reliance upon the provisions hereof, the Bank and the Authority wish to enter into this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

26.d
ARTICLE I
DEFINITIONS

Section 1.1. Specific Terms.

As used herein, the following terms have the meanings indicated below or in the referenced Section of this Agreement, unless the context clearly indicates otherwise:

“Act” has the meaning assigned to that term in the Indenture.

“Affiliate” means any other Person controlling or controlled by or under common control with the Authority. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Standby Bond Purchase Agreement, including any and all amendments and supplements hereto.

“Alternate Liquidity Facility” has the meaning assigned to such term in the Indenture.

“Authority” has the meaning assigned to such term in the introductory paragraph hereto, and includes any successor or assign permitted hereby.

“Authorized Representative” has the meaning assigned to such term in the Indenture.

“Available Commitment” as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case, as of such day.

“Available Interest Commitment” means an amount equal to $________ (which amount equals [34] days’ interest on the Available Principal Commitment for the Bonds based upon an assumed rate of interest of 12.00% per annum and a 365-day year calculated on the basis of the actual number of days elapsed), as such amount shall be adjusted from time to time as follows:

(A) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment, in accordance with clause (a) or (b) of the definition herein of Available Principal Commitment, bears to the initial Available Principal Commitment; and

(B) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (c) of the definition herein of Available Principal Commitment; provided that after giving effect to such adjustment, the Available Interest Commitment shall never exceed [_____________________________] Dollars ($[_________________]).
“Available Principal Commitment” means initially the aggregate principal amount of the Bonds outstanding of $__________ and, thereafter, means such initial amount adjusted from time to time as follows:

(a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to Section 2.4 hereof;

(b) downward by the principal amount of any Bonds purchased by the Bank pursuant to Section 2.1 hereof; and

(c) upward by the principal amount of any Bonds theretofore purchased by the Bank pursuant to Section 2.1 hereof which are remarketed (or deemed to be remarkeeted) pursuant to Section 2.5(c) hereof by the applicable Remarketing Agent and for which the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon;

provided, however, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed $_________. Any adjustment to the Available Principal Commitment pursuant to clause (a), (b) or (c) hereof shall occur simultaneously with the occurrence of the events described in such clauses.

“Bank” has the meaning assigned to such term in the introductory paragraph, and includes any successor or assign permitted hereby.

“Bank Bond Amortization Period” means the period commencing on the first to occur of (a) the one hundred eightieth (180th) day immediately following the Purchase Date and (b) the Expiration Date and ending no later than the earlier to occur of (x) the fifth (5th) anniversary of such Purchase Date and (y) a Payment Due Date (excluding clause (vi) in the definition thereof).

“Bank Bond Amortization Rate” has the meaning set forth in the Fee Letter.

“Bank Bonds” means each Bond purchased by the Bank pursuant to Section 2.1 hereof and held by or for the account of the Bank or a subsequent Bank Owner in accordance with the terms of this Agreement, until purchased or retained in accordance with Section 2.5(c) or redeemed in accordance with Section 3.1 or otherwise paid in full.

“Bank Book-Entry Account” has the meaning assigned to such term in Exhibit D, attached hereto.

“Bank Owner” means the Bank (but only in its capacity as owner (which, as used herein, shall mean beneficial owner if, at the relevant time, Bank Bonds are Book Entry Bonds) of Bank Bonds pursuant to this Agreement) or any other Person to whom the Bank or a subsequent Bank Owner has sold Bank Bonds in accordance with Section 2.5(a) hereof.

“Bank Rate” has the meaning set forth in the Fee Letter.

“Banking Arrangements” means (a) the agreements of the Bank and the Authority set forth in this Agreement and the transactions contemplated thereby, including, without limitation,
(i) any commitment to extend credit, to issue any credit or liquidity facility, to purchase any
obligation of or for the benefit of the Authority, or to extend any other financial accommodation,
(ii) any issuance, extension or maintenance of any of the foregoing, and (iii) any pledge,
purchase or carrying of any obligation of or for the benefit of the Authority, and (b) any
participation agreement or similar arrangement entered into in connection with the foregoing.

“Base Rate” has the meaning set forth in the Fee Letter.

“Bond Counsel” has the meaning assigned to that term in the Supplemental Indenture.

“Bond Purchase Agreement” means the bond purchase agreement between the Authority
and the initial underwriter(s) and/or purchasers of the Bonds.

“Bond Registrar” means the records maintained by the Trustee with respect to the
ownership of the Bonds.

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

“Bonds” has the meaning assigned to such term in the recitals to this Agreement.

“Book Entry Bonds” means the Bonds so long as the book entry system with DTC is
used for determining beneficial ownership of the Bonds.

“Business Day” means any day other than (i) a Saturday or Sunday or (ii) a day on which
the Trustee or the applicable Remarketing Agent are required or authorized to be closed or (iii) a
day on which the office of the Bank at which advances will be paid is required or authorized to
be closed or (iv) a day on which The New York Stock Exchange is closed.

“Capital Lease” means any lease of property which, in accordance with generally
accepted accounting principles, would be required to be capitalized on the balance sheet of the
lessee.

“Change of Law” has the meaning assigned to such term in Section 2.9(a) hereof.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment Period” means the period from the Effective Date hereof to and including
the earliest of (a) the Expiration Date, (b) the date on which no Eligible Bonds are Outstanding,
(c) the close of business on the Business Day immediately following the Conversion Date,
(d) the close of business on the thirtieth (30th) day following the date on which a Notice of
Termination Date is received by the Authority and the Trustee pursuant to Section 8.1(b) hereof,
or if such thirtieth (30th) day is not a Business Day, the next succeeding Business Day, and (e)
the date on which the Available Commitment has been reduced to zero or terminated in its
entirety pursuant to Section 2.4 (including a Substitution Date) or Sections 8.1(b), 8.2(b) or
8.3(b) hereof (other than as set forth in clause (d) above).
“Conversion Date” means the effective date of a conversion of all the Bonds to bear interest at a rate of interest other than a Covered Rate.

“Covered Rate” means, with respect to the Bonds, the Weekly Rate, the Daily Rate or such other rate as consented to by the Bank pursuant to Section 7.1(o) hereof.

“Custody Agreement” means the custody agreement between the Bank and the Trustee pursuant to which the Trustee agrees to hold Bank Bonds as the agent, bailee and custodian of the Bank.

“Daily Rate” has the meaning assigned to such term in the Supplemental Indenture.

“Default” means any occurrence, circumstance or event, or any combination thereof, which, with the lapse of time and/or the giving of notice, or both, would constitute an Event of Default.

“Default Rate” has the meaning set forth in the Fee Letter.

“Default Tender” means a mandatory tender of the Bonds as a result of the Bank’s delivery of a Notice of Termination Date to the Trustee.

“Differential Interest Amount” means the excess of (a) interest which has accrued and could actually be paid at the Bank Rate (subject to the Maximum Rate), as determined in accordance with Section 3.1 hereof, up to but excluding the Sale Date or the Business Day on which the Bank Owner elects not to sell Bank Bonds pursuant to Section 2.5(c) hereof, less (b) the interest accrued on such Bonds which is received by the Bank Owners as part of the Sale Price.

“DTC” means The Depository Trust Company, and any successor or assign.

“DTC Book-Entry Account” has the meaning assigned to such term in Exhibit D, attached hereto.

“DTC-VRDO Notice” has the meaning assigned to such term in Exhibit D, attached hereto.

“Effective Date” has the meaning assigned to such term in the introductory paragraph of Article IV hereof.

“Eligible Bonds” has the meaning assigned to such term in Section 2.1 hereof.

“Event of Default” means a Notice Termination Event, a Special Event of Default and a Suspension Event, each as further described in Article VIII hereof.

“Excess Bank Bond Interest” has the meaning assigned to such term in Section 2.2 hereof.
“Expiration Date” means the later of (a) 5:00 p.m., New York time, on April __, 2014 or, if such day is not a Business Day, the Business Day next preceding such day, and (b) 5:00 p.m., New York time, on the last day of any extension of such date pursuant to Section 10.10(c) hereof or, if such last day is not a Business Day, the Business Day next preceding such day.

“FAST Eligible Bond” has the meaning assigned to such term in Exhibit D, attached hereto.

“Fee Letter” means the letter of even date herewith from the Bank to the Authority regarding fees and expenses.

“Governmental Authority” means any national, state or local domestic government, any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity (including, with respect to the Bank, any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.

“Indemnified Party” has the meaning assigned to such term in Section 10.3 hereof.

“Indenture” has the meaning assigned to such term in the recitals to this Agreement.

“Interest Component” has the meaning assigned to such term in Section 2.1 hereof.

“Interest Payment Date” with respect to the Bonds which are not Bank Bonds, has the meaning assigned to such term in the Indenture and, with respect to Bank Bonds, means the first Business Day of each month and each of the days described in Section 3.1(a)(i)-(vi) hereof.

“Interest Rate Swap Agreement” has the meaning assigned to that term in the Supplemental Indenture.

“Investment Grade” means any rating in one of the four highest rating categories of any Rating Agency without regard to numerical designations or the symbols “+” and “-” (i.e., currently a rating of “Baa3” (or its equivalent) or better by Moody’s and “BBB-” (or its equivalent) or better by Standard & Poor’s).

“Mandatory Tender” means the mandatory tender of the Bonds on any date on which the Bonds are subject to mandatory tender for purchase in accordance with Section 19.02 of the Indenture.

“Material Adverse Change” means the occurrence of any event or change resulting in a material and adverse change in the determination, collection or distribution of Sales Tax Revenues or which materially and adversely affects the enforceability of this Agreement, the Fee Letter or the other Related Documents or the ability of the Authority to perform its obligations hereunder or thereunder.

“Maximum Rate” has the meaning set forth in the Fee Letter.
“Moody’s” means Moody’s Investors Service, Inc., and any successor rating agency.

“MSRB” means the Municipal Securities Rulemaking Board and any successor thereto.

“Notice of Bank Purchase” means (a) in the case of a purchase of Bonds by the Bank as a result of an Optional Tender, a notice in the form of Exhibit A attached hereto and incorporated herein by this reference, or (b) in the case of a purchase of Bonds by the Bank as a result of a Mandatory Tender, a notice in the form of Exhibit B attached hereto and incorporated herein by this reference.

“Notice of Termination Date” has the meaning assigned to such term in Section 8.1(b) hereof.

“Notice Termination Event” has the meaning assigned to such term in Section 8.1(a) hereof.

“Obligations” means all amounts owed by the Authority to the Bank under this Agreement, the Bank Bonds and the Fee Letter.

“Optional Tender” means the optional tender of any of the Bonds in accordance with Section 19.01 of the Indenture.

“Other Taxes” has the meaning assigned to such term in Section 2.8(a) hereof.

“Parity Obligations” means (a) bonds, bank bonds, debentures, notes or similar instruments that evidence indebtedness or liability for borrowed money; (b) obligations as lessee under Capital Leases; and (c) any Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements which fees and expenses and terminations payments shall be secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues which secures the Bonds and Parity Obligations) entered into in connection with the Bonds, in each case, incurred in accordance with Section 3.05 of the Indenture and having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds.

“Participant(s)” means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement or any Bank Bonds pursuant to a participation agreement between the Bank and the Participant(s).

“Payment Due Date” means any of the dates described in Section 3.1(a)(i)-(vi) relating to the repayment of any Bank Bonds.

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

“Prior Agreement” has the meaning set forth in the recitals to this Agreement.

“Prior Bank” has the meaning set forth in the recitals to this Agreement.
“Purchase Date” has the meaning assigned to such term in Section 2.3 hereof.

“Purchase Notice” has the meaning assigned to such term in Section 2.5(b) hereof.

“Purchase Price” means, with respect to any Eligible Bond as of any date, 100% of the principal amount of such Eligible Bond plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and provided, further, in no event shall the Purchase Price of any Bond include any premium owed with respect to any Bond or any amount evidencing interest that is overdue and in default pursuant to the Indenture.

“Purchaser” has the meaning assigned to such term in Section 2.5(b) hereof.

“Rating Agency” means, initially, either Moody’s or Standard & Poor’s, and subsequent to the Effective Date, means any other nationally recognized rating agency or rating agencies designated by the Authority to maintain a rating or ratings on the Bonds and Parity Obligation other than Moody’s and Standard & Poor’s.

“Related Documents” means this Agreement, the Fee Letter, the Bonds, the Indenture and the Remarketing Agreements.

“Remarketing Agent” means, as applicable, Goldman, Sachs & Co. and its successors and assigns, or any alternate remarketing agent appointed for the 2008 Series A Bonds; and Morgan Stanley & Co. Incorporated and its successors and assigns, or any alternate remarketing agent appointed for the 2008 Series C Bonds.

“Remarketing Agreement” means the applicable Remarketing Agreement, dated as of June 1, 2008, between the Authority and the applicable Remarketing Agent, as the same may have been amended and supplemented to the date hereof.

“Remarketing Memorandum” means the Remarketing Memorandum relating to the Bonds (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented, or any other offering document of the Authority used with respect to the remarketing of the Bonds or any supplement thereto.

“Revenue Fund” has the meaning assigned to such term in the Indenture.

“Revenues” has the meaning assigned to such term in the Indenture.

“Sale Date” has the meaning assigned to such term in Section 2.5(b) hereof.

“Sale Price” has the meaning assigned to such term in Section 2.5(b) hereof.

“Sales Tax Law” means the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the California Revenue and Taxation Code and the Santa Clara Valley
Transportation Authority Act, being Sections 100000 et seq. of the California Public Utilities Code, as supplemented and amended from time to time.

“Sales Tax Revenues” has the meaning assigned to such term in the Indenture.

“Special Event of Default” means any Event of Default specified in Section 8.2(a) hereof, subject to any limitations thereon as provided in Section 8.2(b) hereof.

“State” means the State of California.

“Standard & Poor’s” means Standard & Poor’s Rating Services, a Division of The McGraw-Hill Companies Inc., and any successor rating agency.

“Substitution Date” means the date that an Alternate Liquidity Facility has been delivered to the Trustee and become effective with respect to the Bonds in replacement of this Agreement.

“Supplemental Indenture” means the Seventh Supplemental Indenture, dated as of June 1, 2008 between the Authority and the Trustee, as the same may be supplemented and amended from time to time.

“Suspension Event” means an Event of Default as described in Section 8.3(a)(i), 8.3(a)(ii)(A)(1), 8.3(a)(iii)(A) or 8.3(a)(iii)(B) hereof or a Default as described in Section 8.3(a)(ii)(A)(2) or 8.3(a)(ii)(B) hereof, subject to the provisions of Section 8.3(b) hereof.

“Taxes” has the meaning assigned to such term in Section 2.8(a) hereof.

“Termination Date” has the meaning assigned to such term in Section 8.3(b)(i) hereof.

“Trustee” has the meaning assigned to such term in the recitals to this Agreement.

“2008 Series A Bonds” has the meaning assigned to such term in the recitals to this Agreement.

“2008 Series C Bonds” has the meaning assigned to such term in the recitals to this Agreement.

“U.S. Dollars” means the lawful currency of the United States of America.

“Weekly Rate” has the meaning assigned to such term in the Supplemental Indenture.

“written” or “in writing” means any form of written communication or a communication by means of telex, telecopier device or telegraph (but shall not include email or any other form of electronic mail unless otherwise provided in this Agreement).

Section 1.2. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not defined herein shall have the meaning provided therefor in the Indenture or in the Fee Letter, unless the context otherwise requires.
Section 1.3. Accounting Matters.

All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement and the Fee Letter shall be made in accordance with generally accepted accounting principles.

Section 1.4. Interpretation.

All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted pursuant to its terms and the terms hereof.

ARTICLE II

THE COMMITMENT

Section 2.1. Commitment to Purchase Bonds.

Subject to the terms and conditions of this Agreement, including Article VI hereof, the Bank hereby agrees from time to time during the Commitment Period to purchase, at the Purchase Price, with immediately available funds, Bonds which bear interest at a Covered Rate and which are not Bank Bonds or Bonds owned by or held on behalf of, for the benefit of or for the account of, the Authority or any Affiliate of the Authority ("Eligible Bonds"), which Eligible Bonds have been tendered pursuant to (i) an Optional Tender or (ii) a Mandatory Tender and which, in either case, the applicable Remarketing Agent has been unable to remarket. The Bank will pay said Purchase Price with its own funds. The aggregate principal amount (or portion thereof) of any Eligible Bond purchased on any Purchase Date shall be in an authorized denomination required by the terms of the Indenture and, in any case, the aggregate principal amount of all the Bonds purchased on any Purchase Date, together with the aggregate principal amount of all Bank Bonds then Outstanding, shall not exceed the Available Principal Commitment (calculated without giving effect to any purchase of the Bonds by the Bank on such date) at 10:00 a.m., New York City time, on such date. The aggregate amount of the Purchase Price comprising interest on the Bonds (the “Interest Component”) purchased on any Purchase Date shall not exceed the lesser of (a) the Available Interest Commitment on such date and (b) the actual aggregate amount of interest accrued on each such Bond to but excluding such Purchase Date.

Section 2.2. Bank Bonds.

Any Bonds purchased by the Bank pursuant to Section 2.1 hereof shall thereupon constitute Bank Bonds and have all of the characteristics of Bank Bonds as set forth herein and shall constitute Liquidity Facility Bonds as set forth in the Indenture and shall be deemed and treated by the Authority and the Trustee as Bonds that are not Bank Bonds, and shall have other characteristics of Bank Bonds as set forth herein, in the Indenture and in the Bonds. All Bank Bonds shall bear interest at the Bank Rate. In the event that the average Bank Rate accruing on any Bank Bonds during any period exceeds the Maximum Rate for such period, the Bank shall
receive interest on account of Bank Bonds only at the Maximum Rate for such period (the
difference between (a) the interest payable to the Bank if the Bank Bonds had continuously
borne interest at the Bank Rate and (b) the interest actually paid to the Bank at the Maximum
Rate is referred to below as the “Excess Bank Bond Interest”). Notwithstanding any subsequent
reduction in the Bank Rate, Bank Bonds shall bear interest at the Maximum Rate from and after
the date on which any Excess Bank Bond Interest is accrued until the date on which the interest
paid to the Bank on Bank Bonds in excess of the Bank Rate equals such Excess Bank Bond Interest; provided, that, upon termination of this Agreement, in consideration for the limitation of
the rate of interest otherwise payable hereunder and under the Fee Letter, the Authority shall pay
from the sources described in Section 2.11 hereof, to the extent permitted by law, the Bank a fee
equal to the amount of all unpaid Excess Bank Bond Interest. To the extent permitted by law,
interest shall accrue on, and be payable by the Authority with respect to, all unpaid Excess Bank
Bond Interest at a rate per annum equal to the Bank Rate. The Authority shall pay to the Bank
Owner accrued interest, including any accrued but unpaid Excess Bank Bond Interest, on Bank
Bonds as provided in Section 3.1 hereof. On any date on which Excess Bank Bond Interest is
due and payable, the Bank shall notify the Authority and the Trustee as to the amount of such
Excess Bank Bond Interest due on such date, together with any interest accrued and payable
thereon; provided, that the failure of the Bank to so notify the Authority or the Trustee shall not
affect the accrual of or obligation of the Authority to pay such Excess Bank Bond Interest.

All amounts owed to the Bank hereunder and under the Fee Letter with respect to Bank
Bonds shall be calculated in accordance with Section 2.10 hereof and shall become due and
payable as set forth in Section 3.1 hereof.

Section 2.3. Method of Purchasing.

(a) The Trustee shall give written notice in the form of Exhibit A or Exhibit
B, as applicable, which notice may be given by facsimile provided said notice is promptly
confirmed telephonically by the Trustee to the Bank, pursuant to an Optional Tender or a
Mandatory Tender, no later than 12:00 noon, New York City time, on the Business Day on
which Bonds are subject to an Optional Tender or Mandatory Tender. If the Bank receives such
notice as provided above, and subject, in each case, to the satisfaction of the conditions set forth
in Article VI hereof, the Bank will transfer to the Trustee not later than 2:30 p.m., New York
City time, on such date (a “Purchase Date”), in immediately available funds, an amount equal to
the aggregate Purchase Price of all or such portion of such Eligible Bonds as requested by the
Trustee in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after
receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in
respect of, any act, or any failure to act, by the Trustee which results in the failure of the Trustee
to effect the purchase of Bonds for the account of the Bank with such funds provided pursuant to
this Section 2.3(a) or otherwise. The Bonds purchased pursuant to this Section 2.3(a) shall be
registered in the name of the Bank or, if directed in writing by the Bank, its nominee or designee
on the Bond Registrar and shall be held in trust by the Trustee for the benefit of the Bank. If the
Bonds purchased pursuant to this Section 2.3(a) are Book Entry Bonds, the beneficial ownership
of such Bonds shall be credited on the records maintained by DTC to the account of the Bank or,
if directed in writing by the Bank, a nominee or designee of the Bank, maintained at DTC, and
prior to the sale of any Bank Bond by the Bank as provided in Section 2.5(a) hereof, the Bank
agrees to give all notices in the manner and by the time required by DTC to exclude such Bank
Bond(s) from the Mandatory Tender of the Bonds. The Interest Component of the Purchase Price paid for such Bonds shall be paid to the Bank as provided in Section 3.1 hereof.

(b) If the Bank receives a Notice of Bank Purchase after 12:00 noon, New York City time, on a Purchase Date from the Trustee, the Bank, subject to satisfaction of the conditions provided in Article VI hereof, will transfer to the Trustee at or before 2:30 p.m., New York City time, on the Business Day immediately following the Purchase Date specified in such notice, in immediately available funds, an amount equal to the aggregate Purchase Price of Eligible Bonds tendered or deemed tendered on such Purchase Date and not remarkeitced as specified in such Notice of Bank Purchase. In such event, all other provisions of Section 2.3(a) shall apply to the purchase and registration of Bank Bonds after the delivery of a Notice of Bank Purchase and transfer of funds as set forth herein.

(c) In the event that any funds paid by the Bank to the Trustee pursuant to Section 2.3(a) or (b) hereof shall not be required to be applied to purchase Bonds as provided herein, such funds shall be returned to the Bank as soon as practicable by the Trustee and, until so returned, shall be held uninvested and in trust by the Trustee for the account of the Bank. In the event that such funds are not returned to the Bank in immediately available funds as provided in Section 2.10(a) hereof by 4:00 p.m., New York City time, on the same day on which such funds were advanced, the Authority shall pay or cause to be paid to the Bank interest on such funds payable on demand and, in any event, on the date on which such funds are returned, at a rate equal to the Bank Rate for the day such funds were advanced through the date which is two (2) days after the day such funds were advanced, and, thereafter, at the Default Rate.

(d) Notwithstanding any provisions of this Section 2.3 to contrary, the Bank and DTC may cause the transfer of funds and the transfer of any Bank Bond as described in this Section 2.3 on the basis of delivery versus payment or by such other means as shall be acceptable to the Bank, the Trustee and DTC and not contrary to the Indenture.

**Section 2.4. Mandatory Reductions of Available Commitment; Termination; Substitution.**

(a) Upon (i) any redemption, repayment or other payment of all or any portion of the principal amount of the Bonds so that such Bonds shall cease to be Outstanding, the aggregate Available Principal Commitment shall, subject to Section 2.4(c) below, be reduced by the principal amount of such Bonds so redeemed, repaid or otherwise deemed paid, as the case may be, or (ii) the close of business no sooner than the Business Day immediately following the Conversion Date, the aggregate Available Principal Commitment shall, subject to Section 2.4(c) below, be reduced to zero and, in the case of either clause (i) or (ii) above, the Available Interest Commitment shall also be simultaneously reduced as provided in the definition thereof in Article I hereof; provided, however, that in the event any action described in clause (i) or (ii) above results in a reduction of the Available Commitment to zero, all Obligations, including without limitation, all principal and interest evidenced by Bank Bonds and all amounts payable under Article III hereof, shall be paid to the Bank up to and including the time of said reduction as described in the notice set forth in Section 2.4(c) below.
(b) The Available Commitment shall, subject to Section 2.4(c) below, terminate at the close of business no sooner than the Business Day immediately following the Substitution Date. The Authority shall comply with the requirements of the Indenture with respect to the delivery of an Alternate Liquidity Facility.

(c) In connection with any reduction or termination of the Available Commitment as described in Sections 2.4(a) and (b) above, the Trustee shall provide the Bank with written notice of the effective date of such reduction or termination and, unless and until said notice is received by the Bank, the Available Commitment shall not be deemed reduced and/or terminated pursuant to the terms of Sections 2.4(a) and (b).

(d) Except as specifically provided in this Section 2.4 and in Section 10.10(b) hereof, the Authority shall have no right to reduce or terminate the Available Commitment.

Section 2.5. Sale of Bank Bonds.

(a) Right to Sell Bank Bonds. The Bank expressly reserves the right to sell, at any time, Bank Bonds subject, however, to the express terms of this Agreement. The Bank agrees that such sales (other than sales made pursuant to Section 2.5(c) hereof) will be made only to institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations, all in accordance with applicable securities laws. The Bank agrees to notify the Authority, the Trustee and the applicable Remarketing Agent promptly of any such sale (other than a sale made pursuant to Section 2.5(c) hereof) and, if such Bank Bond is a Book Entry Bond, specifying in accordance with DTC guidelines the account at DTC to which such Bank Bond is credited; and to notify the transferee in writing that (i) such Bond is no longer an Eligible Bond so long as it remains a Bank Bond; and (ii) there may not be a short-term investment rating assigned to such Bond so long as it remains a Bank Bond. Any Bank Owner purchasing a Bank Bond from the Bank shall acknowledge in writing its agreement (i) not to sell such Bank Bond to any Person except the Bank or a Purchaser identified by the applicable Remarketing Agent pursuant to Section 2.5(b) hereof, or institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations and (ii) if such Bank Bond is a Book Entry Bond, to give all notices in the manner and by the time required by DTC to exclude such Bank Bond from Mandatory Tenders of Bonds while it remains a Bank Bond.

(b) Purchase Notices. Prior to 12:00 noon, New York City time, on any Business Day on which a Bank Owner holds Bank Bonds, the applicable Remarketing Agent may deliver a notice (a “Purchase Notice”) to a Bank Owner as registered on the Bond Registrar and to the Bank, stating that it has located a purchaser (the “Purchaser”) for some or all of such Bank Bonds and that such Purchaser desires to purchase on the Business Day following the Business Day on which a Bank Owner receives, prior to 12:00 noon, New York City time, a Purchase Notice (a “Sale Date”) an authorized denomination of such Bonds at a price equal to the principal amount thereof, plus accrued interest thereon (calculated as if such Bonds were not Bank Bonds) (the “Sale Price”); provided, however, that the applicable Remarketing Agent shall not remarket Bank Bonds following the delivery of a Notice of Termination Date unless the Purchaser shall have received written notice stating that a Notice of Termination Date is in effect with respect to the Bank Bonds which are the subject of such Purchase Notice.
(c) **Sale of Bank Bonds.** A Bank Owner shall decide whether to sell any Bank Bonds to any Purchaser and shall give notice of such decision to the Authority, the Trustee and the applicable Remarketing Agent by 3:00 p.m., New York City time, on the Business Day preceding the Sale Date. In the event such notice is not timely delivered by a Bank Owner, such Bank Owner shall be deemed to have determined to sell such Bank Bonds to a Purchaser on the Sale Date (subject to receipt by it of the funds called for by the next following sentence). If a Bank Owner determines or is deemed to have determined to sell such Bank Bonds to a Purchaser, such Bank Owner shall deliver such Bank Bonds to the Trustee (or, in the case of Bank Bonds which are Book Entry Bonds, shall cause the beneficial ownership thereof to be credited to the account of the applicable Remarketing Agent at DTC) by 10:00 a.m., New York City time, on the Sale Date against receipt of the Sale Price therefor in immediately available funds or at the Bank Owner’s address listed in the Bond Registrar, and such Bonds shall thereupon no longer be considered Bank Bonds; **provided, that,** in the event that the Bank Owner has not delivered Bank Bonds as provided above and the Sale Price therefor has been delivered as provided above, such Bank Bonds shall be deemed to have been delivered and such Bonds shall no longer be considered Bank Bonds. When Bank Bonds are purchased in accordance with this Section 2.5(c), the Trustee shall, upon receipt of such Bank Bonds and upon receipt by such Bank Owner of the Sale Price, notify the Authority and the applicable Remarketing Agent that such Bonds are no longer Bank Bonds. Any interest accrued on the Bank Bonds shall be paid to the Bank Owner as provided in Section 3.1 hereof and the Differential Interest Amount, if any, shall be paid to such Bank Owner by the Authority on the applicable Sale Date; **provided, however,** that, to the extent permitted by law, any amount representing Differential Interest Amount shall, until paid in full, accrue interest thereon at the Bank Rate and said interest may be paid on the next succeeding Interest Payment Date for Bank Bonds as set forth in Section 3.1 hereof; **provided, further, however,** that said interest on any Differential Interest Amount shall, until paid in full, continue to accrue interest thereon at the Bank Rate (notwithstanding repayment of the Differential Interest Amount). Any sale of a Bank Bond pursuant to this Section 2.5 shall be without recourse to the seller and without representation or warranty of any kind. If a Bank Owner notifies the Authority, the Trustee and the applicable Remarketing Agent, as provided in the first sentence of this Section 2.5(c), that it will not sell its Bank Bonds, the Trustee shall notify the Authority, the applicable Remarketing Agent, the Bank and such Bank Owner that, as of the Sale Date, such Bond or Bonds shall no longer constitute Bank Bonds and such Bonds shall be deemed to have been remarketed and the Available Commitment shall be appropriately increased.

(d) **Continuing Obligation.** Following any sale of Bank Bonds pursuant to Section 2.5(c) or otherwise or any election to retain Bonds pursuant to Section 2.5(c), the Bank and each Bank Owner shall retain the right to receive payment from the Authority of any accrued Differential Interest Amount as provided in Section 3.1 hereof and in the Indenture.

(e) **Delivery Versus Payment.** Notwithstanding any provisions of this Section 2.5 to contrary, the Bank and DTC may cause the transfer of any Bank Bond and the transfer of any funds described in this Section 2.5 on the basis of delivery versus payment or by such other means as shall be acceptable to the Bank, the Trustee and DTC and not contrary to the Indenture.
Section 2.6. Rights of Bank Owners.

Upon purchasing Bank Bonds, Bank Owners shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Bondholders under the Indenture, other than the right to tender such Bond for purchase and have such Bond purchased with amounts hereunder, and any additional rights and privileges as to payment of interest and principal that are provided by this Agreement and the Fee Letter with respect to Bank Bonds. Upon purchasing Bank Bonds, Bank Owners shall be recognized by the Authority and the Trustee as the true and lawful owners (or, in the case of Book Entry Bonds, beneficial owners) of the Bank Bonds, free from any claims, liens, security interests, equitable interests and other interests of the Authority, except as such interests might exist under the terms of the Bank Bonds with respect to all Owners (or, in the case of Book Entry Bonds, beneficial owners) of the Bonds.

Section 2.7. Fees.

The Authority shall pay to the Bank the fees, expenses and other amounts described in the Fee Letter at the times specified in the Fee Letter.

Section 2.8. Net of Taxes, Etc.

(a) Taxes. Any and all payment to the Bank by the Authority hereunder and under the Fee Letter shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed as a result of a Change of Law, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being referred to below as “Taxes”). If as a result of a Change of Law, the Authority shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder and under the Fee Letter to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including, deductions applicable to additional sums payable under this Section 2.8), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Authority shall make such deductions, and (iii) the Authority shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Authority shall make any payment under this Section 2.8 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States, then the Bank shall pay to the Authority an amount equal to the amount by which such other taxes are actually reduced; provided that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Authority with respect to such Taxes. In addition, the Authority, agrees to pay any present or future stamp, recording or documentary taxes and, if as a result of a Change of Law, any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or the State of New York from any payment made hereunder and under the Fee Letter or from the execution or delivery or otherwise with respect to this Agreement (referred to below as “Other Taxes”). The Bank shall provide to the Authority within a reasonable time a copy of any
written notification it receives with respect to Other Taxes owing by the Authority to the Bank hereunder and under the Fee Letter; provided that the Bank’s failure to send such notice shall not relieve the Authority of its obligation to pay such amounts hereunder and under the Fee Letter.

(b) Notice. Within thirty (30) days after the date of any payment of Taxes by the Authority, the Authority shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof. To the extent permitted by law, the Authority shall compensate the Bank for all reasonable losses and expenses sustained by the Bank as a result of any failure by the Authority to so furnish such copy of such receipt.

(c) Survival of Obligations. The obligations of the Authority under this Section 2.8 shall survive the termination of this Agreement.

Section 2.9. Increased Costs.

(a) Costs. In the event that after the date of the execution hereof the application, enactment or adoption of, or any change in, any law, rule, regulation, treaty, guideline or directive, or the occurrence of the effective date of any law, rule, regulation, treaty, guideline or directive, or any provision thereof enacted or adopted on the date of the execution hereof but which has not yet become effective, or the application, interpretation or enforcement of any of the foregoing by any court, central bank, administrative or other Governmental Authority having jurisdiction over the Bank or a Participant or the transactions contemplated by this Agreement (whether or not having the force of law) (any of the foregoing, a “Change of Law”) shall either:

(i) limit the deductibility of interest on funds obtained by the Bank to pay any of its liabilities or subject the Bank to any tax, duty, charge, deduction or withholding on or with respect to payments relating to the Bonds or any Banking Arrangements, or any amount paid or to be paid by the Bank hereunder and under the Fee Letter (other than any tax measured by or based upon the overall net income of the Bank imposed by any jurisdiction having control over the Bank);

(ii) impose, modify, require, make or deem applicable to the Bank any reserve requirement, capital requirement, special deposit requirement, insurance assessment or similar requirement against any assets held by, deposits with or for the account of, or loans or commitments by, a domestic office of the Bank;

(iii) change the basis of taxation of payments due the Bank under this Agreement and the Fee Letter, the Bonds or any Banking Arrangements (other than by a change in taxation of the overall net income of the Bank); or

(iv) impose upon the Bank any other condition with respect to any amount paid or payable to or by the Bank or with respect to this Agreement and the Fee Letter, the Bonds or any Banking Arrangements;

and the result of any of the foregoing shall be to increase the cost to the Bank of extending, issuing or maintaining any of the Banking Arrangements or to reduce any amount (or the effective return on any amount) received or receivable by the Bank in connection with the
Banking Arrangements (which increase in cost or reduction in yield shall be the result of the Bank’s reasonable allocation, in a nondiscriminatory manner among borrowers having obligations to the Bank similar to those of the Authority, of the aggregate of such cost increases or yield reductions resulting from such event), then, within forty-five (45) days of written demand by the Bank, the Authority shall pay to the Bank, from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank for all such increased costs or reductions in yield. Notwithstanding the foregoing, no Participant shall be entitled to any such additional amount from the Authority in excess of that to which the Bank would have been entitled had the Bank not granted such Participant a participation in this Agreement. The Bank shall submit to the Authority, at or prior to the making of each such demand, a certificate setting forth in reasonable detail such increased costs or yield reduction incurred by the Bank or such Participant as a result of any of the foregoing.

(b) **Capital Adequacy.** If the Bank shall have determined that the adoption after the date hereof of any Change of Law regarding capital adequacy by any Governmental Authority having regulatory jurisdiction over the Bank, or compliance by the Bank (or any lending office thereof) with any Change of Law regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, has or would have the effect of reducing the rate of return on capital of the Bank as a consequence of its obligations hereunder or its purchase or holding of Bank Bonds) to a level below that which the Bank could have achieved but for such Change of Law or compliance (taking into consideration the policies of the Bank with respect to capital adequacy) with respect to such Change of Law by an amount deemed by the Bank to be material, then within thirty (30) days after demand by the Bank, the Authority shall pay to the Bank from time to time, as specified by the Bank, such additional amount or amounts as will compensate the Bank for such reduction from the date of such Change of Law or compliance with respect to such Change of Law, together with interest on each such amount from the date payment is due until the earlier of the date of payment in full thereof or the thirtieth (30th) day after which such payment is due, at the Bank Rate and, thereafter, at the Default Rate.

(c) **Payment.** Each demand for compensation pursuant to Section 2.9(a) or 2.9(b) shall be (i) made by the Bank in writing within ninety (90) days of the date on which the Bank has actual knowledge of any increased cost or reduction in rate of return on capital of the Bank for which the Bank is entitled to be compensated pursuant to this Section 2.9, and (ii) shall be accompanied by a certificate of the Bank in reasonable detail setting forth the computation of such compensation (including the reason therefor), which certificate shall be conclusive, absent manifest error, as against all other Persons, including, without limitation, the Authority and any Participant. The amounts owed by the Authority as compensation to the Bank pursuant to this Section 2.9 shall be calculated as though the Bank were the holder of all Bank Bonds and without regard to any sales of Bank Bonds by the Bank pursuant to Section 2.5 or to any assignments or participations made by the Bank with regard to its obligations or rights hereunder or with regard to Bank Bonds.

(d) **Continuing Costs.** If such costs are to be incurred on a continuing basis and the Authority shall be so notified by the Bank in writing as to the amount thereof, then such costs shall be payable by the Authority to the Bank on each Interest Payment Date to the extent therefore incurred.

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(e) **Dodd Frank Act; Basel Committee.** Notwithstanding the foregoing, for purposes of this Agreement (i) all requests, rules, guidelines or directives in connection with the Dodd-Frank Act shall be deemed to be a Change of Law under this Section 2.9, regardless of the date enacted, adopted or issued, and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or any Governmental Authority with proper jurisdiction over the Bank shall be deemed to be a Change of Law under this Section 2.9 regardless of the date enacted, adopted or issued.

(f) **Survival of Obligations.** The obligations of the Authority under this Section 2.9 shall survive the termination of this Agreement and the payment in full of the Bank Bonds and the other Obligations of the Authority hereunder and under the Fee Letter.

**Section 2.10. Computations; Payments.**

(a) **Computations.** Interest payable to the Bank hereunder and under the Fee Letter shall be computed on the basis of a 365-day year and actual days elapsed; provided, however, that interest calculated with respect to any Bank Bonds shall be on the basis applicable to the interest rate mode then in effect with respect to such Bonds as determined pursuant to Section 17.08 of the Indenture. Any payments received by the Bank later than 4:00 p.m., New York City time, on any day shall be deemed to have been paid on the next succeeding Business Day. If any payment due hereunder and under the Fee Letter is due on a day that is not a Business Day, then such amount shall be due on the next succeeding Business Day and, in the case of the computation of any fees described in the Fee Letter, such extension of time shall in such case be included in the computation of the payment due hereunder and under the Fee Letter. All payments to the Bank hereunder and under the Fee Letter shall be made in U.S. Dollars and in immediately available funds. Unless the Bank shall otherwise direct, all such payments shall be made by means of wire transfer of funds through the Federal Reserve Wire System to the Bank’s account as follows:

State Street Bank  
Boston, Massachusetts  
ABA No. 011-000-028  
AC 4867-932-8  
Name on Account: Municipal Finance Fee Receivable Account  
Reference: Santa Clara VTA

(b) **Transfer Costs.** The Authority agrees to pay to the Bank on each Purchase Date or Sale Date, as applicable, an amount equal to any charge imposed on the Bank pursuant to the Indenture in connection with the transfer or exchange of the Bonds. The Authority agrees to cause the Trustee to give the Bank timely notice of each such charge, including the amount thereof.

(c) **Application of Payments.** Payments made to the Bank under this Agreement and the Fee Letter shall first be applied to any fees, costs, charges or expenses payable to the Bank hereunder and under the Fee Letter, next to any past due interest, next to any current interest due, and then to outstanding principal.
(d) **Survival of Obligation.** The obligations of the Authority under this Section 2.10 shall survive the termination of this Agreement.

**Section 2.11. Nature of Obligations.**

(a) The interest due on Bank Bonds (including any Differential Interest Amount and Excess Bank Bond Interest that is not a fee as described in Section 2.2) shall be payable from, and secured by, the Sales Tax Revenues, on a parity with the payment of interest on the Bonds and all other Parity Obligations, and any unpaid Differential Interest or Excess Bank Bond Interest that is a fee as described in Section 2.2 hereof shall be an obligation of the Authority under the Agreement, payable from Revenues, but subordinate to payment of principal and interest on the Bonds (including Bank Bonds) and any amount payable on a parity therewith. The maturing principal and sinking fund requirements due and payable in connection with Bank Bonds shall be payable from, and secured by, the Sales Tax Revenues, on a parity with the payment of maturing principal and sinking fund requirements due on the Bonds and all other Parity Obligations; provided, however, that principal payable on the Bank Bonds during any Bank Bond Amortization Period described in Section 3.1 hereof (other than maturing principal and sinking fund requirements due and payable during the Bank Bond Amortization Period described hereinabove) shall be secured by the Sales Tax Revenues, and payable from the Revenues available in the Revenue Fund, on a basis that is subordinate to the obligation of the Authority to pay (i) principal due and payable on all other Bonds (including the Bonds that do not constitute Bank Bonds) then outstanding under the Indenture and (ii) any other amounts not described in the immediately preceding clause (i) that are required to be paid pursuant to the Indenture and, at the Authority’s sole discretion, may be payable from other monies subject to the rights of Bondholders, the pari passu rights of other liquidity providers, if any, and the Code; provided, further, however, that if the remedy of acceleration is invoked hereunder, all principal payable on the Bank Bonds during any Bank Bond Amortization Period shall be on a basis that is on parity to the obligation of the Authority to pay principal due and payable on all other Bonds (including the Bonds that do not constitute Bank Bonds) then outstanding under the Indenture. The obligation of the Authority to pay the fees set forth in the Fee Letter and herein including, without limitation, the amounts described in Sections 2.7, 2.9 and 10.3 hereof, shall be payable from the Revenue Fund, if and to the extent that such amounts are not paid by the Authority from other monies. The obligation of the Authority to indemnify the Bank pursuant to Section 10.3(b) hereof shall be payable from the Revenues available to the Authority after all other payments required pursuant to and including Sections 5.02(A)(1)-5.02(A)(3) of the Indenture have been satisfied in full but prior to the withdrawal of any monies by the Authority pursuant to Section 5.02(B) of the Indenture that are free and clear of the lien of the Indenture.

(b) Notwithstanding any other provision of this Agreement to the contrary, all obligations of the Authority to the Bank hereunder are special, limited obligations of the Authority payable solely from the Sales Tax Revenues and other funds available for such purposes under the Indenture.
ARTICLE III

BANK BONDS

Section 3.1. Maturity; Interest.

(a) Bank Bonds. Notwithstanding anything to the contrary contained in such Bond, the Authority agrees that, each purchase of an Eligible Bond by the Bank pursuant to Section 2.3 hereof shall result in a Bank Bond. Interest on any Bank Bond will be due and payable on the first Business Day of each month and each Bank Bond, and the accrued interest thereon, shall be repaid by or on behalf of the Authority on the earliest to occur of (i) the date on which such Bank Bond is redeemed, defeased, accelerated or otherwise paid in accordance with its terms; (ii) the date of the remarketing of such Bank Bond; (iii) the date on which such Bank Bond matures in accordance with its terms; (iv) the Substitution Date; (v) the Conversion Date; and (vi) the final day of the Bank Bond Amortization Period (any one of the foregoing constituting a “Payment Due Date”). In addition to payment of the interest due on each Bank Bond on the first Business Day of each month and on each Payment Due Date as set forth in the immediately preceding sentence, any amount representing Differential Interest Amount unpaid by the Authority on a Sale Date may be paid on each Payment Due Date set forth in clauses (i)-(iv) above, inclusive, and, in any event, shall be paid no later than the final day of the Bank Bond Amortization Period, and such Differential Interest Amount shall, subject to State laws relevant thereto, bear interest at the Bank Rate, payable on each Payment Due Date set forth in clauses (i)-(iv) above, inclusive, and, in any event, shall be paid no later than the final day of the Bank Bond Amortization Period. The Bank shall be under no obligation to purchase any Eligible Bond pursuant to Section 2.3 hereof unless the conditions set forth in Article VI hereof have been satisfied. The Authority may prepay any Bank Bond as provided in Section 3.1(c) below. The Bank shall use its best efforts to notify the Authority and the Trustee of the amount of accrued interest on each Bank Bond on the Business Day prior to the date on which such amount is due.

(b) Redemption of Bank Bonds. Subject to the prepayment of any Bank Bond as provided in Section 3.1(a) and Section 3.1(c) hereof, each Bank Bond, and the accrued interest thereon, shall be subject to mandatory redemption from the sources described in Section 2.11 hereof in ten (10) equal quarterly installments, the first of which will occur on the first day of the related Bank Bond Amortization Period, with each subsequent installment being payable, together with interest accrued thereon, one hundred eighty (180) days thereafter, and with the final installment being due and payable no later than the final day of the Bank Bond Amortization Period; provided, that on the commencement date of the Bank Bond Amortization Period, (i) the representations and warranties contained in Article V of this Agreement and in each other Related Document and certificate or other writing delivered to the Bank pursuant hereto in connection with the transactions contemplated by this Agreement shall be true and correct as though made on and as of such date, except to the extent a representation or warranty relates specifically to an earlier date (in which case such representation and warranty shall be true and correct as of such date); (ii) no Default or Event of Default shall have occurred and be continuing; and (iii) the Commitment Period shall not have expired. The Bank shall use its best efforts to notify the Authority and the Trustee of the amount of accrued interest on each Bank Bond on the Business Day prior to the date on which such amount is due.
(c) **Prepayment of Bank Bonds.** Any Bank Bond may be prepaid by the Authority, without premium or penalty, upon one (1) Business Day’s prior written, electronic or telephonic notice to the Bank (which notice, if electronic or telephonic, shall be promptly confirmed in writing), in whole or in part but, if in part, in a minimum aggregate principal amount of $100,000 and integral multiples of $5,000 in excess thereof. Any prepayment of principal by the Authority of a Bank Bond (including any prepayment pursuant to the sinking fund requirements associated with the related Bank Bond) shall be credited against the next succeeding payment due on the Bank Bond.

(d) **CUSIPs and Ratings.** On or prior to the Effective Date, the Authority will provide, or cause the Trustee to provide, a CUSIP number for any Bank Bonds that is different from any CUSIP number assigned to Eligible Bonds that are not Bank Bonds. During such time as Bank Bonds remain Outstanding, have not been remarketed and are deemed treated as Bank Bonds hereunder and under the Indenture, the Authority will take all reasonable action necessary to ensure that the following information is available on the Bloomberg Municipal Bond Description Screen: (i) the CUSIP number(s) assigned to the Bank Bonds, (ii) a long-term rating and a short term rating on the Eligible Bonds from each Rating Agency then rating the Eligible Bonds, which ratings shall be no lower than the long-term rating assigned to unenhanced Parity Obligations of the Authority and the short-term rating of the Bank, respectively, and (iii) a long term rating on the Bank Bonds from a Rating Agency then rating the Eligible Bonds, which long-term rating shall be no lower than the long-term rating described in sub-clause (ii) of this Section 3.1(d) and, in any event, which long-term rating shall be Investment Grade or better.

**ARTICLE IV**

**CONDITIONS PRECEDENT TO EFFECTIVENESS**

The obligation of the Bank to enter into this Agreement shall become effective on the date (the “**Effective Date**”) that each of the following conditions precedent have been fulfilled to the satisfaction of the Bank, and counsel to the Bank (such date being hereby designated as May 2, 2011):

(a) True and complete original executed counterparts of this Agreement and the Fee Letter.

(b) Certified copies of the resolutions of the Authority authorizing same (which certification shall state that such resolutions are in full force and effect as of the Effective Date).

(c) A certificate of an Authorized Officer of the Authority certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the Fee Letter.

(d) An opinion of counsel to the Authority, satisfactory to the Bank, regarding the enforceability of this Agreement, the Fee Letter and related matters.
(e) A certificate signed by an Authorized Representative, dated the Effective Date, stating that: (i) the representations and warranties of the Authority contained in Article V hereof, the Indenture and the Related Documents to which it is a party are true and correct on and as of the Effective Date as though made on and as of such date; (ii) no petition by or against the Authority has at any time been filed under the United States Bankruptcy Code or under any similar act; (iii) no Default or Event of Default hereunder has occurred and is continuing, or would result, from the execution and performance of this Agreement or the Fee Letter; (iv) the Indenture and the other Related Documents have not been amended, supplemented or modified in any way other than as previously disclosed to the Bank; (v) except as described in the Remarketing Memorandum or any other documents provided by the Authority to the Bank or except as approved by the Bank prior to the Effective Date, no material adverse change shall have occurred in the condition (financial or otherwise) or operations of the Authority between the date of the Authority’s most recent audited financial statements and the Effective Date, and no transactions or obligations having a material adverse effect on the condition (financial or otherwise) or operations of the Authority, whether or not arising from transactions in the ordinary course of the Authority’s business, shall have been entered into by the Authority subsequent to the date of the Authority’s most recent audited financial statements; and (vi) except as described in the Remarketing Memorandum or any other documents provided by the Authority to the Bank or except as approved by the Bank prior to the Effective Date, no transaction or event shall have occurred and no change shall have occurred in the condition (financial or otherwise) or operations of the Authority between the date of the Authority’s most recent audited financial statements and the Effective Date which materially adversely affects the security for any of the Bonds, or the Authority’s ability to repay when due its obligations under this Agreement and the Fee Letter, any of the Bonds and the Related Documents.

(f) Executed originals or certified copies of the Indenture and all other opinions, certificates and other documents delivered at the time that the Bonds were initially delivered, together with all amendments and supplements thereto that have been executed and delivered by the parties since initial delivery of said Bonds, if any, which amendments and supplements shall be in full force and effect on the Effective Date.

(g) Delivery to the Bank of the final Remarketing Memorandum.

(h) An incumbency certificate with respect to the officers or agents of the Trustee who are authorized to execute and deliver a Notice of Bank Purchase.

(i) Payment of the Bank’s fees and expenses (including attorney’s fees and expenses described in Section 10.3 hereof) payable on the Effective Date.

(j) Legal opinion of Nixon Peabody LLP, special counsel to the Bank, addressed to the Authority, the Trustee and the Remarketing Agents and as to such matters incident to this Agreement and the transactions contemplated hereby as the parties hereto shall have reasonably requested.

(k) Evidence satisfactory to the Bank that a CUSIP number has been obtained and reserved for any Bank Bonds.
(l) Evidence satisfactory to the Bank dated the Effective Date, that the Prior Agreement has been terminated and that all amounts due and owing to the Prior Bank in connection therewith and in connection with any Bonds purchased by said Prior Bank have been re-paid in full and that said Bonds have been (or will be concurrently with delivery of this Agreement) remarketed.

(m) An executed letter from the Trustee, in form and substance reasonably satisfactory to the Bank, in substantially the form attached hereto as Exhibit D.

(n) An executed Custody Agreement.

(o) Written confirmation that the Bonds have received long-term and short-term credit ratings of “____/____” from Moody’s and “_____/______” from Standard & Poor’s.

(p) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

In addition to the foregoing, the Bank shall have determined that (A) as of the Effective Date, no law, regulation, ruling or other action of the United States of America, the State of New York or the State of California or any state or any political subdivision or authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent the Bank from fulfilling its obligations hereunder or to prevent the Authority from fulfilling its obligations hereunder, under the Fee Letter or under any of the other Related Documents by which it is bound; and (B) as of the Effective Date, no change in the capital or financial markets of the United States has occurred and is continuing that could reasonably be expected to have a material adverse effect on the transactions contemplated by this Agreement and the other Related Documents.

The execution and delivery of this Agreement by the Bank shall be deemed satisfaction of all conditions specified in this Article IV or waiver thereof by the Bank.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Agreement and to purchase Bonds as provided herein, the Authority makes the following representations and warranties to, and agreements with the Bank (which representations, warranties and agreements shall survive the execution and delivery of this Agreement and any purchases of Bonds by the Bank):

Section 5.1. Due Organization; Power and Authority.

The Authority is an independent public agency, duly organized and validly existing under the laws of the State of California. The Authority has all requisite power and authority to adopt, execute, deliver and perform all of its obligations under the Related Documents and to incur the indebtedness evidenced by the Bonds, and to adopt, execute and deliver any and all instruments
and documents required to be adopted, executed or delivered pursuant to or in connection herewith or therewith and to perform each and all of the matters and things provided for herein and therein.

Section 5.2. Due Authorization; No Violation.

The execution, delivery and performance by the Authority of the Agreement and the other Related Documents and any and all instruments or documents required to be adopted or executed in connection herewith or therewith have been or will by the Effective Date be duly authorized and do not and will not, in any material respect, (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award in effect having applicability to the Authority or (ii) result in a breach of or constitute a default under any indenture, loan, credit agreement or any other agreement, lease or instrument to which the Authority is a party or by which the Authority is bound.

Section 5.3. Enforceability.

Each Related Document (other than the Bonds) to which the Authority is a party constitutes a legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as such enforceability may be limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Bonds have been duly issued, executed and delivered in conformity with the Act and the Indenture, and constitute legal, valid and binding special obligations of the Authority, enforceable in accordance with their terms, except as such enforceability may be limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and are entitled to the benefit and security of the Indenture.

Section 5.4. Disclosure.

All factual information provided to the Bank by or on behalf of the Authority is, and all other such factual information hereafter provided will be, to the knowledge of the Authority, accurate in all material respects on the date as of which such information is certified. The Remarketing Memorandum (other than the financial statements included therein), true copies of which have heretofore been delivered to the Bank, and each amendment or supplement thereto prepared subsequent to the Effective Date (a true copy of which shall be furnished to the Bank) do not and will not as of the date thereof contain any untrue statement of a material fact and do not and will not as of the date thereof omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to any information furnished by DTC or the Bank expressly for inclusion therein or as to any information concerning DTC or the book-entry system.
Section 5.5. No Litigation.

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, arbitrator, governmental or other board, body or official, pending with service of process accomplished or, to the best knowledge of the Authority after due inquiry, threatened against or affecting the Authority, which in any manner draws into question the validity or enforceability of any of the Related Documents or in any way contests the existence, organization or powers of the Authority or any elected official thereof to adopt, execute and deliver any of the Related Documents, to issue the Bonds or to perform the obligations thereunder or contemplated thereby or which, if determined adversely to the Authority, would have a material adverse effect on the Sales Tax Revenues or the ability of the Authority to perform its obligations under any of the Related Documents.

Section 5.6. Consents.

No authorization, consent, approval, license, exemption from or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, other than those which have been or will by the Effective Date be obtained, will be necessary for the valid adoption, execution, delivery and performance by the Authority of any of the Related Documents; provided that no representation is made as to any “blue sky” or securities laws of any jurisdiction.

Section 5.7. No Proposed Legal Changes.

To the best knowledge of the Authority, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State of California or any published administrative interpretation of the Constitution of the State of California or any State of California law, or any legislation which has passed either house of the State legislature, the effect of which (a) would be materially adversely affect the ability of the Authority to perform its obligations under this Agreement or any of the other Related Documents or (b) would invalidate, eliminate or reduce the Sales Tax Law or Sales Tax Revenues.

Section 5.8. No Sovereign Immunity.

The Authority is not entitled to immunity from legal proceedings to enforce this Agreement, the Fee Letter, the Bonds or any other Related Document (including, without limitation, immunity from service of process or immunity from jurisdiction of any court otherwise having jurisdiction) and is subject to claims and suits for damages in connection with its obligations under the Agreement pursuant to and in accordance with the laws of the State applicable to public entities such as the Authority.

Section 5.9. Incorporation of Representations and Warranties.

The Authority hereby makes to the Bank the same representations and warranties as were made by it in the Related Documents to which it is a party and are incorporated herein by reference with the same effect as if each and every such representation and warranty (and the defined terms related thereto) were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to the Indenture shall be effective
to amend such representations and warranties or defined terms as incorporated by reference herein without the prior written consent of the Bank, except as otherwise provided in Section 7.2(b) hereof.

Section 5.10. Bank Bonds.

The Bank Bonds purchased pursuant to Article II by the Bank shall be free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.11. Financial Statements.

The audited financial statements of the Authority for each of its fiscal years ended June 30, 2009 and June 30, 2010, including balance sheets as of June 30 of each of said years, all examined and reported on by independent public accountants, prepared by the Authority, as heretofore delivered to the Bank correctly and fairly present the financial condition of the Authority as of said dates and the results of the operations of the Authority for each of such periods, respectively, and have been prepared in accordance with generally accepted accounting principles consistently applied except as stated in the notes thereto; and there has been no Material Adverse Change since June 30, 2010.

Section 5.12. Compliance with Laws and Contracts.

The execution, delivery and performance by the Authority of the Related Documents to which it is a party do not and will not (a) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award as currently in effect to which the Authority is subject; (b) result in a breach of or constitute a default under the provisions of any resolution, indenture, loan or credit agreement or any other agreement, lease or instrument to which the Authority may be or is subject or by which it, or its property, is bound; or (c) result in, or require, the creation or imposition of any mortgage, deed of trust, assignment, pledge, lien, security interest or other charge or encumbrance of any nature or with respect to any of the properties of the Authority other than as provided herein and therein; and the transactions undertaken pursuant to the Indenture will not result in a material default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such resolution, indenture, agreement, lease or instrument.

Section 5.13. Complete and Correct Information.

No representation, warranty or other statement made by the Authority with respect to the Sales Tax Revenues in or pursuant to this Agreement or any Related Document or any other document or financial statement with respect to the Bonds provided by the Authority to the Bank in connection with this Agreement or any other Related Document, except as disclosed to the Bank in writing, contains any untrue statement of a material fact or omits (as of the date made or furnished) any material fact necessary to make the statements not misleading in light of the circumstances under which they are made. All information, reports and other papers and data with respect to the Sales Tax Revenues and the Authority’s Parity Obligations furnished to the Bank were, at the time the same were so furnished, accurate in all material respects or were replaced with accurate information. Any financial statements and cash flows furnished to the
Bank with respect to the Sales Tax Revenues and the Authority’s Parity Obligations were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of the delivery of such financial statements and cash flows. No fact is known to the Authority that materially and adversely affects or in the future may (so far as it can reasonably foresee) materially and adversely affect the security for any of the Bonds or any other Parity Obligation, or the Authority’s ability to repay when due its obligations under this Agreement, any of the Bonds, any Parity Obligation and the Related Documents or in the financial statements and other documents referred to in this Section 5.13 or in such information, reports, papers and data or otherwise disclosed in writing to the Bank.

**Section 5.14. Federal Reserve Board Regulations.**

No part of the proceeds of any Bonds will be used for the purpose, whether immediate, incidental or ultimate, to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time), or to extend credit to others for the purpose of purchasing or carrying any margin stock.

**Section 5.15. Investment Company Act.**

The Authority is not an “investment company” or a company “controlled” by an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

**Section 5.16. Trustee and Remarketing Agents.**

U.S. Bank National Association is the duly appointed and acting Trustee and Goldman, Sachs & Co. (or a successor or assign meeting the requirements of the Indenture and Section 7.2(a) hereof) is the duly appointed and acting Remarketing Agent for the 2008 Series A Bonds and Morgan Stanley & Co. Incorporated (or a successor or assign meeting the requirements of the Indenture and Section 7.2(a) hereof) is the duly appointed and acting Remarketing Agent for the 2008 Series C Bonds.

**Section 5.17. Tax Exempt Status.**

The Authority has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other person or entity, which action, if taken or omitted, would cause interest on the Bonds to be subject to personal income taxes levied by the State.

**Section 5.18. Permitted Investments.**

As of the Effective Date, the Authority has no knowledge that it has made any material investment, or entered into any agreement for the purpose of effecting any such investment, which is not permitted to be made pursuant to the Act or the Indenture.
Section 5.19. Compliance with this Agreement.

The Authority is in compliance with the terms and conditions of this Agreement, and no breach of the terms hereof nor any Event of Default has occurred and is continuing, and no event, act or omission has occurred and is continuing which, with the lapse of time, the giving of notice, or both, would constitute an Event of Default or a breach of the terms hereof.

Section 5.20. Pledge of Sales Tax Revenues.

The Indenture creates a valid pledge in favor of the Trustee in the Sales Tax Revenues and, as of the Effective Date, all necessary actions on the part of the Authority, the Trustee, and the Bank have been taken as required to pledge the Sales Tax Revenues in favor of the Trustee under the Indenture. The Authority hereby pledges the Sales Tax Revenues to the payment of all amounts due hereunder and under the Fee Letter and in connection with the Bank Bonds, all as more fully set forth in Section 2.11 hereof. Except as provided in the Indenture, the Authority has not pledged or granted a lien, security interest or other encumbrance of any kind on the Sales Tax Revenues on a parity with the Bonds.


Each Bond is entitled to the benefits of the Indenture.

Section 5.22. Related Documents.

Each of the Related Documents (other than this Agreement) to which the Authority is a party is in full force and effect and none of the Related Documents has been amended or supplemented except by such amendments or supplements as have previously been delivered to the Bank.

ARTICLE VI

CONDITIONS PRECEDENT TO PURCHASES

Section 6.1. Conditions.

The obligation of the Bank to purchase Eligible Bonds hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank:

(a) No Special Event of Default or Suspension Event shall have occurred and be continuing and the Bank’s obligations hereunder shall not otherwise have been terminated or suspended. If and to the extent that a Suspension Event shall have been cured as and to the extent provided in Section 8.3(b) hereof, the condition described in this Section 6.1(a) will be deemed satisfied; and

(b) The Bank shall have timely received the Notice of Bank Purchase(s) as provided in Section 2.3 hereof; provided, that if the Notice of Bank Purchase(s) is not received in a timely manner, the Bank will be obligated to purchase Eligible Bonds on the Business Day following receipt thereof.
Each notification delivered pursuant to clause (b) of this Section 6.1 shall constitute a representation and warranty by the Authority on each Purchase Date that the condition described in the clause (a) of this Section 6.1 has been satisfied on such Purchase Date.

ARTICLE VII

COVENANTS

Section 7.1. Affirmative Covenants of the Authority.

So long as any of the Bonds bearing interest at a Covered Rate shall be outstanding (including any Bank Bonds) or any Obligations remain unpaid hereunder and under the Fee Letter, the Authority covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

(a) Performance of This and Other Agreements. The Authority shall punctually pay or cause to be paid all amounts payable under this Agreement, the Fee Letter, the Indenture and the other Related Documents and observe and perform all of the conditions, covenants and requirements of this Agreement, the Indenture and the other Related Documents.

(b) Further Assurances. The Authority will at any and all times, insofar as it may be authorized so to do by law, authorize, make, do, execute, acknowledge and deliver every and all such further resolutions, acts, deeds, conveyances, assignments, recordings, filings, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular rights of the Bank hereunder or payment of the obligations of the Authority arising under or pursuant to this Agreement or under the Fee Letter, or intended so to be, or which the Authority may hereafter become bound to pledge or assign thereto, including the maintenance of the security interests in and pledge of the Sales Tax Revenues created pursuant to the Indenture.

(c) Books and Records; Inspection Rights. To the extent permitted by law and with reasonable notice, the Authority will permit any person designated by the Bank, to visit the offices of the Authority to examine the books and financial records, including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Authority with its principal officials, all at such reasonable times and as often as the Bank may reasonably request on behalf of the Bank; provided, however that the Authority shall not disclose to the Bank any documents and information which are subject to confidentiality agreements and which are not public record or otherwise available under California law for public inspection; and provided further that the Authority acknowledges that its accounting and financial records are not subject to any confidentiality agreement and are available for inspection. The Bank agrees to maintain the confidentiality of all such books, records and information which are subject to confidentiality agreements and which are not otherwise publicly available; provided, however, that the Bank shall not be precluded from disclosing such information or the contents of such books and records (i) to its officers, directors, employees, agents, attorneys and accountants who have a need to know such books, records or information in accordance with customary banking practices and who receive such books, records or information having been made aware of the restrictions set forth in this Section 7.1(c),
(ii) to any actual or proposed Participant or bank which has agreed in writing to be bound by the provisions of this Section 7.1(c), (iii) to the extent disclosure is required by law, statute, rule, regulation or judicial process or (iv) upon the lawful demand of any court or agency having jurisdiction over the Bank or any Participant.

(d) **Reporting Requirements.** The Authority shall furnish to the Bank:

(i) as soon as available a copy of its audited annual financial statements as soon as they are available (and in no event later than 210 days after the end of each fiscal year of the Authority), together with an audit report thereon prepared by an independent certified public accountant and a certificate of the Authority signed by a duly authorized officer certifying that as of the date of such certificate no Event of Default has occurred and is continuing;

(ii) as soon as available (and, in no event, later than 90 days after the end of each June 30 and December 31), a copy of its unaudited semi-annual financial statements, consisting of the balance sheet, income statement and cash flow statement as of each June 30 and December 31; *provided, however,* that if no other lender to the Authority providing liquidity or credit support in favor of debt secured by Sales Tax Revenues requires the unaudited semi-annual financial statements described in this sub-clause (ii), then, from and after such date, the provisions of this sub-clause (ii) shall cease to be of any force or effect hereunder;

(iii) as soon as available a copy of the biannual budget of the Authority;

(iv) as soon as possible after a closing, a copy of any official statement of the Authority in connection with any other debt offering by the Authority, which is secured by Sales Tax Revenues;

(v) as soon as possible and in any event within five (5) Business Days after the occurrence of each Event of Default or Default continuing on the date of such statement, a statement of an Authorized Representative setting forth details of such Event of Default or Default and the action which is being taken or proposed to be taken with respect thereto;

(vi) promptly after the receipt or giving thereof, copies of all notices of resignation by or removal of the Trustee or either Remarketing Agent which are received or given by the Authority;

(vii) promptly after the adoption thereof, copies of any amendments or supplements to the Indenture and the Remarketing Memorandum;

(viii) with reasonable promptness, such other information and data with respect to the Sales Tax Revenues as from time to time may be reasonably and lawfully requested by the Bank;

(ix) a copy of its investment policy and any amendments thereto; and
as soon as available (and in no event later than 90 days after the end of each March 31, June 30, September 30 and December 31), the amount of all Sales Tax Revenues received by the Authority or the Trustee, on behalf of the Authority for each quarter ending each March 31, June 30, September 30 and December 31.

As and to the extent that any financial statement, audit report or other filing described in Section 7.1(d)(i), 7.1(d)(iv) or 7.1(d)(ix) has been filed on a timely basis with the MSRB through its Electronic Municipal Market Access System and the Authority has provided written notice thereof to the Bank, the requirements of such Sections 7.1(d)(i), 7.1(d)(iv) or 7.1(d)(ix) with respect thereto shall be deemed satisfied. As and to the extent that the Sales Tax Revenues information described in Section 7.1(d)(x) becomes available on the Authority’s website and the Authority has provided written notice thereof to the Bank, the requirements of such Section 7.1(d)(x) with respect thereto shall be deemed satisfied.

(e) **Compliance with Documents.** The Authority will take all necessary steps to assure that all Bonds will be issued in compliance with the Indenture. The Authority agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Related Documents.

(f) **Amendments to the Sales Tax Law or Proposed Legislation.** The Authority shall furnish to the Bank (i) a copy of any amendments or modifications to the law or any other legislation, initiative or referendum of which the Authority is aware which could (A) annul, amend, modify, replace or otherwise adversely impact upon the Sales Tax Law or (B) lead to the diminution or reallocation of the Sales Tax Revenues or any portion thereof; or (ii) a written notice describing any other event which, in the reasonable judgment of the Authority, is likely to have a material adverse effect on the Sales Tax Revenues or affect the Authority's ability to perform its obligations under the Bonds or any of the Related Documents.

(g) **Changes to Law.** The Authority shall vigorously oppose any rescission of or amendment to or any other action under or in connection with the Sales Tax Revenues (including, without limitation, any modification of the Sales Tax Law) which would or could materially reduce the amount of the Sales Tax Revenues or the allocation of such revenues to the payment of the Bonds or the obligations of the Authority hereunder and under the Fee Letter or which would or could in any manner materially impair or adversely affect the rights of the Authority to any or all of the Sales Tax Revenues or to the security of the Bank or the owners of the Bonds.

(h) **Selection of Bonds for Redemption.** The Authority shall select, or cause to be selected, for redemption any and all Bank Bonds prior to selecting, or causing to be selected, for redemption any Bonds that are not Bank Bonds.

(i) **Compliance With Law.** The Authority shall comply with all laws, rules and regulations (including all federal, state and local environmental and health and safety laws, rules and regulations), and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; provided, however, that the Authority may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the
rights and remedies which it may have with regard thereto, so long as such acts do not affect the Authority's power and authority to execute and deliver this Agreement or any other Related Documents to which it is a party, to perform its obligations and to pay all amounts payable by it hereunder, under the Fee Letter and under the other Related Documents.

(j) Notices. The Authority will promptly furnish, or cause to be furnished, to the Bank (i) notice of the occurrence of any Event of Default or Default as defined herein or in the Indenture, (ii) notice of the failure by the Remarketing Agent to perform any of its obligations under the applicable Remarketing Agreement or the Trustee to perform any of its obligations under the Indenture, (iii) notice of any proposed substitution of this Agreement, (iv) each notice required to be given to the Bank pursuant to the Indenture, (v) notice of any litigation, administrative proceeding, proposed or enacted legislation or business development which may reasonably be expected to materially adversely affect the Sales Tax Revenues, the transactions authorized pursuant to the Indenture or the ability of the Authority to perform its obligations as set forth hereunder, under the Indenture or under any of the other Related Documents to which it is a party, (vi) notice of any downgrade, withdrawal, or suspension of the long-term rating assigned by a Rating Agency to the Bonds or any Parity Obligation or the placement of any such Bonds or Parity Obligation on credit watch by a Rating Agency or, if a Rating Agency then maintaining ratings on the Bonds and Parity Obligation expresses in writing a negative outlook as to the long-term rating of any such Bonds or Parity Obligation, and (vii) such further financial and other information with respect to the Sales Tax Revenues and the other transactions authorized pursuant to the Indenture as the Bank may reasonably request from time to time.

(k) Alternate Liquidity Facility.

(i) Other than in connection with a Conversion Date, the Authority shall use its best efforts to refinance, defease or obtain an Alternate Liquidity Facility to replace this Agreement in the event (A) the Bank shall not extend the Expiration Date pursuant to Section 10.10(c) hereof or the Authority fails to request such an extension on a timely basis, (B) the Authority terminates this Agreement pursuant to Section 2.4 hereof, (C) the Bank shall furnish a Notice of Termination Date pursuant to Section 8.1(b) hereof or (D) a Default Tender shall have been effected with any funds made available hereunder.

(ii) The Authority agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Authority or the issuer of the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the proposed Substitution Date, for the purchase of all Bank Bonds at par plus all accrued interest thereon (plus any Differential Interest Amount and Excess Bank Bond Interest) through the proposed Substitution Date. On such proposed Substitution Date, any and all amounts due hereunder and under the Fee Letter to the Bank shall be payable in full to the Bank.

(iii) The Authority shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Bonds bearing interest at a Covered Rate without the prior written consent of the Bank.
(l) **Preservation of Existence.** To the fullest extent permitted by law, the Authority shall maintain its legal existence.

(m) **Disclosure of Participants.** The Authority shall permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 7.1(d) hereof, to any Participants; *provided,* that the Bank shall require, as a condition to providing any such information to any Participant, an agreement on the part of said Participant to maintain the confidentiality of said information except for the reasons set forth in the second proviso to Section 7.1(c) hereof.

(n) **Other Covenants.** (i) For the benefit of the Bank, the Authority shall comply with, abide by and be restricted by all the agreements, covenants, obligations and undertakings contained in the provisions of the Indenture and the other Related Documents, all of which provisions, together with the related definitions, exhibits and ancillary provisions, are incorporated herein by reference and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety and, without regard to giving effect to any amendment or modification of any provisions of such documents or any waiver of compliance therewith. No such amendment, modification or waiver shall in any manner constitute an amendment, modification or waiver of the provisions thereof as incorporated herein unless consented to in writing by the Bank; *provided,* that no such consent shall be necessary in the event (i) the Bank shall have failed to honor its obligation to purchase Eligible Bonds hereunder or (ii) in the event no such consent is required pursuant to Section 7.2(b) hereof.

(ii) Notwithstanding the foregoing, in the event that the Authority shall covenant with any other Person at any time, in connection with any borrowing or obligation that is payable from Sales Tax Revenues on a parity with the Bonds, to maintain any financial test, covenant or ratio, such financial test, covenant or ratio, together with the related definitions of terms, shall be incorporated by reference in this Agreement for the benefit of the Bank and such financial test, covenant or ratio, together with the related definitions of terms, shall continue to be observed by the Authority for the benefit of the Bank until the termination of this Agreement. The Authority further agrees that, if and to the extent that the remedy of acceleration is exercised pursuant to the Indenture in favor of any Parity Obligations, the Bonds (including all Bank Bonds) will be subject to acceleration concurrently therewith; *provided, however,* that in the event that the Authority shall covenant with any other Person at any time, in connection with any borrowing or obligation, to provide any remedy of acceleration that is greater or more advantageous than the remedy of acceleration that is currently granted to the Bank hereunder, such remedy of acceleration shall automatically be incorporated by reference in this Agreement for the benefit of the Bank.

(o) **Conversions; Defeasance.** The Authority shall not convert the Bonds to bear interest at any rate of interest other than the Daily Rate or the Weekly Rate without receiving the Bank’s prior written consent or terminating this Agreement in compliance with Sections 2.4 and 10.10(b) hereof and the Fee Letter. The Authority shall promptly furnish, or cause to be furnished, to the Bank, not later than its furnishing the same to the applicable Remarketing Agent, a copy of any written notice furnished by the Authority to the applicable Remarketing Agent pursuant to the Indenture indicating a proposed conversion of the interest
rate on the Bonds to a rate other than a Covered Rate. In addition, the Authority will not defease, nor allow the defeasance of, the Bonds without having contemporaneously satisfied all of its Obligations hereunder and under the Fee Letter, including the Bank Bonds.

(p) **Trustee and Remarketing Agents.** (i) The Authority shall use reasonable efforts to cause the Trustee and each Remarketing Agent at all times to comply with the terms of the Indenture and the other Related Documents to which each is a party or by which such party is bound; and (ii) the Authority shall maintain at all times a Remarketing Agent with respect to each series of Bonds that is reasonably acceptable to the Bank.

(q) **Use of Facility and Bond Proceeds.** The Authority shall cause (i) the proceeds from monies received hereunder to be used solely to pay the Purchase Price of Bonds as more fully described in Sections 2.1 and 2.3 hereof, and (ii) the proceeds of the Bonds to be used solely for the purposes set forth in the Indenture.

(r) **Sovereign Immunity.** To the extent that the Authority has or hereafter may acquire under any applicable law any right to immunity from legal proceedings on the grounds of sovereignty or otherwise, the Authority, to the fullest extent permitted by law, hereby irrevocably waives such rights to immunity for itself and agrees not to invoke any defense of immunity in respect of its obligations arising under or related to this Agreement, the Fee Letter or the Bank Bonds.

(s) **Ratings Covenants.** For so long as this Agreement is in effect, the Authority shall maintain two (2) published ratings on its long-term, unenhanced Parity Obligations from nationally recognized rating agencies which provide ratings on debt similar to the Bonds. If less than three (3) such agencies exist, this rating covenant requirement shall be adjusted accordingly.

**Section 7.2. Negative Covenants of the Authority.**

So long as any of the Bonds (including any Bank Bonds) or any Obligations remain unpaid hereunder or under the Fee Letter, the Authority shall not do any of the following, without the prior written consent of the Bank, which consent shall not be unreasonably withheld:

(a) **Successor Remarketing Agents.** Appoint, permit or suffer to be appointed any successor Remarketing Agent unless (i) such successor meets the requirements for a remarketing agent under the Indenture and, for the most recent calendar year for which such statistics are available at the time of such replacement, such replacement remarketing agent shall have a remarketing portfolio of variable rate debt as reported by Securities Data Company of at least five hundred million dollars ($500,000,000); and (ii) the Authority provides at least ten (10) Business Days’ notice to the Bank and obtains the prior written consent of the Bank to such replacement remarketing agent, such consent not to be unreasonably withheld.

(b) **Amendments to the Indenture.** Without the prior written consent of the Bank, (i) consent or agree to or permit any rescission of or amendment to the Act or the Sales Tax Law which would reduce the amount of the Sales Tax Revenues or the obligations of the Authority hereunder or which would in any manner materially impair or materially adversely affect the rights of the Authority to the Sales Tax Revenues or the security of the Indenture; or
(ii) agree to the amendment of the Indenture such that payments to holders of Bonds are impaired or reduced or the priority of the obligations of the Authority under the Indenture or to the Bank hereunder is adversely affected in any way; or (iii) agree to any amendment of the Indenture whatsoever which will materially and adversely affect the rights or obligations of the Bank or the holders of Bonds in respect thereof; provided that no consent shall be required or impairment deemed or adverse effect assumed from the issuance of additional Bonds in accordance with the Indenture.

(c) Bank Disclosure. Include in the Remarketing Memorandum any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein, nor shall the Authority make any changes in any reference to the Bank in any amendment or supplement to the Remarketing Memorandum. In addition, the Authority shall not include in any offering document for any debt secured by the Sales Tax Revenues (other than the Bonds) any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein; provided, that the Authority may include references to the existence of this Agreement, the Bank and its role with respect to the Bonds without the Bank’s consent thereto in connection with (i) the preparation of an offering document for such debt (other than the Bonds), (ii) the Authority’s satisfaction of its continuing disclosure requirements, (iii) the preparation of its annual financial statements; and (iv) compliance with any other legal or regulatory requirement applicable to the Authority.

(d) Maintenance of Tax-Exempt Status of the Bonds. Take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion from gross income of such interest on the Bonds for purposes of the exemption of such interest from Federal and State income taxes.

(e) Federal Reserve Board Regulations. Use the monies received hereunder, or permit the use of the monies received hereunder, in violation of Regulation U, as amended, promulgated by the Board of Governors of the Federal Reserve System.

(f) Accounting Method. Materially change its method of accounting relating to Sales Tax Revenues, or the times of commencement or termination of fiscal years or other accounting periods relating to Sales Tax Revenues without first disclosing in writing such change to the Bank.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default not Resulting in Immediate Termination or Suspension.

(a) Each of the following Events of Default shall constitute a “Notice Termination Event”:
(i) **Payments.** The Authority shall fail to pay any amount owed to the Bank pursuant to Section 2.2 or Section 3.1 hereof (other than amounts described in Section 8.2(a)(i) or in Section 8.3(a)(i) hereof); or

(ii) **Other Payments.** The Authority shall fail to pay when due any amount owing under Section 2.8, Section 2.9 or Section 10.3 hereof or under the Fee Letter; or

(iii) **Representations.** Any material representation or warranty made by or on behalf of the Authority in this Agreement, the Indenture or in any other Related Document or in any certificate or statement delivered hereunder or thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(iv) **Certain Covenants.** The Authority shall default in the due performance or observance of any of the covenants set forth in Section 7.1(a), 7.1(h), 7.1(k), 7.1(l), or 7.2(b) hereof; or

(v) **Other Covenants.** The Authority shall default in the due performance or observance of any other term, covenant or agreement contained in this Agreement (other than those referred to in Sections 8.1(a)(i), 8.1(a)(ii), 8.1(a)(iv), 8.2(a)(i) and 8.3(a)(i) hereof), the Indenture or any other Related Document and such default shall remain unremedied for a period of thirty (30) days after the Authority has received notice thereof; or

(vi) **Cross Default.** (A) Except as otherwise provided in Section 8.2(a)(vi), any “Event of Default” as defined in Section 7.01 of the Indenture shall occur and be continuing, or (B) any “Event of Default” shall occur and be continuing under any documentation entered into by the Authority with any Person or Persons that undertakes to make loans or extend credit or liquidity to the Authority related to Parity Obligations or in connection with any Interest Rate Swap Agreement; or

(vii) **Invalidity of Parity Obligations.** (A) Any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of any Parity Obligation shall find or rule, in a judicial or administrative proceeding, that any provision of the Act or the Indenture, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on any Parity Obligation or (2) the Sales Tax Revenues securing said Parity Obligation, is not valid or not binding on, or enforceable against, the Authority; or (B) the State shall (1) have taken any official action, or has duly enacted any statute, (2) make a claim in a judicial or administrative proceeding or (3) contest in a judicial or administrative proceeding that (x) the Authority has no further liability or obligation under any Parity Obligation to pay, when due, the principal of or interest on said Parity Obligation or (y) any provision of the Act or the Indenture relating to or otherwise affecting the Authority’s ability or obligation to pay, when due, the principal of or interest on any Parity Obligation or the Sales Tax Revenues securing said Parity Obligation is illegal, invalid or unenforceable against the Authority; or
(b) **Remedies.** Upon the occurrence of any Event of Default, the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; and in addition, the Bank, in its sole discretion, may do one or more of the following:

(i) declare all obligations of the Authority to the Bank hereunder and under the Fee Letter to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are hereby expressly waived; or

(ii) give written notice of such Event of Default and termination of the Agreement (a “Notice of Termination Date”) to the Trustee, the Authority and the Remarketing Agents requesting a Default Tender; provided, that the obligation of the Bank to purchase Eligible Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the Available Commitment shall terminate and the Bank shall be under no obligation hereunder to purchase Eligible Bonds; or

(iii) exercise any right or remedy available to it under any other provision of this Agreement; or

(iv) exercise any other rights or remedies available under the Indenture and any other Related Document, any other agreement or at law or in equity; provided, further, however, the Bank shall not have the right to terminate its obligation to purchase Eligible Bonds except as provided in this Section 8.1(b).

Notwithstanding anything to the contrary herein, no failure or delay by the Bank in exercising any right, power or privilege hereunder, under the Indenture and any other Related Document or under the Bonds and no course of dealing between the Authority and the Bank shall operate as a waiver hereof or thereof nor shall any single or partial exercise hereof or thereof preclude any other or further exercise hereof or thereof or the exercise of any other right, power or privilege. The rights and remedies in Article VIII hereof shall be cumulative and not exclusive of any rights or remedies which the Bank would otherwise have.

**Section 8.2. Events of Default Resulting in Immediate Termination.**

(a) Each of the following Events of Default shall also constitute a “Special Event of Default”:

(i) **Payment Default.** The Authority shall fail to pay when due (A) any principal or sinking fund requirement due on any Bond (including any Bank Bond other than principal due on any Bank Bond following the acceleration thereof pursuant to Section 8.1(b) or 8.2(b) hereof)) and (B) any interest on any Bond (including any Bank Bond); or
(ii) **Judgments.** One or more final, unappealable judgment(s) against the Authority for the payment of money, which judgment(s) is payable from or enforceable pursuant to a lien upon, or an attachment against, any or all of the Sales Tax Revenues, the operation or result of which judgment(s), individually or in the aggregate, equal or exceed $10,000,000 and which judgment(s) shall remain unpaid, undischarged, unbonded or undismissed for a period of sixty (60) days; or

(iii) **Insolvency.** (A) The Authority shall commence any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to the Bonds or any Parity Obligation, or (2) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Sales Tax Revenues, or the Authority shall make a general assignment for the benefit of its creditors; or (B) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A) above or in Section 8.3(a)(ii); or (C) the Authority shall admit in writing its inability to pay its debts as they become due or becomes insolvent within the meaning of Section 101(32) of the United States Bankruptcy Code of 1978, as it may be amended from time to time (Title 11 of the United States Code), and any successor statute thereto; or

(iv) **Validity.** (A) The Authority, pursuant to official action on the part of its governing body, contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) that it has any further liability or obligation under or with respect to any provision of the Act, this Agreement, the Indenture, the Bonds or any Parity Obligation relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or on any Parity Obligation or (2) the Sales Tax Revenues securing said Bonds and Parity Obligation; or (B) the Authority, pursuant to official action on the part of its governing body, contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) the legality, validity or enforceability of any provision of this Agreement, the Bonds, the Act, the Indenture or any Parity Obligation relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or (2) the Sales Tax Revenues securing said Bonds or any Parity Obligation; or (C) any provision of the Act, this Agreement, the Indenture or the Bonds relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or (2) the Sales Tax Revenues securing said Bonds shall, at any time, and for any reason, cease to be valid and binding on the Authority, or shall be declared to be null and void, invalid or unenforceable, in each case, as the result of a final nonappealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having
jurisdiction over the Authority; or (D) a debt moratorium or comparable extraordinary restriction on repayment of principal or interest on any debt shall have been declared or imposed (whether or not in writing) with respect to the Bonds (including any Bank Bond); or

(v) **Ratings.** Moody’s, Standard & Poor’s and any other Rating Agency then rating the Bonds shall have (A) assigned the Bonds a long-term rating below “Baa3” by Moody’s and “BBB-” by Standard & Poor’s (or comparable rating in the case of another Rating Agency), (B) withdrawn their long-term ratings of the Bonds for any credit related reasons or (C) suspended their long-term ratings of the Bonds for any credit related reasons; *provided, however,* that any downgrade, withdrawal or suspension described in any of the foregoing provisions of this Section 8.2(a)(v) shall not be deemed an Event of Default hereunder if said downgrade, withdrawal or suspension, as the case may be, shall be attributable to the downgrade, withdrawal or suspension of the long-term ratings assigned to any bond insurance or other credit enhancement provided by a Person other than the Authority; or

(vi) **Parity Obligations Payment Default.** The Authority shall fail to make any payment in respect of principal or interest on any Parity Obligation, issued and outstanding or to be issued, when due (i.e., whether upon said Parity Obligation’s scheduled maturity, required prepayment, acceleration pursuant to the Indenture, upon demand or otherwise, except as such payments may be accelerated, demanded or required to be prepaid under this Agreement), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Obligation.

(b) **Remedies.** In addition to the remedies set forth in Section 8.1(b), upon the occurrence of a Special Event of Default, the Available Commitment shall immediately be reduced to zero, in which case the obligations of the Bank under Article II of this Agreement shall immediately terminate and expire without requirement of notice by the Bank; *provided,* that (i) the Event of Default described in Section 8.2(a)(i) will not qualify as a “Special Event of Default” hereunder if the failure to pay the principal of, or interest on, a Bank Bond is due solely to an acceleration of all of the Bank Bonds by the Bank for any reason other than nonpayment as described in Section 8.2(a)(i) hereof and (ii) the Suspension Events described in Section 8.3(a) hereof will not qualify as “Special Events of Default” unless and until the conditions described in said Section 8.3(b) for such qualification have been satisfied. After such termination or expiration, the Bank shall deliver promptly to the Authority, the Trustee and the applicable Remarketing Agent written notice of such termination or expiration; *provided, however,* that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

**Section 8.3. Events of Default Resulting in Immediate Suspension.**

(a) Each of the following Events of Default shall also constitute a “Suspension Event”: 

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(i) **Payment Default.** The Authority shall fail to pay when due any principal payment due on any Bank Bond during the Bank Bond Amortization Period pursuant to Section 3.1(b) hereof; or

(ii) **Involuntary Bankruptcy Proceeding.** (A) There shall be commenced against the Authority any case, proceeding or other action of a nature referred to in Section 8.2(a)(iii)(A) above which (1) results in an order for such relief or in the appointment of a receiver or similar official or (2) remains undischarged, undismissed or unbonded for a period of sixty (60) days; or (B) there shall be commenced against the Authority, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Sales Tax Revenues, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or

(iii) **Initiation of Legal Proceedings.** (A) Any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of this Agreement, the Bonds, the Act or the Indenture shall find or rule, in a judicial or administrative proceeding, that any provision of this Agreement, the Bonds, the Act or the Indenture, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or (2) the Sales Tax Revenues securing said Bonds, is not valid or not binding on, or enforceable against, the Authority; or (B) the State shall (1) have taken any official action, or has duly enacted any statute, (2) make a claim in a judicial or administrative proceeding or (3) contest in a judicial or administrative proceeding that (x) the Authority has no further liability or obligation hereunder, under the Bonds, the Act or the Indenture to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or (y) any provision of this Agreement, the Bonds, the Act or the Indenture relating to or otherwise affecting the Authority’s ability or obligation to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or the Sales Tax Revenues securing said Bonds is illegal, invalid or unenforceable against the Authority.

(b) **Remedies.** In addition to the remedies set forth in Section 8.1(b)(iii) and Section 8.1(b)(iv) hereof but subject to Section 8.3(b)(i)-(iv) below (as applicable), in the case of a Suspension Event, the obligation of the Bank to purchase Eligible Bonds under this Agreement shall be immediately suspended without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the Bank shall notify the Authority, the Trustee and the applicable Remarketing Agent of such suspension and the effective date of such suspension in writing by facsimile, promptly confirmed by regular mail; *provided, that* the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or its obligation to purchase Eligible Bonds pursuant to this Agreement.

(i) Upon the occurrence of an Event of Default described in Section 8.3(a)(i), the Bank’s obligations to purchase Eligible Bonds shall be suspended immediately and automatically and remain suspended until the Authority cures the Event of Default
resulting in said suspension or the date on which the Bank’s obligations hereunder have terminated or expired in accordance with the terms hereof (the “Termination Date”), whichever is the first to occur. If the Authority shall cure the Event of Default described in Section 8.3(a)(i) prior to the Termination Date, then the Available Commitment and the obligations of the Bank under this Agreement shall thereupon be reinstated (unless the Commitment Period shall otherwise have been terminated, suspended or expired as provided in this Agreement). Notwithstanding the foregoing, if the Authority shall not have cured the Event of Default resulting in said suspension prior to the Termination Date, then the Available Commitment and the obligations of the Bank to purchase Eligible Bonds shall terminate on the Termination Date without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds.

(ii) Upon the occurrence of an Event of Default described in Section 8.3(a)(ii)(A)(1), the Bank’s obligation to purchase Eligible Bonds shall be suspended immediately and automatically and remain suspended until said case, proceeding or other action referred to therein is either dismissed, discharged or bonded or the Termination Date occurs, whichever is first. In the event that said Event of Default shall have been dismissed, discharged or bonded prior to the Termination Date, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall be reinstated and the terms of this Agreement shall continue in full force and effect as if there had been no such suspension (unless the Commitment Period shall otherwise have been terminated, suspended or expired as provided in this Agreement). In the event that said Suspension Event shall not have been dismissed, discharged or bonded prior to the Termination Date, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall terminate on such Termination Date without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds.

(iii) Upon the occurrence of a Default described in Section 8.3(a)(ii)(A)(2), the Bank’s obligations to purchase Eligible Bonds shall be immediately and automatically suspended and remain suspended until the case, proceeding or other action referred to therein is either dismissed, discharged or bonded within sixty (60) days from the commencement of such case, proceeding or action, or the Termination Date occurs, whichever is first. In the event that said Suspension Event shall have been dismissed, discharged or bonded within the sixty (60) day period described therein and prior to the Termination Date, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall be reinstated and the terms of this Agreement shall continue in full force and effect as if there had been no such suspension (unless the Commitment Period shall otherwise have been terminated, suspended or expired as provided in this Agreement). In the event that said Suspension Event shall not have been dismissed, discharged or bonded within such sixty (60) day period when the Termination Date occurs, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall terminate on the Termination Date without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds.

(iv) Upon the occurrence of a Default described in Section 8.3(a)(ii)(B), the Bank’s obligations to purchase Eligible Bonds shall be immediately and automatically suspended and remain suspended until the case, proceeding or other action referred to
therein is either vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the commencement of such case, proceeding or action, or the Termination Date occurs, whichever is first. In the event that said Suspension Event shall have been vacated, discharged, or stayed or bonded pending appeal within the sixty (60) day period described therein and prior to the Termination Date, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall be reinstated and the terms of this Agreement shall continue in full force and effect as if there had been no such suspension (unless the Commitment Period shall otherwise have been terminated, suspended or expired as provided in this Agreement). In the event that said Suspension Event shall not have been vacated, discharged, or stayed or bonded pending appeal within such sixty (60) day period when the Termination Date occurs, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall terminate on such Termination Date without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds.

(v) Upon the occurrence of an Event of Default described in Section 8.3(a)(iii)(A) or 8.3(a)(iii)(B), the Bank’s obligations to purchase Eligible Bonds shall be immediately and automatically suspended and remain suspended unless and until a court with jurisdiction to rule on such an Event of Default shall enter a final and nonappealable judgment that any of the material provisions of the Act or any other document described in Section 8.3(a)(iii)(A) are not valid or not binding on, or enforceable against, the Authority or that a claim or contest described in Section 8.3(a)(iii)(B) shall have been upheld in favor of the State or the Authority in accordance with a final and nonappealable judgment, then, in each such case, the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall immediately terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on such an Event of Default shall find or rule by entry of a final and nonappealable judgment that the material provision of the Act or any other document described in Section 8.3(a)(iii)(A) is valid and binding on, or enforceable against, the Authority or that the claim or contest described in Section 8.3(a)(iii)(B) shall have been dismissed pursuant to a final and nonappealable judgment, then the Available Commitment and the obligations of the Bank under this Agreement shall, in each such case, thereupon be reinstated (unless the Commitment Period shall otherwise have been terminated, suspended or expired as provided in this Agreement). Notwithstanding the foregoing, if the suspension of the obligations of the Bank pursuant to any Event of Default described in Section 8.3(a)(iii)(A) or 8.3(a)(iii)(B) remains in effect and litigation is still pending and a determination regarding same shall not have been dismissed or otherwise made pursuant to a final and non-appealable judgment, as the case may be, when the Termination Date occurs, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall terminate on the Termination Date without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds.

In the case of each Suspension Event, the Trustee shall subsequently notify all Bondholders of the suspension and/or termination of both the Available Commitment and the obligation of the Bank to purchase Eligible Bonds.
ARTICLE IX

OBLIGATIONS ABSOLUTE

Section 9.1. Obligations Absolute.

The obligations of the Authority under this Agreement and the Fee Letter shall be absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement and the Fee Letter, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of this Agreement, the Indenture or any other Related Document or any other agreement or instrument delivered in connection herewith or therewith;

(b) any amendment or waiver of, or any consent to departure from, the terms of the Indenture or any other Related Document;

(c) the existence of any claim, set-off, defense or other right which the Authority may have at any time against the Trustee, the Remarketing Agents, the Bank or any other Person, whether in connection with this Agreement, the Indenture, any other Related Document or any unrelated transaction; provided, however, that nothing, herein contained shall prevent the assertion of such claim by separate suit;

(d) any statement or any other document presented other than by the Bank under this Agreement, the Indenture or any of the other Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) the purchase of a Bank Bond after the delivery of a Notice of Bank Purchase that does not comply with the terms of this Agreement; or

(f) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

ARTICLE X

MISCELLANEOUS

Section 10.1. Liability of the Bank.

(a) With respect to the Bank, the Authority assumes all risks of the acts or omissions of the Trustee, the Remarketing Agents and any of their agents in respect of their use of this Agreement or any amounts made available by the Bank hereunder. To the extent permitted by applicable law, neither the Bank nor any of it officers or directors shall be liable or responsible for: (i) the use which may be made of this Agreement or any amounts made available by the Bank hereunder or for any acts or omissions of the Trustee or Remarketing Agents or their
agents in connection therewith, (ii) the validity, sufficiency or genuineness of documents (other than this Agreement), or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) any action, inaction or omission which may be taken by the Bank in good faith without gross negligence in connection with the Agreement; (iv) the validity, sufficiency or genuineness of documents (other than this Agreement), or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (v) payment by the Bank against presentation of documents which do not comply with the terms of this Agreement, including failure of any documents to bear any reference or adequate reference to this Agreement; or (vi) any other circumstances whatsoever in making or failing to make payment under this Agreement, except only that the Authority shall have a claim against the Bank and the Bank shall be liable to the Authority to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Authority which the Authority proves were caused by the Bank’s gross negligence or willful failure to make payment under this Agreement in accordance with the terms hereof. In furtherance and not in limitation of the foregoing, the Bank may accept documents that the Bank in good faith determines appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(b) The Authority assumes all risks associated with the acceptance by the Bank of documents received by telecommunication, it being agreed that the use of telecommunication devices is for the benefit of the Authority and that the Bank assumes no liabilities or risks with respect thereto.

Section 10.2. Reserved.

Section 10.3. Costs and Taxes; Expenses; Indemnification.

(a) The Authority shall pay to the Bank (i) on the Effective Date, all fees as set forth in the Fee Letter, (ii) to the extent permitted by State law, all costs and expenses incurred by the Bank, including reasonable fees and out-of-pocket expenses of counsel for the Bank, otherwise arising in connection with this Agreement and the Related Documents, including, without limitation, in connection with any amendment hereto or thereto, the enforcement hereof or thereof or the protection of the rights of the Bank hereunder or thereunder, and (iii) to the extent permitted by State law, any and all stamp, excise or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with the execution, delivery and performance of, or any payment made under, this Agreement and any other documents or instruments that may be delivered in connection herewith.

(b) To the extent permitted by applicable law, the Authority hereby indemnifies and holds harmless the Bank and its respective officers, directors, employees and agents (each, an “Indemnified Party”) from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which any Indemnified Party may incur (or which may be claimed against the Indemnified Party by any person or entity whatsoever) by reason of or in connection with the offering and sale of the Bonds (including, without limitation, by reason of any inaccuracy in any material respect, or any untrue statement or alleged untrue statement of
any material fact, contained in the Remarketing Memorandum or any amendment or supplement thereto, or by reason of the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they were made, not misleading), the execution and delivery of this Agreement by the Authority and the Bank or payment or failure to pay under this Agreement by the Bank or any other aspect of the transactions contemplated by this Agreement or any of the other Related Documents; provided, however, that the Authority shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses (i) to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Indemnified Party or its respective officers, directors, employees or agents or (ii) with respect to the Bank Information.

(c) To the extent permitted by applicable law and notwithstanding paragraph (b) above, unless there is an actual or potential conflict with respect to the legal defenses available to the Authority and an Indemnified Party, the Authority may discharge its obligation hereunder by diligently defending the Indemnified Parties. Each Indemnified Party will promptly notify the Authority upon becoming aware of any claims or liabilities giving rise to a right to indemnification hereunder and will cooperate with the Authority in the defense of such claims or liabilities. Notwithstanding the provisions of this subsection (c), the Bank shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of the Bank unless (i) the employment of such counsel shall have been authorized in writing by the Authority (such approval not to be unreasonably withheld) or (ii) the Authority, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events, the reasonable fees and expenses of counsel for the Bank shall be borne by the Authority. The Authority shall not be liable for any settlement of any such action effected without its consent.

(d) Subject to applicable law, nothing in this Section 10.3 is intended to limit any other obligations of the Authority contained in Articles II and III hereof and the obligations of the Authority under this Section 10.3 shall be in addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity.

(e) The provisions of this Section 10.3 shall survive the termination of this Agreement.

Section 10.4. Notices.

Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or four (4) days after the same is deposited in the mails, first-class postage prepaid, and (b) in the case of notice by telecopier, when sent, receipt confirmed, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agents:
Authority: Santa Clara Valley Transportation Authority  
3331 North First Street, Building C-2  
San Jose, California 95134  
Attention: Fiscal Resources Manager,  
Department of Finance  
Telephone: (408) 321-5768  
Facsimile: (408) 955-9750

If to the Bank regarding credit matters: State Street Bank and Trust Company  
c/o State Street Global Markets, LLC  
State Street Financial Center SFC/5  
Municipal Finance  
State Street Financial Center  
1 Lincoln Street  
Boston, MA 02111-2904  
Attention: Michael F. Murray  
Telephone: (617) 664-4921  
Facsimile: (617) 354-4020

If to the Bank regarding operational matters: State Street Bank and Trust Company  
c/o State Street Global Markets, LLC  
State Street Financial Center SFC/5  
Municipal Finance  
State Street Financial Center  
1 Lincoln Street  
Boston, MA 02111-2904  
Attention: Jackson Yee  
Telephone: (617) 664-3780

Remarketing Agent: At the address specified in the applicable Remarketing Agreements relating to the Bonds

Trustee: U.S. Bank National Association  
One California Street, Suite 2100  
San Francisco, CA 94111  
Attention: Corporate Trust Services  
Telephone: (415) 273-4540  
Facsimile: (415) 273-4590

**Section 10.5. Successors, Participants and Assigns.**

(a) This Agreement shall be binding upon and inure to the benefit of the Authority and the Bank and their respective successors, endorsees and assigns, except that (i) the Authority may not assign or transfer its rights or obligations hereunder without the prior written consent of the Bank; *provided, however*, that if and to the extent the rights and obligations of the Authority hereunder are assigned or transferred to a successor entity pursuant to State legislation,
and such assignee or transferee assumes said rights and obligations in a written notice to the
Bank, the consent of the Bank hereunder will not be required; and (ii) the Bank may not assign
or transfer its rights or obligations hereunder without obtaining written notice from Standard &
Poor’s, if the Bonds are rated by Standard & Poor’s, and Moody’s, if the Bonds are rated by
Moody’s, that such assignment will not result in a suspension, lowering or withdrawal of the
rating on the Bonds. The Bank may grant a participation to any financial institution in all or any
part of, or any interest (undivided or divided) in, the Bank’s rights and benefits under this
Agreement and any Bonds owned by it, and to the extent of that participation such Participant
shall, except as set forth in the following clause (b), have the same rights and benefits against the
Authority hereunder as it would have had if such Participant were the Bank hereunder; provided,
that (a) no such participation shall affect the obligations of the Bank to purchase Bonds as herein
provided; (b) the Authority shall be required to deal only with the Bank with respect to any
matters under this Agreement and no such Participant shall be entitled to enforce directly against
the Authority any provision hereunder; and (c) such Participant shall not be any Person
registered as an investment company under the Investment Company Act of 1940, as amended,
substantially all of the assets of which are invested in obligations exempt from federal income
taxation under Section 103 or 103A of the Code or any similar or successor provision. The
obligations of the Bank under this Agreement or any part hereof may be assigned by the Bank to
any financial institution only with the prior written consent of the Authority.

(b) The Bank may assign and pledge all or any portion of the obligations
owing to it to any Federal Reserve Bank or the United States Treasury as collateral security
pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any
Operation Circular issued by such Federal Reserve Bank; provided, that any payment in respect
of such assigned obligations made by the Authority to the Bank in accordance with the terms of
this Agreement shall satisfy the Authority’s obligations hereunder in respect of such assigned
obligation to the extent of such payment. No such assignment shall release the Bank from its
obligations hereunder.

Section 10.6. Governing Law; Waiver of Trial by Jury.

(a) This Agreement shall be deemed to be a contract
under, and for all purposes shall be governed by, and construed
and interpreted in accordance with, the laws of the state of New
York; provided, however, that the authorization of this Agreement
and the fee letter and the obligations of the Authority hereunder
and thereunder shall be governed by the laws of the state of
California.

(b) Subject to applicable law, the parties hereto hereby
irrevocably agree to waive trial by jury arising out of, or based
upon, or in any way connected with this Agreement or the fee
letter.
Section 10.7. No Waivers, Amendments, Etc.

No provision of this Agreement or the Fee Letter shall be waived, amended or supplemented except by a written instrument executed by the parties hereto. This Agreement and the Fee Letter may not be amended or modified without the prior written consent of each party hereto and the Authority agrees to use its best efforts to deliver to the Trustee and each Rating Agency a copy of any amendment to this Agreement.

Section 10.8. Counterparts; Facsimile Signature.

This Agreement may be executed in several counterparts and by facsimile, but all such copies shall constitute one and the same instrument.

Section 10.9. Source of Funds.

The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Authority.

Section 10.10. Term of the Agreement; Survival.

(a) Term. The term of this Agreement shall be until the later of (x) the last day of the Commitment Period and (y) the payment in full of the principal of and interest on all Bank Bonds and all Obligations due hereunder and under the Fee Letter.

(b) Voluntary Termination. The Authority may, at its option and at any time, upon at least sixty (60) days’ prior written notice (or such lesser number of days notice shall be acceptable to the Bank), terminate this Agreement, so long as the Authority has paid the Bank all fees, expenses and other amounts payable hereunder and under the Fee Letter and all principal and accrued interest owing on any Bank Bonds.

(c) Extension of Term. Upon the written request of the Authority received by the Bank no earlier than one hundred eighty (180) days prior to the Expiration Date then in effect, or such other date to which the Bank may consent in writing, the Bank shall within thirty (30) days after its receipt of such request notify the Authority, the Trustee and the Remarketing Agents whether or not it will extend the scheduled Expiration Date. Any extension shall be at the sole and absolute discretion of the Bank. If the Bank fails to notify the Authority of its decision within such 60-day period, the Bank shall be deemed to have rejected such request. Any such request by the Authority for an extension of the Expiration Date shall be substantially in the form of Exhibit C hereto (or in such other form to which the Bank may consent in writing) and, unless the Bank shall otherwise consent, shall include (i) a statement of the outstanding principal amount of the Bonds, (ii) a reasonably detailed description of any and all Events of Default and all conditions, events and acts which with notice or lapse of time or both would become an Event of Default, and (iii) any other pertinent information requested by the Bank.

(d) Survival of Obligations. The obligations of the Authority under Sections 2.2, 2.8, 2.9, 3.1 and 10.3 hereof and under the Fee Letter, including all Obligations set forth herein and in the Fee Letter, shall survive the termination of the Available Commitment.
Section 10.11. Headings.

Section headings in this Agreement are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of this Agreement.

Section 10.12. Complete and Controlling Agreement.

This Agreement, the Fee Letter, the Indenture and the other Related Documents completely set forth the agreements between the Bank and the Authority and supersede all prior agreements, both written and oral, between the Bank and the Authority relating to the matters set forth herein.

Section 10.13. Beneficiaries.

This Agreement is made solely for the benefit of the Authority, the Trustee and the Bank, their successors and assigns, and no other Person (including, without limitation, any owners of the Bonds) shall have any right, benefit or interest under or because of the existence of this Agreement.


If any provision of this Agreement or the Fee Letter shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever. The parties shall endeavor, in good faith negotiations, to replace the invalid, illegal, or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.15. Patriot Act.

The Bank hereby notifies the Authority that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107 56 (signed into law October 26, 2001)) (as amended from time to time, the “Patriot Act”), the Bank is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow the Bank to identify the Authority in accordance with the Patriot Act, and the Authority hereby agrees to take any action reasonably necessary to enable the Bank to comply with the requirements of the Patriot Act.

Section 10.16. No Advisory or Fiduciary Role. The Authority hereby acknowledges and agrees that the transactions described hereunder are arm’s-length commercial transactions and that the Bank is acting as a principal and in its best interest. The Authority hereby further acknowledges that it is relying on its own experts and advisors to determine whether the transactions described hereunder are in its best interests. The Authority hereby agrees that the Bank will act hereunder as an independent contractor and that nothing in this Agreement, the nature of the Bank’s services or in any prior relationship will be deemed to create an advisory, fiduciary or agency relationship between the Bank, on the one hand, and the Authority, on the other hand. In addition, the Bank may employ the services of its affiliates in providing certain
services in connection with the transactions described hereunder and may exchange with such affiliates information concerning the Authority that may be the subject of the transactions described hereunder.

Remainder of page intentionally left blank; signature page to follow.
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the Effective Date.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: 
Name: 
Title: 

STATE STREET BANK AND TRUST COMPANY

By: 
Name: 
Title:
EXHIBIT A
NOTICE OF BANK PURCHASE
(Optional Tender)

The undersigned, a duly authorized officer of U.S. Bank National Association, as Trustee (the “Trustee”), hereby certifies to State Street Bank and Trust Company (the “Bank”), in accordance with the Standby Bond Purchase Agreement (the “Standby Purchase Agreement”) dated as of May 1, 2011, by and between Santa Clara Valley Transportation Authority and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Purchase Agreement), that:

1. Notice of a tender of Eligible Bonds for purchase having a Purchase Price of $__________, pursuant to Section 19.01 of the Indenture, has been received of which $__________ constitutes principal and $__________ constitutes accrued interest.

2. Amounts available for the payment of the Purchase Price of such Eligible Bonds will be $__________, of which $__________ will be available to pay principal and of which $__________ will be available to pay accrued interest.

3. The total principal amount requested hereby for the payment of the principal portion of the Purchase Price of Eligible Bonds is $__________ which amount does not exceed the Available Principal Commitment or the principal amount referred to in paragraph 1 above minus the principal amount referred to in 2 above.

4. The total amount requested hereby to pay the portion of the Purchase Price for Eligible Bonds constituting accrued interest is $__________, which amount does not exceed the Available Interest Commitment or the amount of interest referred to in paragraph 1 above minus the amount of interest referred to in paragraph 2 above.

5. Eligible Bonds referred to above, having a Purchase Price of $__________ [the amount in paragraph 3 plus the amount in paragraph 4], are hereby tendered to the Bank for purchase pursuant to the Standby Purchase Agreement on the date hereof.

6. Upon completion of purchase, the Trustee will [register such Bonds, or if a Bond for which notice of tender for purchase pursuant to the Indenture has been given is not delivered, a new Bond issued in replacement of the undelivered Bond, in the name of the Bank or, if directed in writing by the Bank, its nominee or designee on the Bond Registrar] [in the case of Book Entry Bonds, cooperate with the Bank and DTC to the extent necessary to ensure that the beneficial ownership of such Bonds shall be credited to the account of the Bank or, if directed in writing by the Bank, its nominee or designee with DTC] [,and will hold such Bonds in trust for the benefit of the Bank].

7. The Purchase Date is __________, 20__.
8. The purchase price for such Eligible Bonds is to be paid to the Trustee as follows:

[insert wire transfer instructions]

9. To the best of the Trustee’s knowledge, no Special Event of Default or Suspension Event has occurred and is continuing on the date hereof.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ___ day of __________, 20__.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: ________________________________
Name: ______________________________
Title: ______________________________
EXHIBIT B

NOTICE OF BANK PURCHASE
(Mandatory Tender)

The undersigned, a duly authorized officer of U.S. Bank National Association, as Trustee (the “Trustee”) hereby certifies to State Street Bank and Trust Company (the “Bank”), in accordance with the Standby Bond Purchase Agreement (the “Standby Purchase Agreement”), dated as of May 1, 2011, by and between the Santa Clara Valley Transportation Authority and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Purchase Agreement), that:

1. Eligible Bonds have been called for Mandatory Tender having a Purchase Price of $__________, pursuant to Section 19.02 of the Indenture, of which $__________ constitutes principal and $__________ constitutes accrued interest.

2. Amounts available for the payment of the Purchase Price of such Eligible Bonds will be $__________ of which $__________ will be available to pay principal and of which $__________ will be available to pay accrued interest.

3. The total principal amount requested hereby for the payment of the principal portion of the Purchase Price of Eligible Bonds is $__________ which amount does not exceed the Available Principal Commitment or the principal amount referred to in paragraph 1 above minus the principal amount referred to in paragraph 2 above.

4. The total amount requested hereby to pay the portion of the Purchase Price for Eligible Bonds constituting accrued interest is $__________, which amount does not exceed the Available Interest Commitment or the amount of interest referred to in paragraph 1 above minus the amount of interest referred to in paragraph 2 above.

5. Eligible Bonds referred to above, having a Purchase Price of $__________ [the amount in paragraph 3 plus the amount in paragraph 4], are hereby tendered to the Bank for purchase pursuant to the Standby Purchase Agreement on the date hereof.

6. Upon completion of purchase, the Trustee will [register such Bonds or, if a Bond subject to Mandatory Tender pursuant to the Indenture is not delivered, a new Bond issued in replacement of the undelivered Bond, in the name of the Bank or, if directed in writing by the Bank, its nominee or designee on the Bond Registrar] [in the case of Book Entry Bonds, cooperate with the Bank and DTC to the extent necessary to ensure that the beneficial ownership of such Bonds shall be credited to the account of the Bank or, if directed in writing by the Bank, its nominee or designee with DTC] [,and will hold such Bonds in trust for the benefit of the Bank].

7. The Purchase Date is __________, 20____.
8. The purchase price for such Bonds is to be paid to the Trustee as follows:

[insert wire transfer instructions]

9. To the best of the Trustee’s knowledge, no Special Event of Default or Suspension Event has occurred and is continuing on the date hereof.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of __________, 20__.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: ________________________________
Name:
Title:
EXHIBIT C
FORM OF REQUEST FOR EXTENSION OF EXPIRATION DATE

[Date]

State Street Bank and Trust Company
Attention: [____________]

Re: Request for Extension of Expiration Date

Ladies/Gentlemen:

Reference is hereby made to that certain Standby Bond Purchase Agreement, dated as of May 1, 2011 (the “Agreement”), by and between Santa Clara Valley Transportation Authority (the “Authority”) and State Street Bank and Trust Company (the “Bank”). All capitalized terms contained herein which are not specifically defined shall be deemed to have the definitions set forth in the Agreement. The Authority hereby requests, pursuant to Section 10.10(c) of the Agreement, that the Expiration Date for the Commitment Period be extended by [___] days/[___] year[s]. Pursuant to Section 10.10(c) of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Bonds;
2. The nature of any and all Events of Default and all conditions, events and acts which with notice or lapse of time or both would become an Event of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is required to notify the Authority, the Trustee and the Remarketing Agents of its decision with respect to this request for extension within thirty (30) days of the date of receipt hereof. If the Bank fails to notify the Authority of its decision within such 30 day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: ________________________________
Name: 
Title:
EXHIBIT D
FORM OF LETTER FROM TRUSTEE

[Date]

State Street Bank and Trust Company
Attention: [____________]

Re: DTC and Book Entry

Ladies/Gentlemen:

Reference is hereby made to that certain Standby Bond Purchase Agreement, dated as of May 1, 2011 (the “Agreement”), by and between Santa Clara Valley Transportation Authority (the “Authority”) and State Street Bank and Trust Company (the “Bank”). All capitalized terms contained herein which are not specifically defined shall be deemed to have the definitions set forth in the Agreement.

Pursuant to Article IV, subparagraph (n) of the Agreement, the undersigned, a duly authorized officer of U.S. Bank National Association, as Trustee (the “Trustee”) hereby agrees as follows:

1. The Trustee agrees to act as the agent of the Bank as owner of any Bank Bonds and agreeing to dispose of, and accept instructions with respect to, Bank Bonds only as directed by the Bank.

2. The Trustee agrees that so long as the Bonds are issued in book-entry form and held by the Trustee as custodian of DTC as part of DTC’s fast automated transfer program (“FAST Eligible Bond”), concurrently with the Trustee’s receipt of the purchase price for each purchase of Bonds by the Bank hereunder, the Trustee, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall (A) credit the DTC account designated by the Bank as its account in which to hold Bank Bonds purchased by it (each, the “Bank Book-Entry Account”) by the principal amount of the Bonds purchased hereunder by the Bank.

3. The CUSIP number for Bonds that are Bank Bonds is ______________.

4. So long as the Bonds are FAST Eligible Bonds, upon a remarketing of Bank Bonds in accordance with the terms of the Agreement and the Trustee’s receipt from the Remarketing Agent and/or the Authority of the amounts set forth in Section 2.3(a) of the Agreement, the Trustee, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall (A) debit the Bank Book-Entry Account of the Bank by the
principal amount of the Bonds so remarketed; and (B) credit the DTC Book-Entry Account for such Bonds (thereby increasing the principal balance of the global certificate representing such Bonds) by the principal amount of the Bonds so remarketed.

5. The Trustee also hereby acknowledges that it is familiar with, and in compliance with, the procedures and requirements set forth in a notice (the “DTC-VRDO Notice”) from DTC, dated April 4, 2008, respecting “Variable Rate Demand Obligations (“VRDO”) Failed Remarketings and Issuance of Bank Bonds”, and agrees that, with respect to any and all Bank Bonds, it will follow the procedures and requirements set forth in the DTC-VRDO Notice, as the same may be amended from time to time.

6. The Trustee agrees that, following any amendment of the DTC-VRDO Notice, should the procedures and requirements therein become inconsistent with any aspect of the provisions of the Indenture, the Trustee shall promptly negotiate in good faith and consent to amendments as necessary to eliminate such inconsistency.

Very truly yours,

U.S. BANK NATIONAL ASSOCIATION, solely in its capacity as Trustee and not in its individual capacity

By: ________________________________
Name: ______________________________
Title: ______________________________
STANDBY BOND PURCHASE AGREEMENT

by and between

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

and

BARCLAYS BANK PLC

Dated as of May 1, 2011

Santa Clara Valley Transportation Authority
Sales Tax Revenue Refunding Bonds,
2008 Series B
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STANDBY BOND PURCHASE AGREEMENT

THIS STANDBY BOND PURCHASE AGREEMENT, dated as of May 1, 2011 (this “Agreement”), by and between SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (the “Authority”) and BARCLAYS BANK PLC, a Public Limited Company under the laws of England and Wales, as the Bank (the “Bank”).

WITNESSETH:

WHEREAS, the Authority has issued $50,510,000 aggregate principal amount, of which $49,790,000 is outstanding as of the date hereof, of Santa Clara Valley Transportation Authority Sales Tax Revenue Refunding Bonds, 2008 Series B (the “Bonds”).

WHEREAS, the Authority issued the Bonds pursuant to an Indenture, dated as of November 1, 1997, as heretofore supplemented and as further supplemented by the Seventh Supplemental Indenture, dated as of June 1, 2008 (as the same may be amended and supplemented from time to time hereafter, the “Indenture”) between the Authority, as issuer, and U.S. Bank National Association, as trustee (along with its successors and assigns, the “Trustee”);

WHEREAS, the Bonds have been subject to that certain standby bond purchase agreement, dated June 1, 2008 (as amended and supplemented to the date hereof, the “Prior Agreement”), pursuant to which Dexia Crédit Local, acting through its New York Branch (the “Prior Bank”) agreed to pay the Purchase Price (as defined in the Agreement) of the Bonds that were tendered, but not remarketed, as and to the extent provided in the Prior Agreement;

WHEREAS, the Authority is replacing the Prior Bank and has requested the Bank, and the Bank has agreed and is willing, upon the occurrence of certain events, to purchase Bonds tendered by the owners thereof but not remarketed, upon the terms and conditions set forth in this Agreement; and

WHEREAS, in reliance upon the provisions hereof, the Bank and the Authority wish to enter into this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Specific Terms.

As used herein, the following terms have the meanings indicated below or in the referenced Section of this Agreement, unless the context clearly indicates otherwise:

“Act” has the meaning assigned to that term in the Indenture.
“Affiliate” means any other Person controlling or controlled by or under common control with the Authority. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Standby Bond Purchase Agreement, including any and all amendments and supplements hereto.

“Alternate Liquidity Facility” has the meaning assigned to such term in the Indenture.

“Authority” has the meaning assigned to such term in the introductory paragraph hereto, and includes any successor or assign permitted hereby.

“Authorized Representative” has the meaning assigned to such term in the Indenture.

“Available Commitment” as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case, as of such day.

“Available Interest Commitment” means an amount equal to $_________ (which amount equals [34] days’ interest on the Available Principal Commitment for the Bonds based upon an assumed rate of interest of 12.00% per annum and a 365-day year calculated on the basis of the actual number of days elapsed), as such amount shall be adjusted from time to time as follows:

(A) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment, in accordance with clause (a) or (b) of the definition herein of Available Principal Commitment, bears to the initial Available Principal Commitment; and

(B) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (c) of the definition herein of Available Principal Commitment; provided that after giving effect to such adjustment, the Available Interest Commitment shall never exceed [_____________________] Dollars ($[______________]).

“Available Principal Commitment” means initially the aggregate principal amount of the Bonds outstanding of $49,790,000 and, thereafter, means such initial amount adjusted from time to time as follows:

(a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to Section 2.4 hereof;

(b) downward by the principal amount of any Bonds purchased by the Bank pursuant to Section 2.1 hereof; and

(c) upward by the principal amount of any Bonds theretofore purchased by the Bank pursuant to Section 2.1 hereof which are remarcketed (or deemed to be remarcketed) pursuant to Section 2.5(c) hereof by the Remarketing Agent and for which
the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon;

provided, however, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed $49,790,000. Any adjustment to the Available Principal Commitment pursuant to clause (a), (b) or (c) hereof shall occur simultaneously with the occurrence of the events described in such clauses.

“Bank” has the meaning assigned to such term in the introductory paragraph, and includes any successor or assign permitted hereby.

“Bank Bond Amortization Period” means the period commencing on the first to occur of (a) the one hundred eightieth (180th) day immediately following the Purchase Date and (b) the Expiration Date and ending no later than the earlier to occur of (x) the fifth (5th) anniversary of such Purchase Date and (y) a Payment Due Date (excluding clause (vi) in the definition thereof).

“Bank Bond Amortization Rate” has the meaning set forth in the Fee Letter.

“Bank Bond” means each Bond purchased by the Bank pursuant to Section 2.1 hereof and held by or for the account of the Bank or a subsequent Bank Owner in accordance with the terms of this Agreement, until purchased or retained in accordance with Section 2.5(c) or redeemed in accordance with Section 3.1 or otherwise paid in full.

“Bank Book-Entry Account” has the meaning assigned to such term in Exhibit D, attached hereto.

“Bank Owner” means the Bank (but only in its capacity as owner (which, as used herein, shall mean beneficial owner if, at the relevant time, Bank Bonds are Book Entry Bonds) of Bank Bonds pursuant to this Agreement) or any other Person to whom the Bank or a subsequent Bank Owner has sold Bank Bonds in accordance with Section 2.5(a) hereof.

“Bank Rate” has the meaning set forth in the Fee Letter.

“Banking Arrangements” means (a) the agreements of the Bank and the Authority set forth in this Agreement and the transactions contemplated thereby, including, without limitation, (i) any commitment to extend credit, to issue any liquidity facility, to purchase any obligation of or for the benefit of the Authority, or to extend any other financial accommodation, (ii) any issuance, extension or maintenance of any of the foregoing, and (iii) any pledge, purchase or carrying of any obligation of or for the benefit of the Authority, and (b) any participation agreement or similar arrangement entered into in connection with the foregoing.

“Base Rate” has the meaning set forth in the Fee Letter.

“Bond Counsel” has the meaning assigned to that term in the Supplemental Indenture.

“Bond Purchase Agreement” means the bond purchase agreement between the Authority and the initial underwriter(s) and/or purchasers of the Bonds.
“Bond Registrar” means the records maintained by the Trustee with respect to the ownership of the Bonds.

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

“Bonds” has the meaning assigned to such term in the recitals to this Agreement.

“Book Entry Bonds” means the Bonds so long as the book entry system with DTC is used for determining beneficial ownership of the Bonds.

“Business Day” means any day other than (i) a Saturday or Sunday or (ii) a day on which the Trustee or the Remarketing Agent are required or authorized to be closed or (iii) a day on which the office of the Bank at which advances will be paid is required or authorized to be closed or (iv) a day on which The New York Stock Exchange is closed.

“Capital Lease” means any lease of property which, in accordance with generally accepted accounting principles, would be required to be capitalized on the balance sheet of the lessee.

“Change of Law” has the meaning assigned to such term in Section 2.9(a) hereof.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment Period” means the period from the Effective Date hereof to and including the earliest of (a) the Expiration Date, (b) the date on which no Eligible Bonds are Outstanding, (c) the close of business on the Business Day immediately following the Conversion Date, (d) the close of business on the thirtieth (30th) day following the date on which a Notice of Termination Date is received by the Authority and the Trustee pursuant to Section 8.1(b) hereof, or if such thirtieth (30th) day is not a Business Day, the next succeeding Business Day, and (e) the date on which the Available Commitment has been reduced to zero or terminated in its entirety pursuant to Section 2.4 (including a Substitution Date) or Sections 8.1(b), 8.2(b) or 8.3(b) hereof (other than as set forth in clause (d) above).

“Conversion Date” means the effective date of a conversion of all the Bonds to bear interest at a rate of interest other than a Covered Rate.

“Covered Rate” means, with respect to the Bonds, the Weekly Rate or such other rate as consented to by the Bank pursuant to Section 7.1(o) hereof.

“Custody Agreement” means the custody agreement between the Bank and the Trustee pursuant to which the Trustee agrees to hold Bank Bonds as the agent, bailee and custodian of the Bank.

“Default” means any occurrence, circumstance or event, or any combination thereof, which, with the lapse of time and/or the giving of notice, or both, would constitute an Event of Default.
“Default Rate” has the meaning set forth in the Fee Letter.

“Default Tender” means a mandatory tender of the Bonds as a result of the Bank’s delivery of a Notice of Termination Date to the Trustee.

“Differential Interest Amount” means the excess of (a) interest which has accrued and could actually be paid at the Bank Rate (subject to the Maximum Rate), as determined in accordance with Section 3.1 hereof, up to but excluding the Sale Date or the Business Day on which the Bank Owner elects not to sell Bank Bonds pursuant to Section 2.5(c) hereof, less (b) the interest accrued on such Bonds which is received by the Bank Owners as part of the Sale Price.

“DTC” means The Depository Trust Company, and any successor or assign.

“DTC Book-Entry Account” has the meaning assigned to such term in Exhibit D, attached hereto.

“DTC-VRDO Notice” has the meaning assigned to such term in Exhibit D, attached hereto.

“Effective Date” has the meaning assigned to such term in the introductory paragraph of Article IV hereof.

“Eligible Bonds” has the meaning assigned to such term in Section 2.1 hereof.

“Event of Default” means a Notice Termination Event, a Special Event of Default and a Suspension Event, each as further described in Article VIII hereof.

“Excess Bank Bond Interest” has the meaning assigned to such term in Section 2.2 hereof.

“Expiration Date” means the later of (a) 5:00 p.m., New York time, on May 2, 2014 or, if such day is not a Business Day, the Business Day next preceding such day, and (b) 5:00 p.m., New York time, on the last day of any extension of such date pursuant to Section 10.10(c) hereof or, if such last day is not a Business Day, the Business Day next preceding such day.

“FAST Eligible Bond” has the meaning assigned to such term in Exhibit D, attached hereto.

“Fee Letter” means the letter of even date herewith from the Bank to the Authority regarding fees and expenses.

“Governmental Authority” means any national, state or local domestic government, any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity (including, with respect to the Bank, any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.
“Indemnified Party” has the meaning assigned to such term in Section 10.3 hereof.

“Indenture” has the meaning assigned to such term in the recitals to this Agreement.

“Interest Component” has the meaning assigned to such term in Section 2.1 hereof.

“Interest Payment Date” with respect to the Bonds which are not Bank Bonds, has the meaning assigned to such term in the Indenture and, with respect to Bank Bonds, means the first Business Day of each month and each of the days described in Section 3.1(a)(i)-(vi) hereof.

“Interest Rate Swap Agreement” has the meaning assigned to that term in the Supplemental Indenture.

“Investment Grade” means any rating in one of the four highest rating categories of any Rating Agency without regard to numerical designations or the symbols “+” and “-” (i.e., currently a rating of “Baa3” (or its equivalent) or better by Moody’s and “BBB-” (or its equivalent) or better by Standard & Poor’s).

“Mandatory Tender” means the mandatory tender of the Bonds on any date on which the Bonds are subject to mandatory tender for purchase in accordance with Section 19.02 of the Indenture.

“Material Adverse Change” means the occurrence of any event or change resulting in a material and adverse change in the determination, collection or distribution of Sales Tax Revenues or which materially and adversely affects the enforceability of this Agreement, the Fee Letter or the other Related Documents or the ability of the Authority to perform its obligations hereunder or thereunder.

“Material Litigation” means an action, suit or proceeding by or before any court, arbitrator or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, pending or, to the Authority’s knowledge, threatened action or proceeding affecting or involving the Authority or any of its Affiliates or any of its business, properties, revenues or assets before any court, governmental agency or arbitrator which, if adversely determined, could result in a Material Adverse Change (in the reasonable judgment of the Authority) since the last day of the period reported in the financial statements of the Authority received by the Bank and described in Section 7.1(d), or otherwise adversely affect (a) the validity or enforceability of this Agreement, the Fee Letter or the other Related Documents, (b) the validity, enforceability or perfection of the pledge of and lien on the Sales Tax Revenues under the Indenture, (c) the status of the Authority as an independent agency, duly organized and validly existing under the laws of the State or (d) the exemption of interest on the Bonds from federal income tax.

“Maximum Rate” has the meaning set forth in the Fee Letter.

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

“MSRB” means the Municipal Securities Rulemaking Board and any successor thereto.
“Notice of Bank Purchase” means (a) in the case of a purchase of Bonds by the Bank as a result of an Optional Tender, a notice in the form of Exhibit A attached hereto and incorporated herein by this reference, or (b) in the case of a purchase of Bonds by the Bank as a result of a Mandatory Tender, a notice in the form of Exhibit B attached hereto and incorporated herein by this reference.

“Notice of Termination Date” has the meaning assigned to such term in Section 8.1(b) hereof.

“Notice Termination Event” has the meaning assigned to such term in Section 8.1(a) hereof.

“Obligations” means all amounts owed by the Authority to the Bank under this Agreement, the Bank Bonds and the Fee Letter.

“Optional Tender” means the optional tender of any of the Bonds in accordance with Section 19.01 of the Indenture.

“Other Taxes” has the meaning assigned to such term in Section 2.8(a) hereof.

“Parity Obligations” means (a) bonds, bank bonds, debentures, notes or similar instruments that evidence indebtedness or liability for borrowed money; (b) obligations as lessee under Capital Leases; and (c) any Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements which fees and expenses and terminations payments shall be secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues which secures the Bonds and Parity Obligations) entered into in connection with the Bonds, in each case, incurred in accordance with Section 3.05 of the Indenture and having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds.

“Participant(s)” means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement or any Bank Bonds pursuant to a participation agreement between the Bank and the Participant(s).

“Payment Due Date” means any of the dates described in Section 3.1(a)(i)-(vi) relating to the repayment of any Bank Bonds.

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

“Prior Agreement” has the meaning set forth in the recitals to this Agreement.

“Prior Bank” has the meaning set forth in the recitals to this Agreement.

“Purchase Date” has the meaning assigned to such term in Section 2.3 hereof.

“Purchase Notice” has the meaning assigned to such term in Section 2.5(b) hereof.
“Purchase Price” means, with respect to any Eligible Bond as of any date, 100% of the principal amount of such Eligible Bond plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and provided, further, in no event shall the Purchase Price of any Bond include any premium owed with respect to any Bond or any amount evidencing interest that is overdue and in default pursuant to the Indenture.

“Purchaser” has the meaning assigned to such term in Section 2.5(b) hereof.

“Rating Agency” means, initially, either Moody’s or Standard & Poor’s, and subsequent to the Effective Date, means any other nationally recognized rating agency or rating agencies designated by the Authority to maintain a rating or ratings on the Bonds and Parity Obligation other than Moody’s and Standard & Poor’s.

“Related Documents” means this Agreement, the Fee Letter, the Bonds, the Indenture and the Remarketing Agreement.

“Remarketing Agent” means Barclays Capital Inc. and its successors and assigns, or any alternate remarketing agent appointed for the Bonds.

“Remarketing Agreement” means the Remarketing Agreement, dated as of June 1, 2008, between the Authority and the Remarketing Agent, as the same may have been amended and supplemented to the date hereof.

“Remarketing Memorandum” means the Remarketing Memorandum relating to the Bonds (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented, or any other offering document of the Authority used with respect to the remarketing of the Bonds or any supplement thereto.

“Revenue Fund” has the meaning assigned to such term in the Indenture.

“Revenues” has the meaning assigned to such term in the Indenture.

“Sale Date” has the meaning assigned to such term in Section 2.5(b) hereof.

“Sale Price” has the meaning assigned to such term in Section 2.5(b) hereof.

“Sales Tax Law” means the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the California Revenue and Taxation Code and the Santa Clara Valley Transportation Authority Act, being Sections 100000 et seq. of the California Public Utilities Code, as supplemented and amended from time to time.

“Sales Tax Revenues” has the meaning assigned to such term in the Indenture.
“Special Event of Default” means any Event of Default specified in Section 8.2(a) hereof.

“State” means the State of California.

“Standard & Poor’s” means Standard & Poor’s Rating Services, a Division of The McGraw-Hill Companies Inc., and any successor rating agency.

“Substitution Date” means the date that an Alternate Liquidity Facility has been delivered to the Trustee and become effective with respect to the Bonds in replacement of this Agreement.

“Supplemental Indenture” means the Seventh Supplemental Indenture, dated as of June 1, 2008 between the Authority and the Trustee, as the same may be supplemented and amended from time to time.

“Suspension Event” means an Event of Default or Default as described in 8.3(a) hereof.

“Taxes” has the meaning assigned to such term in Section 2.8(a) hereof.

“Termination Date” means the date on which the Bank’s obligations hereunder have terminated or expired in accordance with the terms hereof.

“Trustee” has the meaning assigned to such term in the recitals to this Agreement.

“U.S. Dollars” means the lawful currency of the United States of America.

“Weekly Rate” has the meaning assigned to such term in the Supplemental Indenture.

“written” or “in writing” means any form of written communication or a communication by means of telex, telecopier device or telegraph (but shall not include email or any other form of electronic mail unless otherwise provided in this Agreement).

Section 1.2. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not defined herein shall have the meaning provided therefor in the Indenture or in the Fee Letter, unless the context otherwise requires.

Section 1.3. Accounting Matters.

All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement and the Fee Letter shall be made in accordance with generally accepted accounting principles.
Section 1.4. Interpretation.

All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted pursuant to its terms and the terms hereof.

ARTICLE II

THE COMMITMENT

Section 2.1. Commitment to Purchase Bonds.

Subject to the terms and conditions of this Agreement, including Article VI hereof, the Bank hereby agrees from time to time during the Commitment Period to purchase, at the Purchase Price, with immediately available funds, Bonds which bear interest at a Covered Rate and which are not Bank Bonds or Bonds owned by or held on behalf of, for the benefit of or for the account of, the Authority or any Affiliate of the Authority ("Eligible Bonds"), which Eligible Bonds have been tendered pursuant to (i) an Optional Tender or (ii) a Mandatory Tender and which, in either case, the Remarketing Agent has been unable to remarket. The Bank will pay said Purchase Price with its own funds. The aggregate principal amount (or portion thereof) of any Eligible Bond purchased on any Purchase Date shall be in an authorized denomination required by the terms of the Indenture and, in any case, the aggregate principal amount of all the Bonds purchased on any Purchase Date, together with the aggregate principal amount of all Bank Bonds then Outstanding, shall not exceed the Available Principal Commitment (calculated without giving effect to any purchase of the Bonds by the Bank on such date) at 10:00 a.m., New York City time, on such date. The aggregate amount of the Purchase Price comprising interest on the Bonds (the "Interest Component") purchased on any Purchase Date shall not exceed the lesser of (a) the Available Interest Commitment on such date and (b) the actual aggregate amount of interest accrued on each such Bond to but excluding such Purchase Date.

Section 2.2. Bank Bonds.

Any Bonds purchased by the Bank pursuant to Section 2.1 hereof shall thereupon constitute Bank Bonds and have all of the characteristics of Bank Bonds as set forth herein and shall constitute Liquidity Facility Bonds as set forth in the Indenture and shall be deemed and treated by the Authority and the Trustee as Bonds that are not Bank Bonds and shall have other characteristics of Bank Bonds as set forth herein, in the Indenture and in the Bonds. All Bank Bonds shall bear interest at the Bank Rate. In the event that the average Bank Rate accruing on any Bank Bonds during any period exceeds the Maximum Rate for such period, the Bank shall receive interest on account of Bank Bonds only at the Maximum Rate for such period (the difference between (a) the interest payable to the Bank if the Bank Bonds had continuously borne interest at the Bank Rate and (b) the interest actually paid to the Bank at the Maximum Rate is referred to below as the "Excess Bank Bond Interest"). Notwithstanding any subsequent reduction in the Bank Rate, Bank Bonds shall bear interest at the Maximum Rate from and after the date on which any Excess Bank Bond Interest is accrued until the date on which the interest paid to the Bank on Bank Bonds in excess of the Bank Rate equals such Excess Bank Bond Interest; provided, that, upon termination of this Agreement, in consideration for the limitation of
the rate of interest otherwise payable hereunder and under the Fee Letter, the Authority shall pay from the sources described in Section 2.11 hereof, to the extent permitted by law, the Bank a fee equal to the amount of all unpaid Excess Bank Bond Interest. To the extent permitted by law, interest shall accrue on, and be payable by the Authority with respect to, all unpaid Excess Bank Bond Interest at a rate per annum equal to the Bank Rate. The Authority shall pay to the Bank Owner accrued interest, including any accrued but unpaid Excess Bank Bond Interest, on Bank Bonds as provided in Section 3.1 hereof. On any date on which Excess Bank Bond Interest is due and payable, the Bank shall notify the Authority and the Trustee as to the amount of such Excess Bank Bond Interest due on such date, together with any interest accrued and payable thereon; provided, that the failure of the Bank to so notify the Authority or the Trustee shall not affect the accrual of or obligation of the Authority to pay such Excess Bank Bond Interest.

All amounts owed to the Bank hereunder and under the Fee Letter with respect to Bank Bonds shall be calculated in accordance with Section 2.10 hereof and shall become due and payable as set forth in Section 3.1 hereof.

Section 2.3. Method of Purchasing.

(a) The Trustee shall give written notice in the form of Exhibit A or Exhibit B, as applicable, which notice may be given by facsimile provided said notice is promptly confirmed telephonically by the Trustee to the Bank, pursuant to an Optional Tender or a Mandatory Tender, no later than 12:00 noon, New York City time, on the Business Day on which Bonds are subject to an Optional Tender or Mandatory Tender. If the Bank receives such notice as provided above, and subject, in each case, to the satisfaction of the conditions set forth in Article VI hereof, the Bank will transfer to the Trustee not later than 2:30 p.m., New York City time, on such date (a “Purchase Date”), in immediately available funds, an amount equal to the aggregate Purchase Price of all or such portion of such Eligible Bonds as requested by the Trustee in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee which results in the failure of the Trustee to effect the purchase of Bonds for the account of the Bank with such funds provided pursuant to this Section 2.3(a) or otherwise. The Bonds purchased pursuant to this Section 2.3(a) shall be registered in the name of the Bank or, if directed in writing by the Bank, its nominee or designee on the Bond Registrar and shall be held in trust by the Trustee for the benefit of the Bank. If the Bonds purchased pursuant to this Section 2.3(a) are Book Entry Bonds, the beneficial ownership of such Bonds shall be credited on the records maintained by DTC to the account of the Bank or, if directed in writing by the Bank, a nominee or designee of the Bank, maintained at DTC, and prior to the sale of any Bank Bond by the Bank as provided in Section 2.5(a) hereof, the Bank agrees to give all notices in the manner and by the time required by DTC to exclude such Bank Bond(s) from the Mandatory Tender of the Bonds. The Interest Component of the Purchase Price paid for such Bonds shall be paid to the Bank as provided in Section 3.1 hereof.

(b) If the Bank receives a Notice of Bank Purchase after 12:00 noon, New York City time, on a Purchase Date from the Trustee, the Bank, subject to satisfaction of the conditions provided in Article VI hereof, will transfer to the Trustee at or before 2:30 p.m., New York City time, on the Business Day immediately following the Purchase Date specified in such notice, in immediately available funds, an amount equal to the aggregate Purchase Price of
Eligible Bonds tendered or deemed tendered on such Purchase Date and not remar'keted as specified in such Notice of Bank Purchase. In such event, all other provisions of Section 2.3(a) shall apply to the purchase and registration of Bank Bonds after the delivery of a Notice of Bank Purchase and transfer of funds as set forth herein.

(c) In the event that any funds paid by the Bank to the Trustee pursuant to Section 2.3(a) or (b) hereof shall not be required to be applied to purchase Bonds as provided herein, such funds shall be returned to the Bank as soon as practicable by the Trustee and, until so returned, shall be held uninvested and in trust by the Trustee for the account of the Bank. In the event that such funds are not returned to the Bank in immediately available funds as provided in Section 2.10(a) hereof by 4:00 p.m., New York City time, on the same day on which such funds were advanced, the Authority shall pay or cause to be paid to the Bank interest on such funds payable on demand and, in any event, on the date on which such funds are returned, at a rate equal to the Bank Rate for the day such funds were advanced through the date which is two (2) days after the day such funds were advanced, and, thereafter, at the Default Rate.

(d) Notwithstanding any provisions of this Section 2.3 to contrary, the Bank and DTC may cause the transfer of funds and the transfer of any Bank Bond as described in this Section 2.3 on the basis of delivery versus payment or by such other means as shall be acceptable to the Bank, the Trustee and DTC and not contrary to the Indenture.

Section 2.4. Mandatory Reductions of Available Commitment; Termination; Substitution.

(a) Upon (i) any redemption, repayment or other payment of all or any portion of the principal amount of the Bonds so that such Bonds shall cease to be Outstanding, the aggregate Available Principal Commitment shall, subject to Section 2.4(c) below, be reduced by the principal amount of such Bonds so redeemed, repaid or otherwise deemed paid, as the case may be, or (ii) the close of business no sooner than the Business Day immediately following the Conversion Date, the aggregate Available Principal Commitment shall, subject to Section 2.4(c) below, be reduced to zero and, in the case of either clause (i) or (ii) above, the Available Interest Commitment shall also be simultaneously reduced as provided in the definition thereof in Article I hereof; provided, however, that in the event any action described in clause (i) or (ii) above results in a reduction of the Available Commitment to zero, all Obligations, including without limitation, all principal and interest evidenced by Bank Bonds and all amounts payable under Article III hereof, shall be paid to the Bank up to and including the time of said reduction as described in the notice set forth in Section 2.4(c) below.

(b) The Available Commitment shall, subject to Section 2.4(c) below, terminate at the close of business no sooner than the Business Day immediately following the Substitution Date. The Authority shall comply with the requirements of the Indenture with respect to the delivery of an Alternate Liquidity Facility.

(c) In connection with any reduction or termination of the Available Commitment as described in Sections 2.4(a) and (b) above, the Trustee shall provide the Bank with written notice of the effective date of such reduction or termination and, unless and until
said notice is received by the Bank, the Available Commitment shall not be deemed reduced and/or terminated pursuant to the terms of Sections 2.4(a) and (b).

(d) Except as specifically provided in this Section 2.4 and in Section 10.10(b) hereof, the Authority shall have no right to reduce or terminate the Available Commitment.

Section 2.5. Sale of Bank Bonds.

(a) Right to Sell Bank Bonds. The Bank expressly reserves the right to sell, at any time, Bank Bonds subject, however, to the express terms of this Agreement. The Bank agrees that such sales (other than sales made pursuant to Section 2.5(c) hereof) will be made only to institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations, all in accordance with applicable securities laws. The Bank agrees to notify the Authority, the Trustee and the Remarketing Agent promptly of any such sale (other than a sale made pursuant to Section 2.5(c) hereof) and, if such Bank Bond is a Book Entry Bond, specifying in accordance with DTC guidelines the account at DTC to which such Bank Bond is credited; and to notify the transferee in writing that (i) such Bond is no longer an Eligible Bond so long as it remains a Bank Bond; and (ii) there may not be a short-term investment rating assigned to such Bond so long as it remains a Bank Bond. Any Bank Owner purchasing a Bank Bond from the Bank shall acknowledge in writing its agreement (i) not to sell such Bank Bond to any Person except the Bank or a Purchaser identified by the Remarketing Agent pursuant to Section 2.5(b) hereof, or institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations and (ii) if such Bank Bond is a Book Entry Bond, to give all notices in the manner and by the time required by DTC to exclude such Bank Bond from Mandatory Tenders of Bonds while it remains a Bank Bond.

(b) Purchase Notices. Prior to 12:00 noon, New York City time, on any Business Day on which a Bank Owner holds Bank Bonds, the Remarketing Agent may deliver a notice (a “Purchase Notice”) to a Bank Owner as registered on the Bond Registrar and to the Bank, stating that it has located a purchaser (the “Purchaser”) for some or all of such Bank Bonds and that such Purchaser desires to purchase on the second Business Day following the Business Day on which a Bank Owner receives, prior to 12:00 noon, New York City time, a Purchase Notice (a “Sale Date”) an authorized denomination of such Bonds at a price equal to the principal amount thereof, plus accrued interest thereon (calculated as if such Bonds were not Bank Bonds) (the “Sale Price”); provided, however, that the Remarketing Agent shall not remarket Bank Bonds following the delivery of a Notice of Termination Date unless the Purchaser shall have received written notice stating that a Notice of Termination Date is in effect with respect to the Bank Bonds which are the subject of such Purchase Notice.

(c) Sale of Bank Bonds. A Bank Owner shall decide whether to sell any Bank Bonds to any Purchaser and shall give notice of such decision to the Authority, the Trustee and the Remarketing Agent by 3:00 p.m., New York City time, on the second Business Day preceding the Sale Date. In the event such notice is not timely delivered by a Bank Owner, such Bank Owner shall be deemed to have determined to sell such Bank Bonds to a Purchaser on the Sale Date (subject to receipt by it of the funds called for by the next following sentence). If a Bank Owner determines or is deemed to have determined to sell such Bank Bonds to a
Purchaser, such Bank Owner shall deliver such Bank Bonds to the Trustee (or, in the case of Bank Bonds which are Book Entry Bonds, shall cause the beneficial ownership thereof to be credited to the account of the Remarketing Agent at DTC) by 10:00 a.m., New York City time, on the Sale Date against receipt of the Sale Price therefor in immediately available funds or at the Bank Owner’s address listed in the Bond Registrar, and such Bonds shall thereupon no longer be considered Bank Bonds; provided that, in the event that the Bank Owner has not delivered Bank Bonds as provided above and the Sale Price therefor has been delivered as provided above, such Bank Bonds shall be deemed to have been delivered and such Bonds shall no longer be considered Bank Bonds. When Bank Bonds are purchased in accordance with this Section 2.5(c), the Trustee shall, upon receipt of such Bank Bonds and upon receipt by such Bank Owner of the Sale Price, notify the Authority and the Remarketing Agent that such Bonds are no longer Bank Bonds. Any interest accrued on the Bank Bonds shall be paid to the Bank Owner as provided in Section 3.1 hereof and the Differential Interest Amount, if any, shall be paid to such Bank Owner by the Authority on the applicable Sale Date; provided, however, that, to the extent permitted by law, any amount representing Differential Interest Amount shall, until paid in full, accrue interest thereon at the Bank Rate and said interest may be paid on the next succeeding Interest Payment Date for Bank Bonds as set forth in Section 3.1 hereof; provided, further, however, that said interest on any Differential Interest Amount shall, until paid in full, continue to accrue interest thereon at the Bank Rate (notwithstanding repayment of the Differential Interest Amount). Any sale of a Bank Bond pursuant to this Section 2.5 shall be without recourse to the seller and without representation or warranty of any kind. If a Bank Owner notifies the Authority, the Trustee and the Remarketing Agent, as provided in the first sentence of this Section 2.5(c), that it will not sell its Bank Bonds, the Trustee shall notify the Authority, the Remarketing Agent, the Bank and such Bank Owner that, as of the Sale Date, such Bond or Bonds shall no longer constitute Bank Bonds and such Bonds shall be deemed to have been remarketed and the Available Commitment shall be appropriately increased.

(d) Continuing Obligation. Following any sale of Bank Bonds pursuant to Section 2.5(c) or otherwise or any election to retain Bonds pursuant to Section 2.5(c), the Bank and each Bank Owner shall retain the right to receive payment from the Authority of any accrued Differential Interest Amount as provided in Section 3.1 hereof and in the Indenture.

(e) Delivery Versus Payment. Notwithstanding any provisions of this Section 2.5 to contrary, the Bank and DTC may cause the transfer of any Bank Bond and the transfer of any funds described in this Section 2.5 on the basis of delivery versus payment or by such other means as shall be acceptable to the Bank, the Trustee and DTC and not contrary to the Indenture.

Section 2.6. Rights of Bank Owners.

Upon purchasing Bank Bonds, Bank Owners shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Bondholders under the Indenture, other than the right to tender such Bond for purchase and have such Bond purchased with amounts hereunder, and any additional rights and privileges as to payment of interest and principal that are provided by this Agreement and the Fee Letter with respect to Bank Bonds. Upon purchasing Bank Bonds, Bank Owners shall be recognized by the Authority and the Trustee as the true and lawful owners (or, in the case of Book Entry Bonds, beneficial owners) of the Bank Bonds, free from any claims, liens, security interests, equitable interests and other
interests of the Authority, except as such interests might exist under the terms of the Bank Bonds with respect to all Owners (or, in the case of Book Entry Bonds, beneficial owners) of the Bonds.

Section 2.7. Fees.

The Authority shall pay to the Bank the fees, expenses and other amounts described in the Fee Letter at the times specified in the Fee Letter.

Section 2.8. Net of Taxes, Etc.

(a) Taxes. Any and all payment to the Bank by the Authority hereunder and under the Fee Letter shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed as a result of a Change of Law, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being referred to below as “Taxes”). If as a result of a Change of Law, the Authority shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder and under the Fee Letter to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including, deductions applicable to additional sums payable under this Section 2.8), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Authority shall make such deductions, and (iii) the Authority shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Authority shall make any payment under this Section 2.8 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States, then the Bank shall pay to the Authority an amount equal to the amount by which such other taxes are actually reduced; provided that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Authority with respect to such Taxes. In addition, the Authority, agrees to pay any present or future stamp, recording or documentary taxes and, if as a result of a Change of Law, any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or the State of New York from any payment made hereunder and under the Fee Letter or from the execution or delivery or otherwise with respect to this Agreement (referred to below as “Other Taxes”). The Bank shall provide to the Authority within a reasonable time a copy of any written notification it receives with respect to Other Taxes owing by the Authority to the Bank hereunder and under the Fee Letter; provided that the Bank’s failure to send such notice shall not relieve the Authority of its obligation to pay such amounts hereunder and under the Fee Letter.

(b) Notice. Within thirty (30) days after the date of any payment of Taxes by the Authority, the Authority shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof. To the extent permitted by law, the Authority shall compensate the Bank for all reasonable losses and expenses sustained by the Bank as a result of any failure by the Authority to so furnish such copy of such receipt.
(c) **Survival of Obligations.** The obligations of the Authority under this Section 2.8 shall survive the termination of this Agreement.

**Section 2.9. Increased Costs.**

(a) **Costs.** In the event that after the date of the execution hereof of the application, enactment or adoption of, or any change in, any law, rule, regulation, treaty, guideline or directive, or the occurrence of the effective date of any law, rule, regulation, treaty, guideline or directive, or any provision thereof enacted or adopted on the date of the execution hereof but which has not yet become effective, or the application, interpretation or enforcement of any of the foregoing by any court, central bank, administrative or other Governmental Authority having jurisdiction over the Bank or a Participant or the transactions contemplated by this Agreement (whether or not having the force of law) (any of the foregoing, a “Change of Law”) shall either:

(i) limit the deductibility of interest on funds obtained by the Bank to pay any of its liabilities or subject the Bank to any tax, duty, charge, deduction or withholding on or with respect to payments relating to the Bonds or any Banking Arrangements, or any amount paid or to be paid by the Bank hereunder and under the Fee Letter (other than any tax measured by or based upon the overall net income of the Bank imposed by any jurisdiction having control over the Bank);

(ii) impose, modify, require, make or deem applicable to the Bank any reserve requirement, capital requirement, special deposit requirement, insurance assessment or similar requirement against any assets held by, deposits with or for the account of, or loans or commitments by, a domestic office of the Bank;

(iii) change the basis of taxation of payments due the Bank under this Agreement and the Fee Letter, the Bonds or any Banking Arrangements (other than by a change in taxation of the overall net income of the Bank); or

(iv) impose upon the Bank any other condition with respect to any amount paid or payable to or by the Bank or with respect to this Agreement and the Fee Letter, the Bonds or any Banking Arrangements;

and the result of any of the foregoing shall be to increase the cost to the Bank of extending, issuing or maintaining any of the Banking Arrangements or to reduce any amount (or the effective return on any amount) received or receivable by the Bank in connection with the Banking Arrangements (which increase in cost or reduction in yield shall be the result of the Bank’s reasonable allocation, in a nondiscriminatory manner among borrowers having obligations to the Bank similar to those of the Authority, of the aggregate of such cost increases or yield reductions resulting from such event), then, within forty-five (45) days of written demand by the Bank, the Authority shall pay to the Bank, from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank for all such increased costs or reductions in yield. Notwithstanding the foregoing, no Participant shall be entitled to any such additional amount from the Authority in excess of that to which the Bank would have been entitled had the Bank not granted such Participant a participation in this Agreement. The
Bank shall submit to the Authority, at or prior to the making of each such demand, a certificate setting forth in reasonable detail such increased costs or yield reduction incurred by the Bank or such Participant as a result of any of the foregoing.

(b) Capital Adequacy. If the Bank shall have determined that the adoption after the date hereof of any Change of Law regarding capital adequacy by any Governmental Authority having regulatory jurisdiction over the Bank, or compliance by the Bank (or any lending office thereof) with any Change of Law regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, has or would have the effect of reducing the rate of return on capital of the Bank as a consequence of its obligations hereunder or its purchase or holding of Bank Bonds) to a level below that which the Bank could have achieved but for such Change of Law or compliance (taking into consideration the policies of the Bank with respect to capital adequacy) with respect to such Change of Law by an amount deemed by the Bank to be material, then within thirty (30) days after demand by the Bank, the Authority shall pay to the Bank from time to time, as specified by the Bank, such additional amount or amounts as will compensate the Bank for such reduction from the date of such Change of Law or compliance with respect to such Change of Law, together with interest on each such amount from the date payment is due until the earlier of the date of payment in full thereof or the thirtieth (30th) day after which such payment is due, at the Bank Rate and, thereafter, at the Default Rate.

(c) Payment. Each demand for compensation pursuant to Section 2.9(a) or 2.9(b) shall be (i) made by the Bank in writing within ninety (90) days of the date on which the Bank has actual knowledge of any increased cost or reduction in rate of return on capital of the Bank for which the Bank is entitled to be compensated pursuant to this Section 2.9, and (ii) shall be accompanied by a certificate of the Bank in reasonable detail setting forth the computation of such compensation (including the reason therefor), which certificate shall be conclusive, absent manifest error, as against all other Persons, including, without limitation, the Authority and any Participant. The amounts owed by the Authority as compensation to the Bank pursuant to this Section 2.9 shall be calculated as though the Bank were the holder of all Bank Bonds and without regard to any sales of Bank Bonds by the Bank pursuant to Section 2.5 or to any assignments or participations made by the Bank with regard to its obligations or rights hereunder or with regard to Bank Bonds.

(d) Continuing Costs. If such costs are to be incurred on a continuing basis and the Authority shall be so notified by the Bank in writing as to the amount thereof, then such costs shall be payable by the Authority to the Bank on each Interest Payment Date to the extent therefore incurred.

(e) Dodd Frank Act; Basel Committee. Notwithstanding the foregoing, for purposes of this Agreement (i) all requests, rules, guidelines or directives in connection with the Dodd-Frank Act shall be deemed to be a Change of Law under this Section 2.9, regardless of the date enacted, adopted or issued, and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or any Governmental Authority with proper jurisdiction over the Bank shall be deemed to be a Change of Law under this Section 2.9 regardless of the date enacted, adopted or issued.
(f) **Survival of Obligations.** The obligations of the Authority under this Section 2.9 shall survive the termination of this Agreement and the payment in full of the Bank Bonds and the other Obligations of the Authority hereunder and under the Fee Letter.

**Section 2.10. Computations; Payments.**

(a) **Computations.** Interest payable to the Bank hereunder and under the Fee Letter shall be computed on the basis of a 365-day year and actual days elapsed; provided, however, that interest calculated with respect to any Bank Bonds shall be on the basis applicable to the interest rate mode then in effect with respect to such Bonds as determined pursuant to Section 17.08 of the Indenture. Any payments received by the Bank later than 4:00 p.m., New York City time, on any day shall be deemed to have been paid on the next succeeding Business Day. If any payment due hereunder and under the Fee Letter is due on a day that is not a Business Day, then such amount shall be due on the next succeeding Business Day and, in the case of the computation of any fees described in the Fee Letter, such extension of time shall in such case be included in the computation of the payment due hereunder and under the Fee Letter. All payments to the Bank hereunder and under the Fee Letter shall be made in U.S. Dollars and in immediately available funds. Unless the Bank shall otherwise direct, all such payments shall be made by means of wire transfer of funds through the Federal Reserve Wire System to the Bank’s account as follows:

ABA 026002574  
Account 050019104  
Attn: Loan Operations  
Reference: Santa Clara Valley Transportation Authority

(b) **Transfer Costs.** The Authority agrees to pay to the Bank on each Purchase Date or Sale Date, as applicable, an amount equal to any charge imposed on the Bank pursuant to the Indenture in connection with the transfer or exchange of the Bonds. The Authority agrees to cause the Trustee to give the Bank timely notice of each such charge, including the amount thereof.

(c) **Application of Payments.** Payments made to the Bank under this Agreement and the Fee Letter shall first be applied to any fees, costs, charges or expenses payable to the Bank hereunder and under the Fee Letter, next to any past due interest, next to any current interest due, and then to outstanding principal.

(d) **Survival of Obligation.** The obligations of the Authority under this Section 2.10 shall survive the termination of this Agreement.

**Section 2.11. Nature of Obligations.**

(a) The interest due on Bank Bonds (including any Differential Interest Amount and Excess Bank Bond Interest that is not a fee as described in Section 2.2) shall be payable from, and secured by, the Sales Tax Revenues, on a parity with the payment of interest on the Bonds and all other Parity Obligations and any unpaid Differential Interest or Excess Bank Bond Interest that is a fee as described in Section 2.2 hereof shall be an obligation of the
Authority under the Agreement, payable from Revenues, but subordinate to payment of principal and interest on the Bonds (including Bank Bonds) and any amount payable on a parity therewith. The maturing principal and sinking fund requirements due and payable in connection with Bank Bonds shall be payable from, and secured by, the Sales Tax Revenues, on a parity with the payment of maturing principal and sinking fund requirements due on the Bonds and all other Parity Obligations; provided, however, that principal payable on the Bank Bonds during any Bank Bond Amortization Period described in Section 3.1 hereof (other than maturing principal and sinking fund requirements due and payable during the Bank Bond Amortization Period described hereinabove) shall be secured by the Sales Tax Revenues, and payable from the Revenues available in the Revenue Fund, on a basis that is subordinate to the obligation of the Authority to pay (i) principal due and payable on all other Bonds (including the Bonds that do not constitute Bank Bonds) then outstanding under the Indenture and (ii) any other amounts not described in the immediately preceding clause (i) that are required to be paid pursuant to the Indenture and, at the Authority’s sole discretion, may be payable from other monies subject to the rights of Bondholders, the pari passu rights of other liquidity providers, if any, and the Code; provided, further, however, that if the remedy of acceleration is invoked hereunder, all principal payable on the Bank Bonds during any Bank Bond Amortization Period shall be on a basis that is on parity to the obligation of the Authority to pay principal due and payable on all other Bonds (including the Bonds that do not constitute Bank Bonds) then outstanding under the Indenture. The obligation of the Authority to pay the fees set forth in the Fee Letter and herein including, without limitation, the amounts described in Sections 2.7, 2.9 and 10.3 hereof, shall be payable from the Revenue Fund, if and to the extent that such amounts are not paid by the Authority from other monies. The obligation of the Authority to indemnify the Bank pursuant to Section 10.3(b) hereof shall be payable from the Revenues available to the Authority after all other payments required pursuant to and including Sections 5.02(A)(1)-5.02(A)(3) of the Indenture have been satisfied in full but prior to the withdrawal of any monies by the Authority pursuant to Section 5.02(B) of the Indenture that are free and clear of the lien of the Indenture.

(b) Notwithstanding any other provision of this Agreement to the contrary, all obligations of the Authority to the Bank hereunder are special, limited obligations of the Authority payable solely from the Sales Tax Revenues and other funds available for such purposes under the Indenture.

ARTICLE III

BANK BONDS

Section 3.1. Maturity; Interest.

(a) Bank Bonds. Notwithstanding anything to the contrary contained in such Bond, the Authority agrees that, each purchase of an Eligible Bond by the Bank pursuant to Section 2.3 hereof shall result in a Bank Bond. Interest on any Bank Bond will be due and payable on the first Business Day of each month and each Bank Bond, and the accrued interest thereon, shall be repaid by or on behalf of the Authority on the earliest to occur of (i) the date on which such Bank Bond is redeemed, defeased, accelerated or otherwise paid in accordance with its terms; (ii) the date of the remarketing of such Bank Bond; (iii) the date on which such Bank Bond matures in accordance with its terms; (iv) the Substitution Date; (v) the Conversion Date;
and (vi) the final day of the Bank Bond Amortization Period (any one of the foregoing constituting a “Payment Due Date”). In addition to payment of the interest due on each Bank Bond on the first Business Day of each month and on each Payment Due Date as set forth in the immediately preceding sentence, any amount representing Differential Interest Amount unpaid by the Authority on a Sale Date may be paid on each Payment Due Date set forth in clauses (i)-(iv) above, inclusive, and, in any event, shall be paid no later than the final day of the Bank Bond Amortization Period, and such Differential Interest Amount shall, subject to State laws relevant thereto, bear interest at the Bank Rate, payable on each Payment Due Date set forth in clauses (i)-(iv) above, inclusive, and, in any event, shall be paid no later than the final day of the Bank Bond Amortization Period. The Bank shall be under no obligation to purchase any Eligible Bond pursuant to Section 2.3 hereof unless the conditions set forth in Article VI hereof have been satisfied. The Authority may prepay any Bank Bond as provided in Section 3.1(c) below. The Bank shall use its best efforts to notify the Authority and the Trustee of the amount of accrued interest on each Bank Bond on the Business Day prior to the date on which such amount is due.

(b) Redemption of Bank Bonds. Subject to the prepayment of any Bank Bond as provided in Section 3.1(a) and Section 3.1(c) hereof, each Bank Bond, and the accrued interest thereon, shall be subject to mandatory redemption from the sources described in Section 2.11 hereof in ten (10) equal semi-annual installments, the first of which will occur on the first day of the related Bank Bond Amortization Period, with each subsequent installment being payable, together with interest accrued thereon, one hundred eighty (180) days thereafter, and with the final installment being due and payable no later than the final day of the Bank Bond Amortization Period; provided, that on the commencement date of the Bank Bond Amortization Period, (i) the representations and warranties contained in Article V of this Agreement and in each other Related Document and certificate or other writing delivered to the Bank pursuant hereto in connection with the transactions contemplated by this Agreement shall be true and correct as though made on and as of such date, except to the extent a representation or warranty relates specifically to an earlier date (in which case such representation and warranty shall be true and correct as of such date); (ii) no Default or Event of Default shall have occurred and be continuing; (iii) the Commitment Period shall not have expired; and (iv) no Material Adverse Change relating to the Authority or Material Litigation has occurred and is continuing. The Bank shall use its best efforts to notify the Authority and the Trustee of the amount of accrued interest on each Bank Bond on the Business Day prior to the date on which such amount is due.

(c) Prepayment of Bank Bonds. Any Bank Bond may be prepaid by the Authority, without premium or penalty, upon one (1) Business Day’s prior written, electronic or telephonic notice to the Bank (which notice, if electronic or telephonic, shall be promptly confirmed in writing), in whole or in part but, if in part, in a minimum aggregate principal amount of $100,000 and integral multiples of $5,000 in excess thereof. Any prepayment of principal by the Authority of a Bank Bond (including any prepayment pursuant to the sinking fund requirements associated with the related Bank Bond) shall be credited against the next succeeding payment due on the Bank Bond.

(d) CUSIPs and Ratings. On or prior to the Effective Date, the Authority will provide, or cause the Trustee to provide, a CUSIP number for any Bank Bonds that is different from any CUSIP number assigned to Eligible Bonds that are not Bank Bonds. During such time
as Bank Bonds remain Outstanding, have not been remarkeited and are deemed treated as Bank Bonds hereunder and under the Indenture, the Authority will take all reasonable action necessary to ensure that the following information is available on the Bloomberg Municipal Bond Description Screen: (i) the CUSIP number(s) assigned to the Bank Bonds, (ii) a long-term rating and a short term rating on the Eligible Bonds from each Rating Agency then rating the Eligible Bonds, which ratings shall be no lower than the long-term rating assigned to unenhanced Parity Obligations of the Authority and the short-term rating of the Bank, respectively, and (iii) a long term rating on the Bank Bonds from a Rating Agency then rating the Eligible Bonds, which long-term rating shall be no lower than the long-term rating described in sub-clause (ii) of this Section 3.1(d) and, in any event, which long-term rating shall be Investment Grade or better.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

The obligation of the Bank to enter into this Agreement shall become effective on the date (the “Effective Date”) that each of the following conditions precedent have been fulfilled to the satisfaction of the Bank, and counsel to the Bank (such date being hereby designated as May 2, 2011):

(a) True and complete original executed counterparts of this Agreement and the Fee Letter.

(b) Certified copies of the resolutions of the Authority authorizing same (which certification shall state that such resolutions are in full force and effect as of the Effective Date).

(c) A certificate of an Authorized Officer of the Authority certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the Fee Letter.

(d) An opinion of counsel to the Authority, satisfactory to the Bank, regarding the enforceability of this Agreement, the Fee Letter and related matters.

(e) A certificate signed by an Authorized Representative, dated the Effective Date, stating that: (i) the representations and warranties of the Authority contained in Article V hereof, the Indenture and the Related Documents to which it is a party are true and correct on and as of the Effective Date as though made on and as of such date; (ii) no petition by or against the Authority has at any time been filed under the United States Bankruptcy Code or under any similar act; (iii) no Default or Event of Default hereunder has occurred and is continuing, or would result, from the execution and performance of this Agreement or the Fee Letter; (iv) the Indenture and the other Related Documents have not been amended, supplemented or modified in any way other than as previously disclosed to the Bank; (v) except as described in the Remarketing Memorandum or any other documents provided by the Authority to the Bank or except as approved by the Bank prior to the Effective Date, no material adverse change shall have occurred in the condition (financial or otherwise) or operations of the Authority between the date of the Authority’s most recent audited financial statements and the Effective Date, and
no transactions or obligations having a material adverse effect on the condition (financial or otherwise) or operations of the Authority, whether or not arising from transactions in the ordinary course of the Authority’s business, shall have been entered into by the Authority subsequent to the date of the Authority’s most recent audited financial statements; and (vi) except as described in the Remarketing Memorandum or any other documents provided by the Authority to the Bank or except as approved by the Bank prior to the Effective Date, no transaction or event shall have occurred and no change shall have occurred in the condition (financial or otherwise) or operations of the Authority between the date of the Authority’s most recent audited financial statements and the Effective Date which materially adversely affects the security for any of the Bonds, or the Authority’s ability to repay when due its obligations under this Agreement and the Fee Letter, any of the Bonds and the Related Documents.

(f) Executed originals or certified copies of the Indenture and all other opinions, certificates and other documents delivered at the time that the Bonds were initially delivered, together with all amendments and supplements thereto that have been executed and delivered by the parties since initial delivery of said Bonds, if any, which amendments and supplements shall be in full force and effect on the Effective Date.

(g) Delivery to the Bank of the final Remarketing Memorandum.

(h) An incumbency certificate with respect to the officers or agents of the Trustee who are authorized to execute and deliver a Notice of Bank Purchase.

(i) Payment of the Bank’s fees and expenses (including attorney’s fees and expenses described in Section 10.3 hereof) payable on the Effective Date.

(j) Legal opinion of Nixon Peabody LLP, special counsel to the Bank, addressed to the Authority, the Trustee and the Remarketing Agent and as to such matters incident to this Agreement and the transactions contemplated hereby as the parties hereto shall have reasonably requested.

(k) Legal opinion of foreign counsel to the Bank, addressed to the Authority, the Trustee and the Remarketing Agent and as to such matters incident to this Agreement and the transactions contemplated hereby as the parties hereto shall have reasonably requested.

(l) Evidence satisfactory to the Bank that a CUSIP number has been obtained and reserved for any Bank Bonds.

(m) Evidence satisfactory to the Bank dated the Effective Date that the Prior Agreement has been terminated and that all amounts due and owing to the Prior Bank in connection therewith and in connection with any Bonds purchased by said Prior Bank have been re-paid in full and that said Bonds have been (or will be concurrently with delivery of this Agreement) remarketed.

(n) An executed letter from the Trustee, in form and substance reasonably satisfactory to the Bank, in substantially the form attached hereto as Exhibit D.
(o) Written confirmation that the Bonds have received long-term and short-term credit ratings of “____/_____” from Moody’s and “_____/_____” from Standard & Poor’s.

(p) An executed Custody Agreement.

(q) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

In addition to the foregoing, the Bank shall have determined that (A) as of the Effective Date, no law, regulation, ruling or other action of the United States of America, the State of New York or the State of California or any state or any political subdivision or authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent the Bank from fulfilling its obligations hereunder or to prevent the Authority from fulfilling its obligations hereunder, under the Fee Letter or under any of the other Related Documents by which it is bound; and (B) as of the Effective Date, no change in the capital or financial markets of the United States has occurred and is continuing that could reasonably be expected to have a material adverse effect on the transactions contemplated by this Agreement and the other Related Documents.

The execution and delivery of this Agreement by the Bank shall be deemed satisfaction of all conditions specified in this Article IV or waiver thereof by the Bank.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Agreement and to purchase Bonds as provided herein, the Authority makes the following representations and warranties to, and agreements with the Bank (which representations, warranties and agreements shall survive the execution and delivery of this Agreement and any purchases of Bonds by the Bank):

Section 5.1. Due Organization; Power and Authority.

The Authority is an independent public agency, duly organized and validly existing under the laws of the State of California. The Authority has all requisite power and authority to adopt, execute, deliver and perform all of its obligations under the Related Documents and to incur the indebtedness evidenced by the Bonds, and to adopt, execute and deliver any and all instruments and documents required to be adopted, executed or delivered pursuant to or in connection herewith or therewith and to perform each and all of the matters and things provided for herein and therein.

Section 5.2. Due Authorization; No Violation.

The execution, delivery and performance by the Authority of the Agreement and the other Related Documents and any and all instruments or documents required to be adopted or executed in connection herewith or therewith have been or will by the Effective Date be duly
authorized and do not and will not, in any material respect, (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award in effect having applicability to the Authority or (ii) result in a breach of or constitute a default under any indenture, loan, credit agreement or any other agreement, lease or instrument to which the Authority is a party or by which the Authority is bound.

Section 5.3. Enforceability.

Each Related Document (other than the Bonds) to which the Authority is a party constitutes a legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as such enforceability may be limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Bonds have been duly issued, executed and delivered in conformity with the Act and the Indenture, and constitute legal, valid and binding special obligations of the Authority, enforceable in accordance with their terms, except as such enforceability may be limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and are entitled to the benefit and security of the Indenture.

Section 5.4. Disclosure.

All factual information provided to the Bank by or on behalf of the Authority is, and all other such factual information hereafter provided will be, to the knowledge of the Authority, accurate in all material respects on the date as of which such information is certified. The Remarketing Memorandum (other than the financial statements included therein), true copies of which have heretofore been delivered to the Bank, and each amendment or supplement thereto prepared subsequent to the Effective Date (a true copy of which shall be furnished to the Bank) do not and will not as of the date thereof contain any untrue statement of a material fact and do not and will not as of the date thereof omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to any information furnished by DTC or the Bank expressly for inclusion therein or as to any information concerning DTC or the book-entry system.

Section 5.5. No Litigation.

There is no Material Litigation before or by any court, arbitrator, governmental or other board, body or official, pending with service of process accomplished or, to the best knowledge of the Authority after due inquiry, threatened against or affecting the Authority.

Section 5.6. Consents.

No authorization, consent, approval, license, exemption from or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, other than those which have been or will by the Effective Date be obtained, will be necessary for the valid adoption, execution, delivery and performance by the Authority of
any of the Related Documents; provided that no representation is made as to any “blue sky” or securities laws of any jurisdiction.

Section 5.7. No Proposed Legal Changes.

To the best knowledge of the Authority, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State of California or any published administrative interpretation of the Constitution of the State of California or any State of California law, or any legislation which has passed either house of the State legislature, the effect of which (a) would be materially adversely affect the ability of the Authority to perform its obligations under this Agreement or any of the other Related Documents or (b) would invalidate, eliminate or reduce the Sales Tax Law or Sales Tax Revenues.

Section 5.8. No Sovereign Immunity.

The Authority is not entitled to immunity from legal proceedings to enforce this Agreement, the Fee Letter, the Bonds or any other Related Document (including, without limitation, immunity from service of process or immunity from jurisdiction of any court otherwise having jurisdiction) and is subject to claims and suits for damages in connection with its obligations under the Agreement pursuant to and in accordance with the laws of the State applicable to public entities such as the Authority.

Section 5.9. Incorporation of Representations and Warranties.

The Authority hereby makes to the Bank the same representations and warranties as were made by it in the Related Documents to which it is a party and are incorporated herein by reference with the same effect as if each and every such representation and warranty (and the defined terms related thereto) were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to the Indenture shall be effective to amend such representations and warranties or defined terms as incorporated by reference herein without the prior written consent of the Bank, except as otherwise provided in Section 7.2(b) hereof.

Section 5.10. Bank Bonds.

The Bank Bonds purchased pursuant to Article II by the Bank shall be free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.11. Financial Statements.

The audited financial statements of the Authority for each of its fiscal years ended June 30, 2009 and June 30, 2010, including balance sheets as of June 30 of each of said years, all examined and reported on by independent public accountants, prepared by the Authority, as heretofore delivered to the Bank correctly and fairly present the financial condition of the Authority as of said dates and the results of the operations of the Authority for each of such periods, respectively, and have been prepared in accordance with generally accepted accounting
principles consistently applied except as stated in the notes thereto; and there has been no Material Adverse Change since June 30, 2010.

Section 5.12.  Compliance with Laws and Contracts.

The execution, delivery and performance by the Authority of the Related Documents to which it is a party do not and will not (a) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award as currently in effect to which the Authority is subject; (b) result in a breach of or constitute a default under the provisions of any resolution, indenture, loan or credit agreement or any other agreement, lease or instrument to which the Authority may be or is subject or by which it, or its property, is bound; or (c) result in, or require, the creation or imposition of any mortgage, deed of trust, assignment, pledge, lien, security interest or other charge or encumbrance of any nature or with respect to any of the properties of the Authority other than as provided herein and therein; and the transactions undertaken pursuant to the Indenture will not result in a material default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such resolution, indenture, agreement, lease or instrument.

Section 5.13.  Complete and Correct Information.

No representation, warranty or other statement made by the Authority with respect to the Sales Tax Revenues in or pursuant to this Agreement or any Related Document or any other document or financial statement with respect to the Bonds provided by the Authority to the Bank in connection with this Agreement or any other Related Document, except as disclosed to the Bank in writing, contains any untrue statement of a material fact or omits (as of the date made or furnished) any material fact necessary to make the statements not misleading in light of the circumstances under which they are made. All information, reports and other papers and data with respect to the Sales Tax Revenues and the Authority’s Parity Obligations furnished to the Bank were, at the time the same were so furnished, accurate in all material respects or were replaced with accurate information. Any financial statements and cash flows furnished to the Bank with respect to the Sales Tax Revenues and the Authority’s Parity Obligations were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of the delivery of such financial statements and cash flows. No fact is known to the Authority that materially and adversely affects or in the future may (so far as it can reasonably foresee) materially and adversely affect the security for any of the Bonds or any other Parity Obligation, or the Authority’s ability to repay when due its obligations under this Agreement, any of the Bonds, any Parity Obligation and the Related Documents or in the financial statements and other documents referred to in this Section 5.13 or in such information, reports, papers and data or otherwise disclosed in writing to the Bank.

Section 5.14.  Federal Reserve Board Regulations.

No part of the proceeds of any Bonds will be used for the purpose, whether immediate, incidental or ultimate, to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time), or to extend credit to others for the purpose of purchasing or carrying any margin stock.
Section 5.15. Investment Company Act.

The Authority is not an “investment company” or a company “controlled” by an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

Section 5.16. Trustee and Remarketing Agent.

U.S. Bank National Association is the duly appointed and acting Trustee and Barclays Capital Inc. (or a successor or assign meeting the requirements of the Indenture and Section 7.2(a) hereof) is the duly appointed and acting Remarketing Agent for the Bonds.

Section 5.17. Tax Exempt Status.

The Authority has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other person or entity, which action, if taken or omitted, would cause interest on the Bonds to be subject to personal income taxes levied by the State.

Section 5.18. Permitted Investments.

As of the Effective Date, the Authority has no knowledge that it has made any material investment, or entered into any agreement for the purpose of effecting any such investment, which is not permitted to be made pursuant to the Act or the Indenture.

Section 5.19. Compliance with this Agreement.

The Authority is in compliance with the terms and conditions of this Agreement, and no breach of the terms hereof nor any Event of Default has occurred and is continuing, and no event, act or omission has occurred and is continuing which, with the lapse of time, the giving of notice, or both, would constitute an Event of Default or a breach of the terms hereof.

Section 5.20. Pledge of Sales Tax Revenues.

The Indenture creates a valid pledge in favor of the Trustee in the Sales Tax Revenues and, as of the Effective Date, all necessary actions on the part of the Authority, the Trustee, and the Bank have been taken as required to pledge the Sales Tax Revenues in favor of the Trustee under the Indenture. The Authority hereby pledges the Sales Tax Revenues to the payment of all amounts due hereunder and under the Fee Letter and in connection with the Bank Bonds, all as more fully set forth in Section 2.11 hereof. Except as provided in the Indenture, the Authority has not pledged or granted a lien, security interest or other encumbrance of any kind on the Sales Tax Revenues on a parity with the Bonds.


Each Bond is entitled to the benefits of the Indenture.
Section 5.22. Related Documents.

Each of the Related Documents (other than this Agreement) to which the Authority is a party is in full force and effect and none of the Related Documents has been amended or supplemented except by such amendments or supplements as have previously been delivered to the Bank.

ARTICLE VI

CONDITIONS PRECEDENT TO PURCHASES

Section 6.1. Conditions.

The obligation of the Bank to purchase Eligible Bonds hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank:

(a) No Special Event of Default or Suspension Event shall have occurred and be continuing and the Bank’s obligations hereunder shall not otherwise have been terminated or suspended. If and to the extent that a Suspension Event shall have been cured as and to the extent provided in Section 8.3(b) hereof, the condition described in this Section 6.1(a) will be deemed satisfied; and

(b) The Bank shall have timely received the Notice of Bank Purchase(s) as provided in Section 2.3 hereof; provided, that if the Notice of Bank Purchase(s) is not received in a timely manner, the Bank will be obligated to purchase Eligible Bonds on the Business Day following receipt thereof.

Each notification delivered pursuant to clause (b) of this Section 6.1 shall constitute a representation and warranty by the Authority on each Purchase Date that the condition described in the clause (a) of this Section 6.1 has been satisfied on such Purchase Date.

ARTICLE VII

COVENANTS

Section 7.1. Affirmative Covenants of the Authority.

So long as any of the Bonds bearing interest at a Covered Rate shall be outstanding (including any Bank Bonds) or any Obligations remain unpaid hereunder and under the Fee Letter, the Authority covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

(a) Performance of This and Other Agreements. The Authority shall punctually pay or cause to be paid all amounts payable under this Agreement, the Fee Letter, the Indenture and the other Related Documents and observe and perform all of the conditions, covenants and requirements of this Agreement, the Indenture and the other Related Documents.
(b) **Further Assurances.** The Authority will at any and all times, insofar as it may be authorized so to do by law, authorize, make, do, execute, acknowledge and deliver every and all such further resolutions, acts, deeds, conveyances, assignments, recordings, filings, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular rights of the Bank hereunder or payment of the obligations of the Authority arising under or pursuant to this Agreement or under the Fee Letter, or intended so to be, or which the Authority may hereafter become bound to pledge or assign thereto, including the maintenance of the security interests in and pledge of the Sales Tax Revenues created pursuant to the Indenture.

(c) **Books and Records; Inspection Rights.** To the extent permitted by law and with reasonable notice, the Authority will permit any person designated by the Bank, to visit the offices of the Authority to examine the books and financial records, including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Authority with its principal officials, all at such reasonable times and as often as the Bank may reasonably request on behalf of the Bank; provided, however that the Authority shall not disclose to the Bank any documents and information which are subject to confidentiality agreements and which are not public record or otherwise available under California law for public inspection; and provided further that the Authority acknowledges that its accounting and financial records are not subject to any confidentiality agreement and are available for inspection. The Bank agrees to maintain the confidentiality of all such books, records and information regarding the Authority which is not otherwise publicly available; provided, however, that the Bank shall not be precluded from disclosing such information or the contents of such books and records (i) to its officers, directors, employees, agents, attorneys and accountants who have a need to know such books, records or information in accordance with customary banking practices and who receive such books, records or information having been made aware of the restrictions set forth in this Section 7.1(c), (ii) to any actual or proposed Participant or bank which has agreed in writing to be bound by the provisions of this Section 7.1(c), (iii) to the extent disclosure is required by law, statute, rule, regulation or judicial process or (iv) upon the lawful demand of any court or agency having jurisdiction over the Bank or any Participant.

(d) **Reporting Requirements.** The Authority shall furnish to the Bank:

(i) as soon as available a copy of its audited annual financial statements as soon as they are available (and in no event later than 210 days after the end of each fiscal year of the Authority), together with an audit report thereon prepared by an independent certified public accountant and a certificate of the Authority signed by a duly authorized officer certifying that as of the date of such certificate no Event of Default has occurred and is continuing;

(ii) as soon as available (and, in no event, later than 90 days after the end of each June 30 and December 31), a copy of its unaudited semi-annual financial statements, consisting of the balance sheet, income statement and cash flow statement as of each June 30 and December 31; provided, however, that if no other lender to the Authority providing liquidity or credit support in favor of debt secured by Sales Tax Revenues requires the unaudited semi-annual financial
statements described in this sub-clause (ii), then, from and after such date, the provisions of this sub-clause (ii) shall cease to be of any force or effect hereunder;

(iii) [Reserved];

(iv) as soon as possible after a closing, a copy of any official statement of the Authority in connection with any other debt offering by the Authority, which is secured by Sales Tax Revenues;

(v) as soon as possible and in any event within five (5) Business Days after the occurrence of each Event of Default or Default continuing on the date of such statement, a statement of an Authorized Representative setting forth details of such Event of Default or Default and the action which is being taken or proposed to be taken with respect thereto;

(vi) promptly after the receipt or giving thereof, copies of all notices of resignation by or removal of the Trustee or either Remarketing Agent which are received or given by the Authority;

(vii) promptly after the adoption thereof, copies of any amendments or supplements to the Indenture and the Remarketing Memorandum;

(viii) with reasonable promptness, such other information and data with respect to the Sales Tax Revenues as from time to time may be reasonably and lawfully requested by the Bank;

(ix) a copy of its investment policy and any amendments thereto; and

(x) as soon as available (and in no event later than 90 days after the end of each March 31, June 30, September 30 and December 31), the amount of all Sales Tax Revenues received by the Authority or the Trustee, on behalf of the Authority for each quarter ending each March 31, June 30, September 30 and December 31.

As and to the extent that any financial statement, audit report or other filing described in Section 7.1(d)(i), 7.1(d)(iv) or 7.1(d)(ix) has been filed on a timely basis with the MSRB through its Electronic Municipal Market Access System and the Authority has provided written notice thereof to the Bank, the requirements of such Sections 7.1(d)(i), 7.1(d)(iv) or 7.1(d)(ix) with respect thereto shall be deemed satisfied. As and to the extent that the Sales Tax Revenues information described in Section 7.1(d)(x) becomes available on the Authority’s website and the Authority has provided written notice thereof to the Bank, the requirements of such Section 7.1(d)(x) with respect thereto shall be deemed satisfied.

(e) **Compliance with Documents.** The Authority will take all necessary steps to assure that all Bonds will be issued in compliance with the Indenture. The Authority agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Related Documents.
(f) **Amendments to the Sales Tax Law or Proposed Legislation.** The Authority shall furnish to the Bank (i) a copy of any amendments or modifications to the law or any other legislation, initiative or referendum of which the Authority is aware which could (A) annul, amend, modify, replace or otherwise adversely impact upon the Sales Tax Law or (B) lead to the diminution or reallocation of the Sales Tax Revenues or any portion thereof; or (ii) a written notice describing any other event which, in the reasonable judgment of the Authority, is likely to have a material adverse effect on the Sales Tax Revenues or affect the Authority's ability to perform its obligations under the Bonds or any of the Related Documents.

(g) **Changes to Law.** The Authority shall vigorously oppose any rescission of or amendment to or any other action under or in connection with the Sales Tax Revenues (including, without limitation, any modification of the Sales Tax Law) which would or could materially reduce the amount of the Sales Tax Revenues or the allocation of such revenues to the payment of the Bonds or the obligations of the Authority hereunder and under the Fee Letter or which would or could in any manner materially impair or adversely affect the rights of the Authority to any or all of the Sales Tax Revenues or to the security of the Bank or the owners of the Bonds.

(h) **Selection of Bonds for Redemption.** The Authority shall select, or cause to be selected, for redemption any and all Bank Bonds prior to selecting, or causing to be selected, for redemption any Bonds that are not Bank Bonds.

(i) **Compliance With Law.** The Authority shall comply with all laws, rules and regulations (including all federal, state and local environmental and health and safety laws, rules and regulations), and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; provided, however, that the Authority may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the Authority’s power and authority to execute and deliver this Agreement or any other Related Documents to which it is a party, to perform its obligations and to pay all amounts payable by it hereunder, under the Fee Letter and under the other Related Documents.

(j) **Notices.** The Authority will promptly furnish, or cause to be furnished, to the Bank (i) notice of the occurrence of any Event of Default or Default as defined herein or in the Indenture, (ii) notice of the failure by the Remarketing Agent to perform any of its obligations under the Remarketing Agreement or the Trustee to perform any of its obligations under the Indenture, (iii) notice of any proposed substitution of this Agreement, (iv) each notice required to be given to the Bank pursuant to the Indenture, (v) notice of any litigation, administrative proceeding, proposed or enacted legislation or business development which may reasonably be expected to materially adversely affect the Sales Tax Revenues, the transactions authorized pursuant to the Indenture or the ability of the Authority to perform its obligations as set forth hereunder, under the Indenture or under any of the other Related Documents to which it is a party, (vi) notice of any downgrade, withdrawal, or suspension of the long-term rating assigned by a Rating Agency to the Bonds or any Parity Obligation or the placement of any such Bonds or Parity Obligation on credit watch by a Rating Agency or, if a Rating Agency then maintaining ratings on the Bonds and Parity Obligation expresses in writing a negative outlook as to the long-term rating of any such Bonds or Parity Obligation, and (vii) such further financial
and other information with respect to the Sales Tax Revenues and the other transactions authorized pursuant to the Indenture as the Bank may reasonably request from time to time.

(k) **Alternate Liquidity Facility.**

(i) Other than in connection with a Conversion Date, the Authority shall use its best efforts to refinance, defease or obtain an Alternate Liquidity Facility to replace this Agreement in the event (A) the Bank shall not extend the Expiration Date pursuant to Section 10.10(c) hereof or the Authority fails to request such an extension on a timely basis, (B) the Authority terminates this Agreement pursuant to Section 2.4 hereof, (C) the Bank shall furnish a Notice of Termination Date pursuant to Section 8.1(b) hereof or (D) a Default Tender shall have been effected with any funds made available hereunder.

(ii) The Authority agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Authority or the issuer of the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the proposed Substitution Date, for the purchase of all Bank Bonds at par plus all accrued interest thereon (plus any Differential Interest Amount and Excess Bank Bond Interest) through the proposed Substitution Date. On such proposed Substitution Date, any and all amounts due hereunder and under the Fee Letter to the Bank shall be payable in full to the Bank.

(iii) The Authority shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Bonds bearing interest at a Covered Rate without the prior written consent of the Bank.

(l) **Preservation of Existence.** To the fullest extent permitted by law, the Authority shall maintain its legal existence.

(m) **Disclosure of Participants.** The Authority shall permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 7.1(d) hereof, to any Participants; provided, that the Bank shall require, as a condition to providing any such information to any Participant, an agreement on the part of said Participant to maintain the confidentiality of said information except for the reasons set forth in the second proviso to Section 7.1(c) hereof.

(n) **Other Covenants.** (i) For the benefit of the Bank, the Authority shall comply with, abide by and be restricted by all the agreements, covenants, obligations and undertakings contained in the provisions of the Indenture and the other Related Documents, all of which provisions, together with the related definitions, exhibits and ancillary provisions, are incorporated herein by reference and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety and, without regard to giving effect to any amendment or modification of any provisions of such documents or any waiver of compliance therewith. No such amendment, modification or waiver shall in any manner constitute an amendment, modification or waiver of the provisions thereof as incorporated herein unless consented to in writing by the Bank; provided, that no such consent
shall be necessary in the event (i) the Bank shall have failed to honor its obligation to purchase Eligible Bonds hereunder or (ii) in the event no such consent is required pursuant to Section 7.2(b) hereof.

(ii) Notwithstanding the foregoing, in the event that the Authority shall covenant with any other Person at any time, in connection with any borrowing or obligation that is payable from Sales Tax Revenues on a parity with the Bonds, to maintain any financial test, covenant or ratio, such financial test, covenant or ratio, together with the related definitions of terms, shall be incorporated by reference in this Agreement for the benefit of the Bank and such financial test, covenant or ratio, together with the related definitions of terms, shall continue to be observed by the Authority for the benefit of the Bank until the termination of this Agreement. The Authority further agrees that, if and to the extent that the remedy of acceleration is exercised pursuant to the Indenture in favor of any Parity Obligations, the Bonds (including all Bank Bonds) will be subject to acceleration concurrently therewith; provided, however, that in the event that the Authority shall covenant with any other Person at any time, in connection with any borrowing or obligation, to provide any remedy of acceleration that is greater or more advantageous than the remedy of acceleration that is currently granted to the Bank hereunder, such remedy of acceleration shall automatically be incorporated by reference in this Agreement for the benefit of the Bank.

(o) Conversions; Defeasance. The Authority shall not convert the Bonds to bear interest at any rate of interest other than the Weekly Rate without receiving the Bank’s prior written consent or terminating this Agreement in compliance with Sections 2.4 and 10.10(b) hereof and the Fee Letter. The Authority shall promptly furnish, or cause to be furnished, to the Bank, not later than its furnishing the same to the Remarketing Agent, a copy of any written notice furnished by the Authority to the Remarketing Agent pursuant to the Indenture indicating a proposed conversion of the interest rate on the Bonds to a rate other than a Covered Rate. In addition, the Authority will not defease, nor allow the defeasance of, the Bonds without having contemporaneously satisfied all of its Obligations hereunder and under the Fee Letter, including the Bank Bonds.

(p) Trustee and Remarketing Agent. (i) The Authority shall use reasonable efforts to cause the Trustee and the Remarketing Agent at all times to comply with the terms of the Indenture and the other Related Documents to which each is a party or by which such party is bound; and (ii) the Authority shall maintain at all times a Remarketing Agent with respect to each series of Bonds that is reasonably acceptable to the Bank.

(q) Use of Facility and Bond Proceeds. The Authority shall cause (i) the proceeds from monies received hereunder to be used solely to pay the Purchase Price of Bonds as more fully described in Sections 2.1 and 2.3 hereof, and (ii) the proceeds of the Bonds to be used solely for the purposes set forth in the Indenture.

(r) Sovereign Immunity. To the extent that the Authority has or hereafter may acquire under any applicable law any right to immunity from legal proceedings on the grounds of sovereignty or otherwise, the Authority, to the fullest extent permitted by law, hereby irrevocably waives such rights to immunity for itself and agrees not to invoke any defense of immunity in
respect of its obligations arising under or related to this Agreement, the Fee Letter or the Bank Bonds.

**Section 7.2. Negative Covenants of the Authority.**

So long as any of the Bonds (including any Bank Bonds) or any Obligations remain unpaid hereunder or under the Fee Letter, the Authority shall not do any of the following, without the prior written consent of the Bank, which consent shall not be unreasonably withheld:

(a) **Successor Remarketing Agent and Successor Trustee.** (i) Appoint, permit or suffer to be appointed any successor Remarketing Agent unless (A) such successor meets the requirements for a remarketing agent under the Indenture, has a minimum capital of at least five hundred million dollars ($500,000,000) and is rated at least “A2” by Moody’s and “A” by S&P; and (B) the Authority provides at least ten (10) Business Days’ notice to the Bank and obtains the prior written consent of the Bank to such replacement remarketing agent, which consent shall not be unreasonably withheld; or (ii) appoint, permit or suffer to be appointed any successor Trustee unless (A) such successor meets the requirements for a trustee under the Indenture and, for the most recent calendar year for which such statistics are available at the time of such replacement, such replacement had a minimum capital of at least five hundred million dollars ($500,000,000) and is rated at least “A2” by Moody’s and “A” by S&P; and (B) the Authority provides at least ten (10) Business Days’ notice to the Bank and obtains the prior written consent of the Bank to such replacement trustee.

(b) **Amendments to the Indenture.** Without the prior written consent of the Bank, (i) consent or agree to or permit any rescission of or amendment to the Act or the Sales Tax Law which would reduce the amount of the Sales Tax Revenues or the obligations of the Authority hereunder or which would in any manner materially impair or materially adversely affect the rights of the Authority to the Sales Tax Revenues or the security of the Indenture; or (ii) agree to the amendment of the Indenture such that payments to holders of Bonds are impaired or reduced or the priority of the obligations of the Authority under the Indenture or to the Bank hereunder is adversely affected in any way; or (iii) agree to any amendment of the Indenture whatsoever which will adversely affect the rights or obligations of the Bank or the holders of Bonds in respect thereof; provided that no consent shall be required or impairment deemed or adverse affect assumed from the issuance of additional Bonds in accordance with the Indenture.

(c) **Bank Disclosure.** Include in the Remarketing Memorandum any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein, nor shall the Authority make any changes in any reference to the Bank in any amendment or supplement to the Remarketing Memorandum. In addition, the Authority shall not include in any offering document for any debt secured by the Sales Tax Revenues (other than the Bonds) any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein; provided, that the Authority may include references to the existence of this Agreement, the Bank and its role with respect to the Bonds without the Bank’s consent thereto in connection with (i) the preparation of an offering document for such debt (other than the Bonds), (ii) the Authority’s satisfaction of its continuing disclosure requirements, (iii) the preparation of its annual financial statements; and (iv) compliance with any other legal or regulatory requirement applicable to the Authority.
(d) **Maintenance of Tax-Exempt Status of the Bonds.** Take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion from gross income of such interest on the Bonds for purposes of the exemption of such interest from Federal and State income taxes.

(e) **Federal Reserve Board Regulations.** Use the monies received hereunder, or permit the use of the monies received hereunder, in violation of Regulation U, as amended, promulgated by the Board of Governors of the Federal Reserve System.

(f) **Accounting Method.** Materially change its method of accounting relating to Sales Tax Revenues, or the times of commencement or termination of fiscal years or other accounting periods relating to Sales Tax Revenues without first disclosing in writing such change to the Bank.

**ARTICLE VIII**

**EVENTS OF DEFAULT AND REMEDIES**

**Section 8.1. Events of Default not Resulting in Immediate Termination or Suspension.**

(a) Each of the following Events of Default shall constitute a “Notice Termination Event”:

(i) **Payments.** The Authority shall fail to pay any amount owed to the Bank pursuant to Section 2.2 or Section 3.1 hereof (other than amounts described in Section 8.2(a)(i) or in Section 8.3(a)(i) hereof); or

(ii) **Other Payments.** The Authority shall fail to pay when due any amount owing under Section 2.8, Section 2.9 or Section 10.3 hereof or under the Fee Letter; or

(iii) **Representations.** Any material representation or warranty made by or on behalf of the Authority in this Agreement, the Indenture or in any other Related Document or in any certificate or statement delivered hereunder or thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(iv) **Certain Covenants.** The Authority shall default in the due performance or observance of any of the covenants set forth in Section 7.1(a), 7.1(h), 7.1(k), 7.1(l), or 7.2(b) hereof; or

(v) **Other Covenants.** The Authority shall default in the due performance or observance of any other term, covenant or agreement contained in this Agreement (other than those referred to in Sections 8.1(a)(i), 8.1(a)(ii), 8.1(a)(iv) and 8.2(a)(i) hereof), the Indenture or any other Related Document and such default shall remain unremedied for a period of thirty (30) days after the Authority has received notice thereof; or
(vi) **Cross Default.** (A) Except as otherwise provided in Section 8.2(a)(vi), any “Event of Default” as defined in Section 7.01 of the Indenture shall occur and be continuing, or (B) any “Event of Default” shall occur and be continuing under any documentation entered into by the Authority with any Person or Persons that undertakes to make loans or extend credit or liquidity to the Authority related to Parity Obligations or in connection with any Interest Rate Swap Agreement; or

(vii) **Invalidity of Parity Obligations.** (A) Any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of any Parity Obligation shall find or rule, in a judicial or administrative proceeding, that any provision of the Act or the Indenture, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on any Parity Obligation or (2) the Sales Tax Revenues securing said Parity Obligation, is not valid or not binding on, or enforceable against, the Authority; or (B) the State shall (1) have taken any official action, or has duly enacted any statute, (2) make a claim in a judicial or administrative proceeding or (3) contest in a judicial or administrative proceeding that (x) the Authority has no further liability or obligation under any Parity Obligation to pay, when due, the principal of or interest on said Parity Obligation or (y) any provision of the Act or the Indenture relating to or otherwise affecting the Authority’s ability or obligation to pay, when due, the principal of or interest on any Parity Obligation or the Sales Tax Revenues securing said Parity Obligation is illegal, invalid or unenforceable against the Authority; or

(viii) **Change in Maximum Rate.** The Maximum Rate applicable to Bank Bonds or the Bonds shall be reduced at any time; or

(ix) **Taxability.** A ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Bonds is includable in the gross income of the holder(s) or owner(s) of such Bonds and either (i) the Authority, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Authority shall challenge such ruling, assessment, notice or advice and a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered; or

(x) **Ratings.** The rating of the Bonds or any Parity Obligation shall be (A) withdrawn, suspended or reduced below “A3” by Moody’s, or (B) withdrawn, suspended or reduced below “A-” by S&P; *provided, however,* that any withdrawal, suspension or downgrade described in any of the foregoing provisions of this Section 8.1(a)(x) shall not be deemed an Event of Default hereunder if said withdrawal, suspension or downgrade, as applicable, shall be attributable to the downgrade of the long-term ratings assigned to any bond insurance or other credit enhancement provided by a Person other than the Authority; or

(xi) **Initiation of Legal Proceedings.** (A) Any Governmental Authority with jurisdiction to rule on the legality, validity or enforceability of this Agreement, the Bonds, the Act or the Indenture shall find or rule, in a judicial or administrative
proceeding, that any provision of this Agreement, the Bonds, the Act or the Indenture, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or (2) the Sales Tax Revenues securing said Bonds, is not valid or not binding on, or enforceable against, the Authority; or (B) the State shall (1) have taken any official action, or has duly enacted any statute, (2) make a claim in a judicial or administrative proceeding or (3) contest in a judicial or administrative proceeding that (x) the Authority has no further liability or obligation hereunder, under the Bonds, the Act or the Indenture to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or (y) any provision of this Agreement, the Bonds, the Act or the Indenture relating to or otherwise affecting the Authority’s ability or obligation to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or the Sales Tax Revenues securing said Bonds is illegal, invalid or unenforceable against the Authority; or

(xii) **Financial Control Board.** There shall be appointed or designated with respect to the Sales Tax Revenues, an entity such as a board, commission, authority, agency or body to monitor or declare a financial emergency or similar state of financial distress with respect to the Sales Tax Revenues or there shall be declared with respect to the Sales Tax Revenues or by any legislative or regulatory body with competent jurisdiction over the Sales Tax Revenues, the existence of a state of financial emergency or similar state of financial distress in respect of the Sales Tax Revenues.

(b) **Remedies.** Upon the occurrence of any Event of Default, the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; and in addition, the Bank, in its sole discretion, may do one or more of the following:

(i) declare all obligations of the Authority to the Bank hereunder and under the Fee Letter to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are hereby expressly waived; or

(ii) give written notice of such Event of Default and termination of the Agreement (a “**Notice of Termination Date**”) to the Trustee, the Authority and the Remarketing Agent requesting a Default Tender; *provided, that* the obligation of the Bank to purchase Eligible Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the Available Commitment shall terminate and the Bank shall be under no obligation hereunder to purchase Eligible Bonds; or

(iii) exercise any right or remedy available to it under any other provision of this Agreement; or

(iv) exercise any other rights or remedies available under the Indenture and any other Related Document, any other agreement or at law or in equity; *provided,*
further, however, the Bank shall not have the right to terminate its obligation to purchase Eligible Bonds except as provided in this Section 8.1(b).

Notwithstanding anything to the contrary herein, no failure or delay by the Bank in exercising any right, power or privilege hereunder, under the Indenture and any other Related Document or under the Bonds and no course of dealing between the Authority and the Bank shall operate as a waiver hereof or thereof nor shall any single or partial exercise hereof or thereof preclude any other or further exercise hereof or thereof or the exercise of any other right, power or privilege. The rights and remedies in Article VIII hereof shall be cumulative and not exclusive of any rights or remedies which the Bank would otherwise have.

Section 8.2. Events of Default Resulting in Immediate Termination.

(a) Each of the following Events of Default shall also constitute a “Special Event of Default”:

(i) Payment Default. The Authority shall fail to pay when due (A) any principal or sinking fund requirement due on any Bond (including any Bank Bond other than principal due on any Bank Bond following the acceleration thereof pursuant to Section 8.1(b) or 8.2(b) hereof)) and (B) any interest on any Bond (including any Bank Bond); or

(ii) Judgments. One or more final, unappealable judgment(s) against the Authority for the payment of money, which judgment(s) is payable from or enforceable pursuant to a lien upon, or an attachment against, any or all of the Sales Tax Revenues, the operation or result of which judgment(s), individually or in the aggregate, equal or exceed $10,000,000 and which judgment(s) shall remain unpaid, undischarged, unbonded or undismissed for a period of sixty (60) days; or

(iii) Insolvency. (A) The Authority shall commence any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to the Bonds or any Parity Obligation, or (2) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Sales Tax Revenues, or the Authority shall make a general assignment for the benefit of its creditors; or (B) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A) above or in Section 8.3(a)(i); or (C) the Authority shall admit in writing its inability to pay its debts as they become due or becomes insolvent within the meaning of Section 101(32) of the United States Bankruptcy Code of 1978, as it may be amended from time to time (Title 11 of the United States Code), and any successor statute thereto; or (D) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in Section 8.2(a)(iii)(A) above which (1) results in a final and unappealable order for such relief or
in the appointment of a receiver or similar official or (2) after the passage of sixty (60) days from the commencement thereof, remains undischussed, undischarged or unbonded; or (E) after the passage of sixty (60) days from the commencement thereof, any case, proceeding or other action commenced against the Authority that seeks the issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Sales Tax Revenues shall not have been vacated, discharged, stayed or bonded; or

(iv) Validity. (A) The Authority, pursuant to official action on the part of its governing body, contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) that it has any further liability or obligation under or with respect to any provision of the Act, this Agreement, the Indenture, the Bonds or any Parity Obligation relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or on any Parity Obligation or (2) the Sales Tax Revenues securing said Bonds and Parity Obligation; or (B) the Authority, pursuant to official action on the part of its governing body, contests in an administrative or judicial proceeding, repudiates or otherwise denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) the legality, validity or enforceability of any provision of this Agreement, the Bonds, the Act, the Indenture or any Parity Obligation relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or on any Parity Obligation or (2) the Sales Tax Revenues securing said Bonds or any Parity Obligation; or (C) any provision of the Act, this Agreement, the Indenture or the Bonds relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Bonds (including any Bank Bonds) or (2) the Sales Tax Revenues securing said Bonds shall, at any time, and for any reason, cease to be valid and binding on the Authority, or shall be declared to be null and void, invalid or unenforceable, in each case, as the result of a final nonappealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the Authority; or (D) a debt moratorium or comparable extraordinary restriction on repayment of principal or interest on any debt shall have been declared or imposed (whether or not in writing) with respect to the Bonds (including any Bank Bond); or

(v) Ratings. Moody’s, Standard & Poor’s and any other Rating Agency then rating the Bonds shall have (A) assigned the Bonds or any Parity Obligation a long-term rating below “Baa3” by Moody’s and “BBB-” by Standard & Poor’s (or comparable rating in the case of another Rating Agency), (B) withdrawn their long-term ratings of the Bonds or any Parity Obligation for any credit related reasons or (C) suspended their long-term ratings of the Bonds or any Parity Obligation for any credit related reasons; provided, however, that any downgrade, withdrawal or suspension described in any of the foregoing provisions of this Section 8.2(a)(v) shall not be deemed an Event of Default hereunder if said downgrade, withdrawal or suspension, as the case may be, shall be attributable to the downgrade, withdrawal or suspension of the long-term ratings assigned
to any bond insurance or other credit enhancement provided by a Person other than the Authority; or

(vi) **Parity Obligations Payment Default.** The Authority shall fail to make any payment in respect of principal or interest on any Parity Obligation, issued and outstanding or to be issued, when due (i.e., whether upon said Parity Obligation’s scheduled maturity, required prepayment, acceleration pursuant to the Indenture, upon demand or otherwise, except as such payments may be accelerated, demanded or required to be prepaid under this Agreement), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Obligation.

(b) **Remedies.** In addition to the remedies set forth in Section 8.1(b), upon the occurrence of a Special Event of Default, the Available Commitment shall immediately be reduced to zero, in which case the obligations of the Bank under Article II of this Agreement shall immediately terminate and expire without requirement of notice by the Bank. After such termination or expiration, the Bank shall deliver promptly to the Authority, the Trustee and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

### Section 8.3. **Events of Default Resulting in Immediate Suspension.**

(a) Subject to the provisions of Section 8.3(c) hereinbelow, each of the following events shall constitute a “Suspension Event”:

(i) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in Section 8.2(a)(iii)(D)(1) above seeking an order for the relief described therein or in the appointment of a receiver or similar official; or

(ii) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in Section 8.2(a)(iii)(D)(2) above (and not otherwise described in Section 8.2(a)(iii)(D)(1)); or

(iii) there shall be commenced against the Authority, any case, proceeding or other action referred to in Section 8.2(a)(iii)(E) seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Sales Tax Revenues.

(b) In addition to the remedies set forth in Section 8.1(b)(iii) and Section 8.1(b)(iv) hereof but subject to Section 8.3(c), 8.3(d) or 8.3(e) below (as applicable), in the case of a Suspension Event, the obligation of the Bank to purchase Eligible Bonds under this Agreement shall be immediately suspended without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the Bank shall notify the Authority, the Trustee and the Remarketing Agent of such suspension and the effective date of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and
such failure shall in no way affect the suspension of the Available Commitment or its obligation to purchase Eligible Bonds pursuant to this Agreement.

(c) Upon the occurrence of an Event of Default described in Section 8.3(a)(i), the Bank’s obligation to purchase Eligible Bonds shall be suspended immediately and automatically and remain suspended until the first to occur of (x) a final and unappealable order granting the appointment of a receiver or similar official, (y) said case, proceeding or other action referred to therein is either dismissed, discharged or bonded or (z) the Termination Date occurs. In the event that said case, proceeding or other action shall have been dismissed, discharged or bonded prior to the Termination Date, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall be reinstated and the terms of this Agreement shall continue in full force and effect as if there had been no such suspension (unless the Commitment Period shall otherwise have been terminated, suspended or expired as provided in this Agreement). In the event that said case, proceeding or other action shall not have been dismissed, discharged or bonded prior to the Termination Date or in the event that a final and unappealable order is rendered granting the appointment of a receiver or similar official, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall terminate on such Termination Date without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds.

(d) Upon the occurrence of a Default described in Section 8.3(a)(ii), the Bank’s obligations to purchase Eligible Bonds shall be immediately and automatically suspended and remain suspended until the case, proceeding or other action referred to therein is either dismissed, discharged or bonded within sixty (60) days from the commencement of such case, proceeding or action, or the Termination Date occurs, whichever is first. In the event that said case, proceeding or other action shall have been dismissed, discharged or bonded within the sixty (60) day period described therein and prior to the Termination Date, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall be reinstated and the terms of this Agreement shall continue in full force and effect as if there had been no such suspension (unless the Commitment Period shall otherwise have been terminated, suspended or expired as provided in this Agreement). In the event that said case, proceeding or other action shall not have been dismissed, discharged or bonded within such sixty (60) day period when the Termination Date occurs, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall terminate on the Termination Date without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds.

(e) Upon the occurrence of a Default described in Section 8.3(a)(iii), the Bank’s obligations to purchase Eligible Bonds shall be immediately and automatically suspended and remain suspended until the case, proceeding or other action referred to therein is either vacated, discharged, stayed or bonded pending appeal within sixty (60) days from the commencement of such case, proceeding or action, or the Termination Date occurs, whichever is first. In the event that said case, proceeding or other action shall have been vacated, discharged, stayed or bonded pending appeal within the sixty (60) day period described therein and prior to the Termination Date, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall be reinstated and the terms of this Agreement shall continue in full force and effect as if there had been no such suspension (unless the Commitment Period shall otherwise have been terminated, suspended or expired as provided in this Agreement). In the event that said case,
proceeding or other action shall not have been vacated, discharged, stayed or bonded pending
appeal within such sixty (60) day period when the Termination Date occurs, then the Available
Commitment and the obligation of the Bank to purchase Eligible Bonds shall terminate on such
Termination Date without notice or demand and, thereafter, the Bank shall be under no
obligation to purchase Eligible Bonds.

(f) In the case of each Suspension Event, the Trustee shall subsequently notify all
Bondholders of the suspension and/or termination of both the Available Commitment and the
obligation of the Bank to purchase Eligible Bonds.

ARTICLE IX
OBLIGATIONS ABSOLUTE

Section 9.1. Obligations Absolute.

The obligations of the Authority under this Agreement and the Fee Letter shall be
absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance
with the terms of this Agreement and the Fee Letter, under all circumstances whatsoever,
including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of this Agreement, the Indenture or
any other Related Document or any other agreement or instrument delivered in connection
herewith or therewith;

(b) any amendment or waiver of, or any consent to departure from, the terms
of the Indenture or any other Related Document;

(c) the existence of any claim, set-off, defense or other right which the
Authority may have at any time against the Trustee, the Remarketing Agent, the Bank or any
other Person, whether in connection with this Agreement, the Indenture, any other Related
Document or any unrelated transaction; provided, however, that nothing, herein contained shall
prevent the assertion of such claim by separate suit;

(d) any statement or any other document presented other than by the Bank
under this Agreement, the Indenture or any of the other Related Documents proving to be forged,
fraudulent, invalid or insufficient in any respect or any statement therein being untrue or
inaccurate in any respect whatsoever;

(e) the purchase of a Bank Bond after the delivery of a Notice of Bank
Purchase that does not comply with the terms of this Agreement; or

(f) any other circumstances or happening whatsoever, whether or not similar
to any of the foregoing.
ARTICLE X
MISCELLANEOUS

Section 10.1. Liability of the Bank.

(a) With respect to the Bank, the Authority assumes all risks of the acts or omissions of the Trustee, the Remarketing Agent and any of their agents in respect of their use of this Agreement or any amounts made available by the Bank hereunder. To the extent permitted by applicable law, neither the Bank nor any of its officers or directors shall be liable or responsible for: (i) the use which may be made of this Agreement or any amounts made available by the Bank hereunder or for any acts or omissions of the Trustee or the Remarketing Agent or their agents in connection therewith, (ii) the validity, sufficiency or genuineness of documents (other than this Agreement), or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) any action, inaction or omission which may be taken by the Bank in good faith without gross negligence in connection with the Agreement; (iv) the validity, sufficiency or genuineness of documents (other than this Agreement), or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (v) payment by the Bank against presentation of documents which do not comply with the terms of this Agreement, including failure of any documents to bear any reference or adequate reference to this Agreement; or (vi) any other circumstance whatsoever in making or failing to make payment under this Agreement, except only that the Authority shall have a claim against the Bank and the Bank shall be liable to the Authority to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Authority which the Authority proves were caused by the Bank’s gross negligence or willful failure to make payment under this Agreement in accordance with the terms hereof. In furtherance and not in limitation of the foregoing, the Bank may accept documents that the Bank in good faith determines appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(b) The Authority assumes all risks associated with the acceptance by the Bank of documents received by telecommunication, it being agreed that the use of telecommunication devices is for the benefit of the Authority and that the Bank assumes no liabilities or risks with respect thereto.

Section 10.2. [Reserved].

Section 10.3. Costs and Taxes; Expenses; Indemnification.

(a) The Authority shall pay to the Bank (i) on the Effective Date, all fees as set forth in the Fee Letter, (ii) to the extent permitted by State law, all costs and expenses incurred by the Bank, including reasonable fees and out-of-pocket expenses of counsel for the Bank (including foreign counsel), otherwise arising in connection with this Agreement and the Related Documents, including, without limitation, in connection with any amendment hereof or thereto, the enforcement hereof or thereof or the protection of the rights of the Bank hereunder or thereunder, and (iii) to the extent permitted by State law, any and all stamp, excise or other
similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with the execution, delivery and performance of, or any payment made under, this Agreement and any other documents or instruments that may be delivered in connection herewith.

(b) To the extent permitted by applicable law, the Authority hereby indemnifies and holds harmless the Bank and its respective officers, directors, employees and agents (each, an “Indemnified Party”) from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which any Indemnified Party may incur (or which may be claimed against the Indemnified Party by any person or entity whatsoever) by reason of or in connection with the offering and sale of the Bonds (including, without limitation, by reason of any inaccuracy in any material respect, or any untrue statement or alleged untrue statement of any material fact, contained in the Remarketing Memorandum or any amendment or supplement thereto, or by reason of the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they were made, not misleading), the execution and delivery of this Agreement by the Authority and the Bank or payment or failure to pay under this Agreement by the Bank or any other aspect of the transactions contemplated by this Agreement or any of the other Related Documents; provided, however, that the Authority shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses (i) to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Indemnified Party or its respective officers, directors, employees or agents or (ii) with respect to the Bank Information.

(c) To the extent permitted by applicable law and notwithstanding paragraph (b) above, unless there is an actual or potential conflict with respect to the legal defenses available to the Authority and an Indemnified Party, the Authority may discharge its obligation hereunder by diligently defending the Indemnified Parties. Each Indemnified Party will promptly notify the Authority upon becoming aware of any claims or liabilities giving rise to a right to indemnification hereunder and will cooperate with the Authority in the defense of such claims or liabilities. Notwithstanding the provisions of this subsection (c), the Bank shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of the Bank unless (i) the employment of such counsel shall have been authorized in writing by the Authority (such approval not to be unreasonably withheld) or (ii) the Authority, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events, the reasonable fees and expenses of counsel for the Bank shall be borne by the Authority. The Authority shall not be liable for any settlement of any such action effected without its consent.

(d) Subject to applicable law, nothing in this Section 10.3 is intended to limit any other obligations of the Authority contained in Articles II and III hereof and the obligations of the Authority under this Section 10.3 shall be in addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity.

(e) The provisions of this Section 10.3 shall survive the termination of this Agreement.
**Section 10.4. Notices.**

Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or four (4) days after the same is deposited in the mails, first-class postage prepaid, and (b) in the case of notice by telecopier, when sent, receipt confirmed, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

**Authority:**  
Santa Clara Valley Transportation Authority  
3331 North First Street, Building C-2  
San Jose, California 95134  
Attention: Fiscal Resources Manager, Department of Finance  
Telephone: (408) 321-5768  
Facsimile: (408) 955-9750

**Bank:**  
Barclays Bank PLC  
{TO COME}

*With a copy to:*  
Barclays Bank PLC  
{TO COME}

**Remarketing Agent:**  
At the address specified in the Remarketing Agreement relating to the Bonds

**Trustee:**  
U.S. Bank National Association  
One California Street, Suite 2100  
San Francisco, CA 94111  
Attention: Corporate Trust Services  
Telephone: (415) 273-4540  
Facsimile: (415) 273-4590

**Section 10.5. Successors, Participants and Assigns.**

(a) This Agreement shall be binding upon and inure to the benefit of the Authority and the Bank and their respective successors, endorsees and assigns, except that (i) the Authority may not assign or transfer its rights or obligations hereunder without the prior written consent of the Bank; *provided, however*, that if and to the extent the rights and obligations of the Authority hereunder are assigned or transferred to a successor entity pursuant to State legislation, and such assignee or transferee assumes said rights and obligations in a written notice to the Bank, the consent of the Bank hereunder will not be required; and (ii) the Bank may not assign or transfer its rights or obligations hereunder without obtaining written notice from Standard & Poor’s, if the Bonds are rated by Standard & Poor’s, and Moody’s, if the Bonds are rated by Moody’s, that such assignment will not result in a suspension, lowering or withdrawal of the rating on the Bonds. The Bank may grant a participation to any financial institution in all or any
part of, or any interest (undivided or divided) in, the Bank’s rights and benefits under this Agreement and any Bonds owned by it, and to the extent of that participation such Participant shall, except as set forth in the following clause (b), have the same rights and benefits against the Authority hereunder as it would have had if such Participant were the Bank hereunder; \textit{provided, that} (a) no such participation shall affect the obligations of the Bank to purchase Bonds as herein provided; (b) the Authority shall be required to deal only with the Bank with respect to any matters under this Agreement and no such Participant shall be entitled to enforce directly against the Authority any provision hereunder; and (c) such Participant shall not be any Person registered as an investment company under the Investment Company Act of 1940, as amended, substantially all of the assets of which are invested in obligations exempt from federal income taxation under Section 103 or 103A of the Code or any similar or successor provision. The obligations of the Bank under this Agreement or any part hereof may be assigned by the Bank to any financial institution only with the prior written consent of the Authority.

(b) The Bank may assign and pledge all or any portion of the obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operation Circular issued by such Federal Reserve Bank; \textit{provided, that} any payment in respect of such assigned obligations made by the Authority to the Bank in accordance with the terms of this Agreement shall satisfy the Authority’s obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

\textbf{Section 10.6. Governing Law; Waiver of Trial by Jury.}

(a) THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND FOR ALL PURPOSES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK; PROVIDED, HOWEVER, THAT THE AUTHORIZATION OF THIS AGREEMENT AND THE FEE LETTER AND THE OBLIGATIONS OF THE AUTHORITY HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

(b) SUBJECT TO APPLICABLE LAW, THE PARTIES HERETO HEREBY IRREVOCABLY AGREE TO WAIVE TRIAL BY JURY ARISING OUT OF, OR BASED UPON, OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR THE FEE LETTER.

\textbf{Section 10.7. No Waivers, Amendments, Etc.}

No provision of this Agreement or the Fee Letter shall be waived, amended or supplemented except by a written instrument executed by the parties hereto. This Agreement and the Fee Letter may not be amended or modified without the prior written consent of each party hereto and the Authority agrees to use its best efforts to deliver to the Trustee and each Rating Agency a copy of any amendment to this Agreement.
Section 10.8. Counterparts; Facsimile Signature.

This Agreement may be executed in several counterparts and by facsimile, but all such copies shall constitute one and the same instrument.

Section 10.9. Source of Funds.

The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Authority.

Section 10.10. Term of the Agreement; Survival.

(a) Term. The term of this Agreement shall be until the later of (x) the last day of the Commitment Period and (y) the payment in full of the principal of and interest on all Bank Bonds and all Obligations due hereunder and under the Fee Letter.

(b) Voluntary Termination. The Authority may, at its option and at any time, upon at least sixty (60) days’ prior written notice (or such lesser number of days notice shall be acceptable to the Bank), terminate this Agreement, so long as the Authority has paid the Bank all fees, expenses and other amounts payable hereunder and under the Fee Letter (including any Termination Fee, as such term is defined in the Fee Letter) and all principal and accrued interest owing on any Bank Bonds.

(c) Extension of Term. Upon the written request of the Authority received by the Bank no earlier than one hundred twenty (120) days prior to the Expiration Date then in effect, or such other date to which the Bank may consent in writing, the Bank shall within thirty (30) days after its receipt of such request notify the Authority, the Trustee and the Remarketing Agent whether or not it will extend the scheduled Expiration Date. Any extension shall be at the sole and absolute discretion of the Bank. If the Bank fails to notify the Authority of its decision within such 30-day period, the Bank shall be deemed to have rejected such request. Any such request by the Authority for an extension of the Expiration Date shall be substantially in the form of Exhibit C hereto (or in such other form to which the Bank may consent in writing) and, unless the Bank shall otherwise consent, shall include (i) a statement of the outstanding principal amount of the Bonds, (ii) a reasonably detailed description of any and all Events of Default and all conditions, events and acts which with notice or lapse of time or both would become an Event of Default, and (iii) any other pertinent information requested by the Bank.

(d) Survival of Obligations. The obligations of the Authority under Sections 2.2, 2.8, 2.9, 3.1 and 10.3 hereof and under the Fee Letter, including all Obligations set forth herein and in the Fee Letter, shall survive the termination of the Available Commitment.

Section 10.11. Headings.

Section headings in this Agreement are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of this Agreement.
Section 10.12. Complete and Controlling Agreement.

This Agreement, the Fee Letter, the Indenture and the other Related Documents completely set forth the agreements between the Bank and the Authority and supersede all prior agreements, both written and oral, between the Bank and the Authority relating to the matters set forth herein.

Section 10.13. Beneficiaries.

This Agreement is made solely for the benefit of the Authority, the Trustee and the Bank, their successors and assigns, and no other Person (including, without limitation, any owners of the Bonds) shall have any right, benefit or interest under or because of the existence of this Agreement.


If any provision of this Agreement or the Fee Letter shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever. The parties shall endeavor, in good faith negotiations, to replace the invalid, illegal, or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.15. Patriot Act.

The Bank hereby notifies the Authority that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107 56 (signed into law October 26, 2001)) (as amended from time to time, the “Patriot Act”), the Bank is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow the Bank to identify the Authority in accordance with the Patriot Act, and the Authority hereby agrees to take any action reasonably necessary to enable the Bank to comply with the requirements of the Patriot Act.

Section 10.16. No Advisory or Fiduciary Role. The Authority hereby acknowledges and agrees that the transactions described hereunder are arm’s-length commercial transactions and that the Bank is acting as a principal and in its best interest. The Authority hereby further acknowledges that it is relying on its own experts and advisors to determine whether the transactions described hereunder are in its best interests. The Authority hereby agrees that the Bank will act hereunder as an independent contractor and that nothing in this Agreement, the nature of the Bank’s services or in any prior relationship will be deemed to create an advisory, fiduciary or agency relationship between the Bank, on the one hand, and the Authority, on the other hand. In addition, the Bank may employ the services of its affiliates in providing certain services in connection with the transactions described hereunder and may exchange with such affiliates information concerning the Authority that may be the subject of the transactions described hereunder.
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the Effective Date.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: ______________________________
   Name: ____________________________
   Title: _____________________________

BARCLAYS BANK PLC

By: ______________________________
   Name: ____________________________
   Title: _____________________________
EXHIBIT A

NOTICE OF BANK PURCHASE
(Optional Tender)

The undersigned, a duly authorized officer of U.S. Bank National Association, as Trustee (the “Trustee”), hereby certifies to Barclays Bank PLC (the “Bank”), in accordance with the Standby Bond Purchase Agreement (the “Standby Purchase Agreement”) dated as of May 1, 2011, by and between Santa Clara Valley Transportation Authority and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Purchase Agreement), that:

1. Notice of a tender of Eligible Bonds for purchase having a Purchase Price of $__________, pursuant to Section 19.01 of the Indenture, has been received of which $__________ constitutes principal and $__________ constitutes accrued interest.

2. Amounts available for the payment of the Purchase Price of such Eligible Bonds will be $__________, of which $__________ will be available to pay principal and of which $__________ will be available to pay accrued interest.

3. The total principal amount requested hereby for the payment of the principal portion of the Purchase Price of Eligible Bonds is $__________ which amount does not exceed the Available Principal Commitment or the principal amount referred to in paragraph 1 above minus the principal amount referred to in 2 above.

4. The total amount requested hereby to pay the portion of the Purchase Price for Eligible Bonds constituting accrued interest is $__________, which amount does not exceed the Available Interest Commitment or the amount of interest referred to in paragraph 1 above minus the amount of interest referred to in paragraph 2 above.

5. Eligible Bonds referred to above, having a Purchase Price of $__________ [the amount in paragraph 3 plus the amount in paragraph 4], are hereby tendered to the Bank for purchase pursuant to the Standby Purchase Agreement on the date hereof.

6. Upon completion of purchase, the Trustee will [register such Bonds, or if a Bond for which notice of tender for purchase pursuant to the Indenture has been given is not delivered, a new Bond issued in replacement of the undelivered Bond, in the name of the Bank or, if directed in writing by the Bank, its nominee or designee on the Bond Registrar] [in the case of Book Entry Bonds, cooperate with the Bank and DTC to the extent necessary to ensure that the beneficial ownership of such Bonds shall be credited to the account of the Bank or, if directed in writing by the Bank, its nominee or designee with DTC] [,and will hold such Bonds in trust for the benefit of the Bank].

7. The Purchase Date is __________, 20__.
8. The purchase price for such Eligible Bonds is to be paid to the Trustee as follows:

[insert wire transfer instructions]

9. To the best of the Trustee’s knowledge, no Special Event of Default or Suspension Event has occurred and is continuing on the date hereof.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ___ day of __________, 20___.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: __________________________________________
Name: 
Title: 
EXHIBIT B

NOTICE OF BANK PURCHASE
(Mandatory Tender)

The undersigned, a duly authorized officer of U.S. Bank National Association, as Trustee (the “Trustee”) hereby certifies to Barclays Bank PLC (the “Bank”), in accordance with the Standby Bond Purchase Agreement (the “Standby Purchase Agreement”), dated as of May 1, 2011, by and between the Santa Clara Valley Transportation Authority and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Purchase Agreement), that:

1. Eligible Bonds have been called for Mandatory Tender having a Purchase Price of $__________, pursuant to Section 19.02 of the Indenture, of which $__________ constitutes principal and $__________ constitutes accrued interest.

2. Amounts available for the payment of the Purchase Price of such Eligible Bonds will be $__________ of which $__________ will be available to pay principal and of which $__________ will be available to pay accrued interest.

3. The total principal amount requested hereby for the payment of the principal portion of the Purchase Price of Eligible Bonds is $__________ which amount does not exceed the Available Principal Commitment or the principal amount referred to in paragraph 1 above minus the principal amount referred to in paragraph 2 above.

4. The total amount requested hereby to pay the portion of the Purchase Price for Eligible Bonds constituting accrued interest is $__________, which amount does not exceed the Available Interest Commitment or the amount of interest referred to in paragraph 1 above minus the amount of interest referred to in paragraph 2 above.

5. Eligible Bonds referred to above, having a Purchase Price of $__________ [the amount in paragraph 3 plus the amount in paragraph 4], are hereby tendered to the Bank for purchase pursuant to the Standby Purchase Agreement on the date hereof.

6. Upon completion of purchase, the Trustee will [register such Bonds or, if a Bond subject to Mandatory Tender pursuant to the Indenture is not delivered, a new Bond issued in replacement of the undelivered Bond, in the name of the Bank or, if directed in writing by the Bank, its nominee or designee on the Bond Registrar] [in the case of Book Entry Bonds, cooperate with the Bank and DTC to the extent necessary to ensure that the beneficial ownership of such Bonds shall be credited to the account of the Bank or, if directed in writing by the Bank, its nominee or designee with DTC] [,and will hold such Bonds in trust for the benefit of the Bank].

7. The Purchase Date is __________, 20____.
8. The purchase price for such Bonds is to be paid to the Trustee as follows:

[insert wire transfer instructions]

9. To the best of the Trustee’s knowledge, no Special Event of Default or Suspension Event has occurred and is continuing on the date hereof.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of __________, 20___.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: ________________________________
Name: 
Title: 
EXHIBIT C
FORM OF REQUEST FOR EXTENSION OF EXPIRATION DATE

[Date]

Barclays Bank PLC
Attention: [____________]

Re: Request for Extension of Expiration Date

Ladies/Gentlemen:

Reference is hereby made to that certain Standby Bond Purchase Agreement, dated as of May 1, 2011 (the “Agreement”), by and between Santa Clara Valley Transportation Authority (the “Authority”) and Barclays Bank PLC (the “Bank”). All capitalized terms contained herein which are not specifically defined shall be deemed to have the definitions set forth in the Agreement. The Authority hereby requests, pursuant to Section 10.10(c) of the Agreement, that the Expiration Date for the Commitment Period be extended by [___] days/[___] year[s]. Pursuant to Section 10.10(c) of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Bonds;

2. The nature of any and all Events of Default and all conditions, events and acts which with notice or lapse of time or both would become an Event of Default; and

3. Any other pertinent information previously requested by the Bank.

The Bank is required to notify the Authority, the Trustee and the Remarketing Agent of its decision with respect to this request for extension within thirty (30) days of the date of receipt hereof. If the Bank fails to notify the Authority of its decision within such 30 day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

By: _____________________________________________
Name:
Title:
EXHIBIT D
FORM OF LETTER FROM TRUSTEE

[Date]

Barclays Bank PLC
Attention: [______________]

Re: DTC and Book Entry

Ladies/Gentlemen:

Reference is hereby made to that certain Standby Bond Purchase Agreement, dated as of May 1, 2011 (the “Agreement”), by and between Santa Clara Valley Transportation Authority (the “Authority”) and Barclays Bank PLC (the “Bank”). All capitalized terms contained herein which are not specifically defined shall be deemed to have the definitions set forth in the Agreement.

Pursuant to Article IV, subparagraph (n) of the Agreement, the undersigned, a duly authorized officer of U.S. Bank National Association, as Trustee (the “Trustee”) hereby agrees as follows:

1. The Trustee agrees to act as the agent of the Bank as owner of any Bank Bonds and agreeing to dispose of, and accept instructions with respect to, Bank Bonds only as directed by the Bank.

2. The Trustee agrees that so long as the Bonds are issued in book-entry form and held by the Trustee as custodian of DTC as part of DTC’s fast automated transfer program (“FAST Eligible Bond”), concurrently with the Trustee’s receipt of the purchase price for each purchase of Bonds by the Bank hereunder, the Trustee, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall (A) credit the DTC account designated by the Bank as its account in which to hold Bank Bonds purchased by it (each, the “Bank Book-Entry Account”) by the principal amount of the Bonds purchased hereunder by the Bank.

3. The CUSIP number for Bonds that are Bank Bonds is ________________.

4. So long as the Bonds are FAST Eligible Bonds, upon a remarketing of Bank Bonds in accordance with the terms of the Agreement and the Trustee’s receipt from the Remarketing Agent and/or the Authority of the amounts set forth in Section 2.3(a) of the Agreement, the Trustee, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall (A) debit the Bank Book-Entry Account of the Bank by the
The Trustee also hereby acknowledges that it is familiar with, and in compliance with, the procedures and requirements set forth in a notice (the “DTC-VRDO Notice”) from DTC, dated April 4, 2008, respecting “Variable Rate Demand Obligations (“VRDO”) Failed Remarketings and Issuance of Bank Bonds”, and agrees that, with respect to any and all Bank Bonds, it will follow the procedures and requirements set forth in the DTC-VRDO Notice, as the same may be amended from time to time.

6. The Trustee agrees that, following any amendment of the DTC-VRDO Notice, should the procedures and requirements therein become inconsistent with any aspect of the provisions of the Indenture, the Trustee shall promptly negotiate in good faith and consent to amendments as necessary to eliminate such inconsistency.

Very truly yours,

U.S. BANK NATIONAL ASSOCIATION, solely in its capacity as Trustee and not in its individual capacity

By: ________________________________
Name: _____________________________
Title: ________________________________
BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
   Board of Directors

THROUGH: General Manager, Michael T. Burns

FROM: Chief External Affairs Officer, Greta Helm

SUBJECT: Monthly Legislative History Matrix

FOR INFORMATION ONLY

BACKGROUND:

For your information, I am attaching our Monthly Legislative History Matrix, which describes the key transportation-related bills that are being considered by the California State Legislature during the 2011-2012 session. It indicates the status of these measures and any adopted VTA positions with regard to them.

DISCUSSION:

The state’s fiscal challenges continue to dominate Sacramento politics as Gov. Jerry Brown pushes to reach a budget deal with the Legislature by early March. To address an 18-month deficit in excess of $26 billion, the Governor has proposed $12.5 billion in spending reductions, mostly in higher education, and health and human services; $12 billion in revenue measures; and $2 billion in fund shifts and loans. The major revenue component of his budget calls for holding a special election in June to ask the voters to extend temporary increases in personal income and sales taxes, and in the vehicle license fee for another five years. In addition, the Governor is pushing for a major realignment of the relationship between the state and local governments, an end to state tax benefits for enterprise zones, and the elimination of local redevelopment agencies.

Gov Brown’s budget faces significant political hurdles. Within the Legislature, Democrats are feeling the heat from advocates for the poor, elderly and disabled, who oppose the billions in permanent spending cuts to health and human services programs that the Governor has recommended, while GOP lawmakers are being pressed by anti-tax groups to oppose putting the tax extensions on the ballot. If Gov. Brown is able to garner enough votes to place the tax extensions before the voters in a June special election, he will then face a tough fight to win their approval.
With regard to transportation, Gov. Brown has proposed a series of changes to address the impacts of Propositions 22 and 26 on last year’s transportation funding swap, and to ensure that the goals of the swap, both for the General Fund and for transportation, can be realized. Specifically, the Governor’s budget calls for:

1. Re-enacting the transportation funding swap’s increases in both the gas tax and the diesel sales tax by a two-thirds vote. If this is not done, Proposition 26 would eliminate billions in revenues, negatively impacting state highways, local streets/roads and public transit.

2. Transferring vehicle weight fee revenues from the State Highway Account to the General Fund in order to achieve the General Fund savings that were anticipated for FY 2011 and FY 2012. This shift is being proposed because Proposition 22 prohibits the use of gas tax revenues for general obligation bond debt service. Instead, all of the revenues from the 17.3-cent increase in the gas tax resulting from the transportation funding swap would be used for transportation programs to backfill for the shifting of vehicle weight fee money to the General Fund.

3. Making the necessary statutory revisions to ensure that the distribution of revenues from the 17.3-cent gas tax increase will achieve the same fiscal results that were anticipated for state highways and local streets/roads when the transportation funding swap was enacted last March.

4. Addressing the impact on public transit funding resulting from provisions in Proposition 22 that require diesel sales tax revenues to be split 50 percent to the State Transit Assistance Program (STA) and 50 percent to other miscellaneous state-funded transit programs such as intercity rail, thereby negating the 75/25 split favoring STA embodied in the transportation funding swap. The Governor is proposing budget trailer bill language that calls for making several structural changes to ensure that STA reaches a minimum funding level of $350 million per year as contemplated by the transportation funding swap.

These elements must be enacted together as a package. Otherwise, all of the goals of the transportation funding swap, both for the General Fund and for the transportation community, will not be realized.

In its review of Gov. Brown’s budget, the Legislative Analyst’s Office (LAO) generally supported the comprehensive “fix” for Propositions 22 and 26. However, the LAO recommended that the Legislature consider two alternative options to achieve additional General Fund relief at the expense of public transit. The first is to use the roughly $125 million in annual revenues that would be generated by the transportation funding swap’s 1.75 percent increase in the diesel sales tax rate for General Fund relief, rather than for STA as proposed by the Governor. The LAO believes these revenues would not be governed by the provisions of Proposition 22 and, therefore, could be diverted to the General Fund. The second option is to circumvent the Proposition 22 protections for public transit by eliminating the sales tax on diesel fuel altogether and replacing it with a corresponding increase in the vehicle weight fee, which
would require a two-thirds vote of the Legislature. Under this option, STA would be eliminated, intercity rail would be backfilled with weight fee revenues, and the rest of the money from the weight fee increase would go to the General Fund. In making these recommendations, the LAO contends that: (a) public transit is a local responsibility and, therefore, the state should not play a role in funding it; and (b) since STA is a relatively small percentage of a public transit agency’s operating budget, it could be eliminated “without an extensive disruption of transit services.” So far, these ideas have not gotten any traction in the Legislature.

Meanwhile, February 18 was the deadline for senators and Assembly members to introduced new bills. Not surprising, quite a few bills that were vetoed by former Republican Gov. Arnold Schwarzenegger last year have been reintroduced by Democratic lawmakers, who are hopeful of a more favorable response from Gov. Brown, assuming the measures make it through the legislative process again. Meanwhile, high-speed rail continues to be a dominant topic. So far, bills have been introduced to:

- Require the California High-Speed Rail Authority to make every effort to purchase high-speed train rolling stock and related equipment manufactured in the state.
- Subject the High-Speed Rail Authority Board members to the state’s conflict of interest laws.
- Encourage the development of master plans for areas surrounding proposed high-speed rail station sites.
- Specify how any federal funds made available to California for high-speed rail purposes are to be used.
- Reduce the amount of general obligation bond debt authorized by Proposition 1A.
- Create a new Department of High-Speed Trains within the Business, Transportation and Housing Agency to take over the responsibility for planning, constructing and operating the state’s proposed high-speed rail system.

Finally, AB 57 (Beall) has been amended to become the legislative vehicle for addressing issues related to the governance structure of the Metropolitan Transportation Commission (MTC).

Prepared By: Kurt Evans, Government Affairs Manager
Memo No. 2796
## State Assembly Bills

<table>
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<tr>
<th>State Assembly Bills</th>
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<tr>
<td><strong>AB 3</strong> (Miller)</td>
<td>Motor Vehicles: Confidential Home Addresses</td>
<td>Requires a person who requests the confidentiality of his or her home address to provide the Department of Motor Vehicles (DMV) with a current employment address for purposes of processing the service and collection of a traffic, parking or toll road violation. Prohibits the DMV from renewing the registration of a vehicle registered to a person who has failed to pay a traffic citation or a parking ticket, and has received a delinquent notice if the processing agency has filed or electronically transmitted the notice to the DMV.</td>
<td>As Introduced</td>
<td>Assembly Transportation Committee</td>
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<tr>
<td><strong>AB 14</strong> (Wieckowski) Fremont Redevelopment Agency</td>
<td>Authorizes the Fremont Redevelopment Agency to adopt a redevelopment plan for a project area encompassing or surrounding the New United Motor Manufacturing, Inc., (NUMMI) automobile plant and the Warm Springs Bay Area Rapid Transit (BART) Station. Sets forth alternative conditions that cause blight for purposes of adopting this redevelopment plan. Authorizes the Fremont Redevelopment Agency to use tax increment revenues derived from the project area to assist in funding school facilities that will serve the future residents of the project area. Upon the request of the agency, allows the city of Fremont to impose a higher maximum school facilities development impact fee with respect to residential developments in the project area than what is provided for under existing law.</td>
<td>As Introduced</td>
<td>Assembly Housing and Community Development Committee</td>
<td></td>
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<tr>
<td><strong>AB 16</strong> (Perea) High-Speed Rail: Rolling Stock and Equipment Purchases</td>
<td>Requires the California High-Speed Rail Authority to make every effort to purchase high-speed train rolling stock and related equipment manufactured in the state, consistent with federal and state laws.</td>
<td>As Introduced</td>
<td>Assembly Transportation Committee</td>
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<tr>
<td>AB 31 (Beall) High-Speed Rail: Local Master Plans</td>
<td>Establishes the High-Speed Rail Local Master Plan Pilot Program. Authorizes the cities and counties in the Central Valley that have an approved station for California’s high-speed rail system to participate in the pilot program. Authorizes the planning agency of each participating jurisdiction to prepare and adopt a master plan for development of the areas surrounding its high-speed rail station. Allows the high-speed rail master plan to include incentives for encouraging investment and coherent growth in the areas surrounding the high-speed rail system. Authorizes each participating jurisdiction to collaborate with the California Air Resources Board (CARB) to develop incentives to encourage development while concurrently reducing greenhouse gas emissions. Requires a participating jurisdiction to prepare an environmental impact report (EIR) for its high-speed rail master plan in accordance with the California Environmental Quality Act (CEQA), and exempts any proposed development project within the area of and consistent with the plan from CEQA. Allows a participating jurisdiction that prepares and adopts a high-speed rail master plan to finance any publicly owned facility or amenity necessary to implement the plan through an infrastructure financing district. Eliminates the requirement for voter approval for the formation of an infrastructure financing district, adoption of an infrastructure financing district plan, and the issuance of bonds for implementing an infrastructure financing district plan, if the district is being proposed to implement a high-speed rail master plan. Requires a transit village development plan utilizing an infrastructure financing district to do all of the following: (1) use at least 20 percent of all revenues derived from the infrastructure financing district to increase, improve and preserve the supply of low- and moderate-income affordable housing in the district for a period of at least 55 years for rental housing and 45 years for owner-occupied housing; (2) replace dwelling units at an affordable housing cost when specified dwelling units are destroyed or removed; and (3) include either an increased stock of affordable housing or live-travel options for transit-needy groups as one of its five demonstrable public benefits. In preparing its sustainable communities strategy pursuant to SB 375, allows a metropolitan planning organization (MPO) to consider the high-speed rail system, any high-speed rail station established within the region, and any associated effects of either that bears relation to the sustainable communities strategy.</td>
<td>2/14/11</td>
<td>Assembly Local Government Committee</td>
<td></td>
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<tr>
<td>AB 41 (Hill) High-Speed Rail Authority: Conflicts of Interest</td>
<td>Adds members of the Board of Directors of the California High-Speed Rail Authority to those specified offices who must publicly identify a financial interest giving rise to a conflict of interest or potential conflict of interest, and recuse themselves accordingly.</td>
<td>As Introduced</td>
<td>Assembly Elections and Redistricting Committee</td>
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<td>AB 57 (Beall) Metropolitan Transportation Commission: Governance</td>
<td>Adds two seats to the Metropolitan Transportation Commission (MTC) as follows: (1) one appointed by the major of San Jose from the San Jose City Council; and (2) one appointed by the major of Oakland from the Oakland City Council. Prohibits more than three members of MTC from being residents of the same county.</td>
<td>2/2/11</td>
<td>Assembly Transportation Committee</td>
<td>Support</td>
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<td>State Assembly Bills</td>
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<td>AB 58 (Galgiani) High-Speed Rail: ARRA Funding</td>
<td>To the extent possible, requires the California High-Speed Rail Authority to use the proceeds from Proposition 1A bonds to match federal funds made available to the state for high-speed rail from the American Recovery and Reinvestment Act of 2009. Allows the Governor to appoint up to five individuals to serve as deputy directors of the authority, who would: (a) be exempt from civil service; and (b) serve at the pleasure of the authority’s executive director.</td>
<td>As Introduced</td>
<td>Assembly Transportation Committee</td>
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<td>AB 76 (Harkey) High-Speed Rail: Proposition 1A Bonds</td>
<td>Reduces the amount of general obligation bond debt authorized pursuant to Proposition 1A to the amount contracted as of January 1, 2012.</td>
<td>As Introduced</td>
<td>Assembly Transportation Committee</td>
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<td>AB 133 (Galgiani) High-Speed Rail: Federal Funds</td>
<td>Upon appropriation by the Legislature, requires any federal funds made available to California for high-speed rail purposes to be used for preliminary engineering, project-level environmental work, mitigation, final design, and construction for any of the following corridors: (1) San Francisco to San Jose; (2) Merced to Fresno; (3) Fresno to Bakersfield; and (4) Los Angeles to Anaheim.</td>
<td>As Introduced</td>
<td>Assembly Transportation Committee</td>
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<td><strong>AB 145</strong>&lt;br&gt;(Galgiani)&lt;br&gt;California High-Speed Rail Authority and Department of High-Speed Trains</td>
<td>Creates the Department of High-Speed Trains within the Business, Transportation and Housing Agency. Requires the California High-Speed Rail Authority to establish policies directing the development and implementation of high-speed train service that is fully integrated with the state’s existing intercity rail and bus network, consisting of interlinked conventional and high-speed train lines and associated feeder buses. Further specifies that the intercity network in turn shall be fully coordinated and connected with commuter train lines and urban transit systems developed by local agencies, through the use of common station facilities wherever possible. Requires the Department of High-Speed Trains to implement those policies. Requires the authority to do all of the following: (1) select the routes of the high-speed train system; (2) serve as the governing board of the Department of High-Speed Trains; (3) adopt criteria for the awarding of franchises; and (4) set fares or establish guidelines for the setting of fares. By October 1 of each year, requires the authority to adopt and submit to the Governor and the Legislature a high-speed train program that would cover a period of six fiscal years. Requires the program to include a listing of all capital improvement projects that are expected to require an appropriation in the annual Budget Act, including federal, state, local, and private funds, during the following six fiscal years. Requires the director of the Department of High-Speed Trains to be appointed by the Governor. Specifies that the authorization and responsibility for planning, constructing and operating a high-speed passenger train service in California is exclusively granted to the department. Requires the department to do all of the following: (1) conduct engineering and other studies related to the selection and acquisition of rights-of-way, and the selection of a franchisee; (2) evaluate alternative high-speed train technologies, systems and operators, and select an appropriate high-speed train system; (3) award franchises consistent with criteria adopted by the authority; (4) select a proposed franchisee, a proposed route and proposed terminal sites; (5) prepare a detailed financing plan, including any necessary taxes, fees or bonds to pay for the construction of the high-speed train network; (6) enter into contracts for the design, construction and operation of high-speed trains; (7) acquire rights-of-way through purchase or eminent domain; (8) subject to the approval of the authority, issue debt secured by pledges of state funds, federal grants or project revenues; (9) enter into cooperative or joint development agreements with local governments or private entities; (10) relocate highways and utilities; (11) plan, construct and operate the high-speed train system, or enter into contracts for the planning, construction or operation of the system; (12) acquire, sell and lease passenger rolling stock, power units and associated equipment; and (13) acquire, lease, design, construct, and improve track lines and related facilities. Subject to the approval of the authority, allows the department to contract with Caltrans to perform project design and engineering services, including construction inspection services.</td>
<td>As Introduced</td>
<td>Assembly Transportation Committee</td>
<td></td>
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<tr>
<td><strong>AB 147</strong>&lt;br&gt;(Dickinson)&lt;br&gt;Building Permit Fees</td>
<td>Allows a local agency to require the payment of a fee as a condition of approving a final map or issuing a building permit for purposes of defraying the actual or estimated cost of constructing pedestrian, bicycle, public transit, or traffic-calming facilities.</td>
<td>As Introduced</td>
<td>Assembly Local Government Committee</td>
<td></td>
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<tr>
<td>AB 356</td>
<td>Public Works Projects: Local Hiring Policies</td>
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<tr>
<td>AB 381</td>
<td>Makes non-substantive, technical changes to provisions in current law regarding the administration of Caltrans.</td>
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<tr>
<td>AB 427</td>
<td>Proposition 1B Bonds: Public Transit Safety</td>
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<tr>
<td>AB 512</td>
<td>Local Government Renewable Energy Self-Generation Program</td>
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<tr>
<td>AB 650</td>
<td>Establishes the Blue Ribbon Task Force on Public Transportation for the 21st Century. Requires the task force to be comprised of 12 specified members to be appointed jointly by the Senate Rules Committee and the speaker of the Assembly by March 31, 2012. Requires the task force to prepare a written report to be submitted to the Governor and the Legislature by March 31, 2013. Requires the report to contain findings and recommendations relating to the following: (1) the current state of California’s public transit system; (2) best practices based on a review of public transit systems worldwide; (3) the level and types of public transit needed to meet the goals of equity of accessibility and ease of use; strong and sustainable local and statewide economies; and environmental and public health, including reduced greenhouse gas and pollutant emissions; (4) the estimated cost of creating the needed public transit system in the near, mid and long terms; (5) potential sources of funding to sustain the system’s needs, as well as requirements and methods for attaining that funding; and (6) suggested scenarios for phasing in transit development. Requires the Institute of Transportation Studies of the University of California to provide staffing to the task force. Appropriates $750,000 from the Public Transportation Account to accomplish the purposes of the task force.</td>
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<tr>
<td>AB 676</td>
<td>Specifies that State Transportation Improvement Program (STIP) funds can be used for the study of, and the development and implementation of, capital improvement projects.</td>
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<tr>
<td>State Assembly Bills</td>
<td>Subject</td>
<td>Last Amended</td>
<td>Status</td>
<td>VTA Position</td>
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<tr>
<td><strong>AB 845</strong>&lt;br&gt;(Ma)&lt;br&gt;Proposition 1A: Commuter and Urban Rail Funds</td>
<td>With regard to the $950 million in Proposition 1A funds that are available for capital improvements to commuter rail lines and urban rail transit systems, requires the guidelines adopted by the California Transportation Commission (CTC) to determine the funding share for each eligible commuter rail and urban rail transit recipient by using the distribution factors gathered from the most current available data in the National Transit Database of the Federal Transit Administration (FTA). Requires the CTC to accept from each eligible recipient a priority list of projects up to the target amount expected to be available for the recipient. Requires the matching funds provided by the recipient to be from “non-state” funds, which are defined as local, federal and private funds, as well as state funds available to the recipient that are not subject to allocation by the CTC.</td>
<td>As Introduced</td>
<td>Assembly Desk</td>
<td></td>
</tr>
<tr>
<td><strong>AB 890</strong>&lt;br&gt;(Olsen)&lt;br&gt;CEQA Exemption: Roadway Improvements</td>
<td>Exempts from the California Environmental Quality Act (CEQA) roadway improvement projects undertaken by a city or county within an existing road right-of-way.</td>
<td>As Introduced</td>
<td>Assembly Desk</td>
<td></td>
</tr>
<tr>
<td><strong>AB 995</strong>&lt;br&gt;(Cedillo)&lt;br&gt;CEQA: Transit-Oriented Development</td>
<td>By July 1, 2012, requires the Office of Planning and Research to prepare and submit to the Legislature a report containing recommendations for expedited environmental review for transit-oriented development under the California Environmental Quality Act (CEQA).</td>
<td>As Introduced</td>
<td>Assembly Desk</td>
<td></td>
</tr>
<tr>
<td><strong>AB 1105</strong>&lt;br&gt;(Gordon)&lt;br&gt;VTA: Express Lanes</td>
<td>Authorizes the Santa Clara Valley Transportation Authority (VTA) to develop and implement express lanes in an adjacent county, subject to the concurrence of that county’s congestion management agency or the agency responsible for preparing its countywide transportation plan, whichever is applicable.</td>
<td>As Introduced</td>
<td>Assembly Desk</td>
<td>Sponsor</td>
</tr>
<tr>
<td><strong>AB 1134</strong>&lt;br&gt;(Bonilla)&lt;br&gt;Proposition 1B Bonds: Transit Security</td>
<td>Specifies that for an allocation of Proposition 1B funds under the Transit System Safety, Security and Disaster Response Account made prior to June 30, 2011, project sponsors would be required to expend those funds within four, rather than three, fiscal years of the fiscal year in which the allocation was made.</td>
<td>As Introduced</td>
<td>Assembly Desk</td>
<td></td>
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<tr>
<td><strong>AB 1164</strong>&lt;br&gt;(Gordon)&lt;br&gt;High-Speed Rail Authority: Senate Confirmation of Board Members</td>
<td>Requires the Governor’s appointments to the California High-Speed Rail Authority to be confirmed by the Senate.</td>
<td>As Introduced</td>
<td>Assembly Desk</td>
<td></td>
</tr>
<tr>
<td><strong>AB 1308</strong>&lt;br&gt;(Miller)&lt;br&gt;Highway Users Tax Account</td>
<td>Provides that in any year in which the Budget Act has not been enacted by July 1, funds in the Highway Users Tax Account (HUTA) are continuously appropriated and may be encumbered until the Budget Act is enacted.</td>
<td>As Introduced</td>
<td>Assembly Desk</td>
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<tr>
<td>State Assembly Bills</td>
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<td>Status</td>
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<tr>
<td>ACA 4 (Blumenfield)</td>
<td>Calls for placing before the voters an amendment to the California Constitution to allow a local agency to incur indebtedness in the form of general obligation bonds, if approved by its electorate by a 55 percent majority, to fund the construction, reconstruction, rehabilitation, or replacement of: (1) public improvements, including improvements to transportation infrastructure, streets, highways, sewer systems, water systems, wastewater systems, and park and recreation facilities; and (2) facilities or buildings used primarily to provide sheriff, police or fire protection services to the public. Creates an exception to the 1 percent limit for property tax assessments if the revenues are being used to pay bonded indebtedness, approved by a 55 percent vote, to fund the construction, reconstruction, rehabilitation, or replacement of: (1) public improvements, including improvements to transportation infrastructure, streets, highways, sewer systems, water systems, wastewater systems, and park and recreation facilities; and (2) facilities or buildings used primarily to provide sheriff, police or fire protection services to the public.</td>
<td>As Introduced</td>
<td>Assembly Desk</td>
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<tr>
<td>AJR 5 (Lowenthal)</td>
<td>Requests the President and Congress to consider and enact legislation to conduct a study regarding the feasibility of the collection process for a transportation revenue source based on vehicle miles traveled in order to facilitate the creation of a reliable and steady transportation funding mechanism for the maintenance and improvement of surface transportation infrastructure.</td>
<td>As Introduced</td>
<td>Assembly Transportation Committee</td>
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</tbody>
</table>
## State Senate Bills

<table>
<thead>
<tr>
<th>State Senate Bills</th>
<th>Subject</th>
<th>Last Amended</th>
<th>Status</th>
<th>VTA Position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SB 14</strong>&lt;br&gt;(Wolk)&lt;br&gt;Performance-Based Budgeting</td>
<td>Beginning in FY 2015, requires the budget submitted by the Governor to the Legislature to be developed pursuant to performance-based budgeting for each state agency and department. When preparing their individual budgets, requires state agencies and departments to use performance-based budgeting methods that make it clear to policymakers and the public the value and results of existing operations and proposed changes. Requires agency and departmental budgets to identify and update all of the following: (1) the mission and goals of the agency or department; (2) the activities and programs focused on achieving those goals; (3) performance metrics that reflect desired outcomes for existing and proposed activities, and a targeted performance level for the following year; (4) prior-year performance data and an explanation of deviation from previous-year targets; and (5) proposed changes in statute, including the creation of incentives or the elimination of disincentives that could improve outcomes or hold down costs. Requires the Legislature to establish a process for reviewing the performance of all state programs at least once every 10 years.</td>
<td>As Introduced</td>
<td>Senate Governance and Finance Committee</td>
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<tr>
<td><strong>SB 15</strong>&lt;br&gt;(DeSaulnier)&lt;br&gt;State Budget Process</td>
<td>Requires the budget submitted by the Governor to contain itemized statements; provisional language; performance measurement standards for state agencies and programs; recommended state expenditures; and a projection of anticipated state revenues, including revenues anticipated to be available on a one-time basis. Requires the budget to contain an estimate of the total resources available for state expenditures recommended for the budget year and the succeeding fiscal year. If expenditures exceed revenues, requires the Governor to recommend reductions in expenditures or the sources from which additional revenues should be provided, and to include an estimate of the long-term impact that these recommendations would have on the state’s economy. Requires the Governor to submit a five-year capital infrastructure and strategic growth plan together with the budget. If the Governor’s budget proposes: (a) to create a new state program or agency, or to expand the scope of an existing state program or agency, resulting in a net increase in state costs; or (b) to reduce a state tax resulting in a net decrease in state revenues, requires the proposal to be accompanied by a statement identifying state program reductions or sources of additional state revenues in an amount that is equal to or greater than the net increase in state costs or net decrease in state revenues. Declares the intent of the Legislature to establish an oversight process for evaluating and improving the performance of all state programs, whether managed by the state or local agencies.</td>
<td>As Introduced</td>
<td>Senate Governance and Finance Committee</td>
<td></td>
</tr>
<tr>
<td><strong>SB 22</strong>&lt;br&gt;(La Malfa)&lt;br&gt;High-Speed Rail: Proposition 1A Bonds</td>
<td>Declares the intent of the Legislature to re-examine the bond funding mechanisms relative to the California High-Speed Rail Authority and the state’s proposed high-speed rail project.</td>
<td>As Introduced</td>
<td>Senate Rules Committee</td>
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</table>
| **SB 28**  
(Simitian)  
Electronic Wireless Communications Devices | Requires the driver’s license examination administered by the Department of Motor Vehicles (DMV) to include a test of an applicant’s understanding of the distractions and dangers of handheld cell phone use and text-messaging while operating a motor vehicle. Prohibits a person from riding a bicycle while using a wireless telephone unless that telephone is specifically designed and configured to allow hands-free listening and talking, and is used in that manner. Also prohibits a person from riding a bicycle while using an electronic wireless communications device to write, send or read a text-based message. Increases the penalties for violating the current prohibitions in state law against using wireless telephones and text-messaging while operating a motor vehicle. Requires a portion of the fines collected for these violations to be allocated to the Office of Traffic Safety for an education program on the dangers of cell phone use and text-messaging while driving. | As Introduced | Senate Transportation and Housing Committee |  |
| **SB 29**  
(Simitian)  
Automated Traffic Enforcement Systems | Requires the installation of signs at all locations where an automated, camera-based traffic enforcement system is operating. Prior to installing such a system after January 1, 2012, requires the governmental agency to make and adopt a finding of fact establishing that the system is needed at a specified location for reasons related to safety. Prohibits a governmental agency from considering revenue generation, beyond cost recovery, when determining whether to install or operate an automated traffic enforcement system. | As Introduced | Senate Transportation and Housing Committee |  |
| **SB 31**  
(Correa)  
Local Government: Lobbyist Registration | Declares the intent of the Legislature to enact a bill that will require each local government to enact a lobbyist registration program as a condition of the local government being eligible to apply for any discretionary grant from any state agency or department. | As Introduced | Senate Rules Committee |  |
| **SB 46**  
(Correa)  
Local Governments: Compensation Disclosure | Requires elected or appointed officials of a county, city, school district, special district, or joint power agency who is required by state law to file a statement of economic interests to also annually file a disclosure form that provides compensation information for the preceding year. Requires the following information to be disclosed: (1) annual salary or stipend; (2) local agency payments to the filer’s deferred compensation or defined benefit plans; (3) automobile and equipment allowances; (4) supplemental incentive and bonus payments; and (5) local agency payments to the filer that are in excess of the standard benefits that the local agency offers for all other employees. | As Introduced | Senate Governance and Finance Committee |  |
| **SB 50**  
(Correa)  
High-Speed Rail Authority: Conflicts of Interest | Adds members of the Board of Directors of the California High-Speed Rail Authority to those specified offices who must publicly identify a financial interest giving rise to a conflict of interest or potential conflict of interest, and recuse themselves accordingly. | As Introduced | Senate Elections and Constitutional Amendments Committee |  |
| **SB 125**  
(Emmerson)  
Chronic Toll Evaders | Authorizes a local agency to implement a program under which it may attach a wheel boot to, and in some cases impound, a vehicle registered to a chronic evader of toll payments. | As Introduced | Senate Transportation and Housing Committee |  |
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<tbody>
<tr>
<td>SB 126 (Steinberg)</td>
<td>Exempts the adoption of guidelines by the California Transportation Commission (CTC) from the rulemaking provisions of the Administrative Procedure Act. Except in the case of the State Transportation Improvement Program (STIP), specifies a process that the CTC must use when adopting guidelines. Requires the CTC to maintain a guideline adoption file containing: (a) a summary of each objection or recommendation made with regard to a proposed guideline; and (b) an explanation of how the proposed guideline was changed to accommodate each objection or recommendation, or the reasons for making no change. Requires the CTC to include in its annual report to the Legislature a summary of its activities related to the adoption of program or policy guidelines during the previous calendar year.</td>
<td>As Introduced</td>
<td>Senate Transportation and Housing Committee</td>
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</tr>
<tr>
<td>SB 214 (Wolk)</td>
<td>Eliminates the requirement for voter approval for the formation of an infrastructure financing district, adoption of an infrastructure financing district plan, and the issuance of bonds for implementing an infrastructure financing district plan.</td>
<td>As Introduced</td>
<td>Senate Governance and Finance Committee</td>
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<tr>
<td>SB 223 (Leno)</td>
<td>Authorizes counties and San Francisco to impose a voter-approved local vehicle assessment at a rate not to exceed 2 percent of the market value of each motor vehicle or trailer coach registered within their respective jurisdictions for general revenue purposes if: (a) the board of supervisors approves an ordinance to that effect by a two-thirds vote; and (b) the assessment is approved by a majority vote of the electorate. Specifies that the bill is not to be construed to supplant any funds that the state apportions to counties and San Francisco, including those apportioned under the Vehicle License Fee Law.</td>
<td>As Introduced</td>
<td>Senate Transportation and Housing Committee</td>
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<tr>
<td>SB 241 (Cannella)</td>
<td>Establishes the California Environmental Quality Act (CEQA) Litigation Protection Pilot Program. Requires the Business, Transportation &amp; Housing Agency to select 25 projects for each calendar year between 2012 and 2016 to participate in the program. For a project to qualify for the program, requires the lead agency to certify that the environmental impact report (EIR) for the project will be certified within 12 months. In selecting projects for the program, requires the Business, Transportation &amp; Housing Agency to consider the following: (1) the number and quality of jobs that would be created by the project; (2) the amount of the capital investment made by the project; and (3) a balance between projects sponsored by public and private entities. Provides that a lead agency’s decision to certify an EIR or to adopt a mitigated negative declaration based on an initial study for a project selected to participate in the pilot program is not subject to judicial review.</td>
<td>As Introduced</td>
<td>Senate Environmental Quality Committee</td>
<td></td>
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<tr>
<td>SB 310 (Hancock)</td>
<td>Declares the intent of the Legislature to enact a bill that would require cities and counties to adopt permitting procedures for transit village green pathways developments in order to facilitate the implementation of sustainable communities strategies pursuant to SB 375.</td>
<td>As Introduced</td>
<td>Senate Rules Committee</td>
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<tr>
<td>SB 316 (Emmerson)</td>
<td>Specifies that the provisions in the Industrial Welfare Commission’s wage order pertaining to meal periods do not apply to an employee in the transportation industry.</td>
<td>As Introduced</td>
<td>Senate Labor and Industrial Relations Committee</td>
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<tr>
<td>State Senate Bills</td>
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<tr>
<td><strong>SB 517</strong></td>
<td>California High-Speed Rail Authority: Organizational Structure</td>
<td>As Introduced</td>
<td>Senate Transportation and Housing Committee</td>
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<tr>
<td>(Lowenthal)</td>
<td>Places the California High-Speed Rail Authority within the Business, Transportation and Housing Agency. Requires the secretary of the Business, Transportation and Housing Agency to propose an annual budget for the authority. Requires the Governor’s appointments to the authority to be confirmed by the Senate. Vacates the current membership of the authority, and provides for the appointment or reappointment of members as of January 31, 2012, for staggered terms. Requires members of the authority to have specified experience in order to be appointed. Requires the executive director of the authority to be confirmed by the Senate. Prohibits the employment agreement for the executive director from being executed without Senate confirmation. Enacts various conflict-of-interest provisions applicable to members of the authority and its staff.</td>
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<td><strong>SB 545</strong></td>
<td>California’s Transportation Needs</td>
<td>As Introduced</td>
<td>Senate Rules Committee</td>
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<tr>
<td>(Anderson)</td>
<td>Declares the intent of the Legislature to enact a bill enabling the state to examine efficiency in administering solutions to California’s transportation needs.</td>
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<tr>
<td><strong>SB 582</strong></td>
<td>Commute Benefit Policies</td>
<td>As Introduced</td>
<td>Senate Transportation and Housing Committee</td>
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<tr>
<td>(Emmerson)</td>
<td>Authorizes a metropolitan planning organization (MPO), in partnership with the local air quality management district, to adopt a regional commute benefit ordinance that requires employers operating within the common jurisdiction of the MPO and district with 20 or more employees to offer those employees one of the following commute benefits: (1) the option to pay for their transit, vanpooling or bicycling expenses with pre-tax dollars; (2) a transit or vanpool subsidy; or (3) a free shuttle or vanpool operated by or for the employer.</td>
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<tr>
<td><strong>SB 733</strong></td>
<td>High-Speed Rail: Small Business Participation</td>
<td>As Introduced</td>
<td>Senate Transportation and Housing Committee</td>
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<tr>
<td>(Price)</td>
<td>Requires the California High-Speed Rail Authority to include in its business plan a strategy for ensuring the participation of small business enterprises in contracts awarded by the authority with state or federal funds during all phases of the project.</td>
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<td><strong>SB 749</strong></td>
<td>High-Speed Rail Authority: Senate Confirmation of Board Members</td>
<td>As Introduced</td>
<td>Senate Transportation and Housing Committee</td>
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<tr>
<td>(Steinberg)</td>
<td>Requires the Governor’s appointments to the California High-Speed Rail Authority to be confirmed by the Senate.</td>
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<td><strong>SB 767</strong></td>
<td>Vehicles: Radio Frequency Identification Technology</td>
<td>As Introduced</td>
<td>Senate Rules Committee</td>
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<tr>
<td>(Harman)</td>
<td>Authorizes a local governmental entity to participate in a local traffic safety program that uses radio frequency identification technology in order to aid law enforcement efforts; promote environmental initiatives, including congestion mitigation; and enhance revenue collections of unpaid fines and penalties.</td>
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| **SB 843**  
(Wolk)  
Local Government Renewable Energy Self-Generation Program | Makes a number of changes to the state’s Local Government Renewable Energy Self-Generation Program. Allows the local governmental entity to designate the benefiting account, rather than having this designation be mutually agreed upon by the local governmental entity and an electrical corporation. Deletes the requirement that the benefiting account receive service under a time-of-use rate schedule and, instead, requires that the bill credit be calculated based on the bundled electricity rate charged the benefiting account, with differing calculations depending on whether the benefiting account receives service pursuant to a time-of-use rate schedule, a single bundled rate, or fixed rates with different rates charged for different tiers of usage. Increases the cap on the generating capacity of an eligible renewable generating facility from one megawatt to 20 megawatts. Eliminates the requirement that the eligible renewable generating facility be owned by or operated by the local governmental entity, or be located on property under the control of the local governmental entity. | As Introduced | Senate Rules Committee | |
| **SB 851**  
(Anderson)  
Highway Construction | Declares the intent of the Legislature to enact a bill that would address the need for highway construction. | As Introduced | Senate Rules Committee | |
| **SB 867**  
(Padilla)  
Build California Bonds | Allows the California Transportation Financing Authority to issue Build California Bonds, the proceeds of which would be used for transportation capital improvement projects. Provides that bondholders would be entitled to non-refundable tax credits against their personal income tax or corporate tax liability. Provides for the authority to enter into financing agreements with participating local transportation authorities for the purpose of financing or refinancing transportation projects. Limits the principal amount of bonds to be issued by the authority to $5 billion over a five-year period commencing January 1, 2012. | As Introduced | Senate Rules Committee | |
<table>
<thead>
<tr>
<th>DAY</th>
<th>JANUARY</th>
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<tbody>
<tr>
<td>1</td>
<td>Statutes signed into law in 2010 take effect.</td>
</tr>
<tr>
<td>3</td>
<td>Legislature reconvenes.</td>
</tr>
<tr>
<td>10</td>
<td>Budget must be submitted by the Governor to the Legislature on or before this date.</td>
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<tr>
<td>21</td>
<td>Last day to submit bill requests to the Legislative Counsel’s Office.</td>
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<thead>
<tr>
<th>DAY</th>
<th>FEBRUARY</th>
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<tbody>
<tr>
<td>18</td>
<td>Last day for new bills to be introduced.</td>
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<thead>
<tr>
<th>DAY</th>
<th>MARCH</th>
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<tbody>
<tr>
<td></td>
<td>No Deadlines.</td>
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<tr>
<th>DAY</th>
<th>APRIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Spring Recess begins upon adjournment.</td>
</tr>
<tr>
<td>25</td>
<td>Legislature reconvenes from Spring Recess.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DAY</th>
<th>MAY</th>
</tr>
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<tbody>
<tr>
<td>6</td>
<td>Last day for policy committees to hear and report fiscal bills introduced in their house of origin.</td>
</tr>
<tr>
<td>13</td>
<td>Last day for policy committees to hear and report to the floor non-fiscal bills introduced in their house of origin.</td>
</tr>
<tr>
<td>27</td>
<td>Last day for fiscal committees to hear and report to the floor bills introduced in their house of origin.</td>
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<thead>
<tr>
<th>DAY</th>
<th>JUNE</th>
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<tbody>
<tr>
<td>3</td>
<td>Last day for bills to be passed out of their house of origin.</td>
</tr>
<tr>
<td>15</td>
<td>Budget must be passed by midnight.</td>
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<thead>
<tr>
<th>DAY</th>
<th>JULY</th>
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<tbody>
<tr>
<td>8</td>
<td>Last day for policy committees to hear and report bills introduced in the other house.</td>
</tr>
<tr>
<td>15</td>
<td>Summer Recess begins upon adjournment, provided that the budget bill has been enacted.</td>
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<thead>
<tr>
<th>DAY</th>
<th>AUGUST</th>
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</thead>
<tbody>
<tr>
<td>15</td>
<td>Legislature reconvenes from Summer Recess.</td>
</tr>
<tr>
<td>26</td>
<td>Last day for fiscal committees to hear and report to the floor bills introduced in the other house.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DAY</th>
<th>SEPTEMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Last day to amend bills on the Assembly and Senate floors.</td>
</tr>
<tr>
<td>9</td>
<td>Last day for each house to pass bills. Interim Recess begins at the end of this day’s session.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DAY</th>
<th>OCTOBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Last day for the Governor to sign or veto bills passed by the Legislature before September 9, and in his possession after September 9.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DAY</th>
<th>JANUARY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Statutes signed into law in 2011 take effect.</td>
</tr>
<tr>
<td>4</td>
<td>The 2011-2012 regular legislative session reconvenes.</td>
</tr>
</tbody>
</table>
NOTICE OF CANCELLATION

NOTICE IS HEREBY GIVEN that the Santa Clara Valley Transportation Authority Administration and Finance Committee Meeting scheduled for Thursday, March 17, 2011, at 12:00 p.m. has been cancelled.

The next meeting of the Santa Clara Valley Transportation Authority Administration and Finance Committee is scheduled for Thursday, April 21, 2011, at 12:00 p.m. at VTA River Oaks Campus, 3331 North First Street, Conference Room B-104, San Jose, California.

Michelle M. Garza, Board Assistant
VTA Office of the Board Secretary
CALL TO ORDER

The Regular Meeting of the Congestion Management Program & Planning Committee (CMPP) was called to order at 12:05 p.m. by Chairperson Page in VTA Conference Room B-104, 3331 North First Street, San Jose, California.

1. ROLL CALL

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Title</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rose Herrera</td>
<td>Member</td>
<td>Absent</td>
</tr>
<tr>
<td>Chris Moylan</td>
<td>Vice Chairperson</td>
<td>Present</td>
</tr>
<tr>
<td>Chuck Page</td>
<td>Chairperson</td>
<td>Present</td>
</tr>
<tr>
<td>Ken Yeager</td>
<td>Member</td>
<td>Present</td>
</tr>
<tr>
<td>Marshall Anstandig</td>
<td>Alternate Member</td>
<td>N/A</td>
</tr>
<tr>
<td>Nancy Pyle</td>
<td>Alternate Member</td>
<td>Absent</td>
</tr>
<tr>
<td>Jamie Matthews</td>
<td>Alternate Member</td>
<td>N/A</td>
</tr>
</tbody>
</table>

A quorum was not present and a Committee of the Whole was declared.

2. PUBLIC PRESENTATIONS

There were no Public Presentations.

3. ORDERS OF THE DAY

Chairperson Page noted that due to lack of a quorum, Agenda Item 10, HCP Update on Draft Plan and Draft EIS/EIR, will be presented first.

   The Agenda was taken out of order.

REGULAR AGENDA

10. HCP Update on Draft Plan and Draft EIS/EIR

Ann Calnan, Senior Environmental Planner, provided an overview of the staff report.

Member Yeager took his seat at 12:09 p.m. and a quorum was declared.
On order of Chairperson Page and there being no objection, the Committee received the HCP update on Draft Plan and Draft EIS/EIR.

11. **HCP Cost Allocation and Budget Approval**

Ms. Calnan provided an overview of the staff report and reported on the timeline and budget for Fiscal Year 2011/2012 overall cost allocation for the Santa Clara Valley Habitat Conservation Plan and Natural Community Conservation Plan.

M/S/C (Yeager/Moylan) to approve submitting a recommendation to the Board of Directors to approve the $110,000 budget for Fiscal Year 2011/2012 for the Santa Clara Valley Habitat Conservation Plan/Natural Community Conservation Plan and the overall cost allocation for the Plan in the amount of $1,020,092.

**CONSENT AGENDA**

4. **Minutes of November 19, 2010**

M/S/C (Moylan/Yeager) to approve the Minutes of November 19, 2010.

5. **2011 CMPP Committee Meeting Schedule**

M/S/C (Moylan/Yeager) to approve the 2011 Congestion Management Program Planning (CMPP) Committee Meeting Schedule.

**REGULAR AGENDA (Continued)**

6. **Elect Standing Committee Vice Chairperson**

M/S/C (Yeager/Page) to elect Member Moylan as Committee Vice Chairperson for Calendar year 2011.

7. **2011 TFCA Program Manager Fund**

Amin Surani, Principal Transportation Planner, provided an overview of the staff report.

Chairperson Page inquired about the colorized bike lane project on Stevens Creek and commented if it can be distinguished by color blind individuals.

M/S/C (Yeager/Moylan) to approve submitting a recommendation to the Board of Directors to approve the programming of FY 2011/12 Transportation Fund for Clean Air Program Manager (TFCA 40%) funds to projects.

**NOTE:** M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.
8. **Sale of N. First St. and St. James St. Property**

John Ristow, Chief CMA Officer, provided an overview of the staff report.

*M/S/C (Yeager/Moylan)* to approve submitting a recommendation to the Board of Directors to approve the sale of a 10,616 square feet surface parking lot located at the southwest corner of North First Street and St. James Street in San Jose to the State Administrative Office of the Courts (AOC) at a purchase price of $1,800,000; and authorize the General Manager to execute a Purchase and Sale Agreement (PSA) and other documents necessary to consummate the transaction.


Margaret Simmons-Cross, Highways Deputy Program Manager, provided an overview of the staff report.

*M/S/C (Moylan/Yeager)* to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute a contract amendment with Parsons Brinkerhoff, Consulting Engineers, Inc. in the amount of $300,000 to perform additional design services on the SR-237/I-880 Express Connectors Project for a new total contract value not to exceed $2,537,258.

12. **FY 2012 CMP Work Program**

Mr. Ristow reported on the highlights of the FY 2012 CMP Work Program. He noted the following recommendations by the Technical Advisory Committee: 1) member agency fees; 2) increase level of service; and, 3) implement a two-year program budget.

Vice Chairperson Moylan requested for a report indicating which components of the CMP Work Program are required and discretionary. Mr. Ristow responded that a report will be provided at a future meeting and will also include updated statutes.

*On order of Chairperson Page* and there being no objection, the Committee reviewed the Fiscal Year 2012 Congestion Management Work Program.

13. **Valley Transportation Plan, Regional Transportation Plan and Sustainable Communities Strategies Updates**

Chris Augenstein, Deputy Director, distributed a handout entitled, “Valley Transportation Plan (VTP) 2040 Stakeholder and Public Outreach.” He provided a report about: 1) development of the VTP 2040 project lists; 2) public outreach activities; 3) RTP and SCS schedule; and, 4) Initial Vision Scenario (IVS) target goals.

Mr. Ristow noted that a joint meeting between the PAC and the Cities Association will be conducted on April 2011 in Sunnyvale. The topic for the meeting will be the Initial Vision Scenario, presented by Association of Bay Area Governments (ABAG) and Metropolitan Transportation Commission (MTC).
Member Yeager suggested at the joint meeting, information about SB 375 be presented first to provide background information on the Initial Vision Scenario.

Vice Chairperson Moylan commented that charging for parking will have an enormous effect on land use and will help reach the target goal. Mr. Ristow responded that TAC working groups work with cities on parking ordinance issues. He added staff is currently conducting research with San Jose State University on parking requirements.

**On order of Chairperson Page** and there being no objection, the Committee received the Valley Transportation Plan, Regional Transportation Plan and Sustainable Communities Strategies Updates.

**OTHER**

14. **Items of Concern and Referral to Administration**

There were no Items of Concern and Referral to Administration.

15. **Committee Work Plan**

**On order of Chairperson Page** and there being no objection, the Committee reviewed the Work Plan.

16. **Committee Staff Report**

Mr. Ristow provided a handout highlighting the following: 1) local events; 2) MTC, State and Federal updates; and, 3) VTA Congestion Management Agency (CMA) updates.

Member Yeager suggested inviting Board Member Liccardo and Ex-Officio Board Member Cortese to the CMA directors meeting on March 25, 2011 at the VTA River Oaks campus.

17. **Chairperson’s Report**

There was no report from the Chairperson.

18. **Determine Consent Agenda for the April 7, 2011 Board of Directors Meeting**

**CONSENT:**

**Agenda Item #7.**, Approve the programming of FY 2011/12 Transportation Fund for Clean Air Program Manager (TFCA 40%) funds to projects.

**Agenda Item #8.**, Approve the sale of a 10,616 square feet surface parking lot located at the southwest corner of North First Street and St. James Street in San Jose to the State Administrative Office of the Courts (AOC) at a purchase price of $1,800,000; and authorize the General Manager to execute a Purchase and Sale Agreement (PSA) and other documents necessary to consummate the transaction.
Agenda Item #9., Authorize the General Manager to execute a contract amendment with Parsons Brinkerhoff, Consulting Engineers, Inc. in the amount of $300,000 to perform additional design services on the SR-237/I-880 Express Connectors Project for a new total contract value not to exceed $2,537,258.

Agenda Item #11., Approve the $110,000 budget for Fiscal Year 2011/2012 for the Santa Clara Valley Habitat Conservation Plan/Natural Community Conservation Plan and the overall cost allocation for the Plan in the amount of $1,020,092.

REGULAR:

None

19. ANNOUNCEMENTS

Michael T. Burns, General Manager, provided a brief update on Caltrain funding. He noted that there are some progress from SamTrans and a deal maybe done by April 2011. There will be minor cuts to the service, but nothing close to what was proposed.

Chairperson Page noted an email he received from Jim Stallman, Interested Citizen, regarding traffic congestion along State Route 85 and Interstate 280.

20. ADJOURNMENT

On order of Chairperson Page and there being no objection, the meeting was adjourned at 1:38 pm.

Respectfully submitted,

Michael Diareasco, Board Assistant
Office of the Board Secretary
CALL TO ORDER

The Regular Meeting of the Transit Planning and Operations (TP&O) Committee was called to order at 4:23 p.m. by Chairperson Larsen in Conference Room B-104, Valley Transportation Authority (VTA), 3331 North First Street, San Jose, California.

1. ROLL CALL

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Title</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>Margaret Abe-Koga</td>
<td>Member</td>
<td>Absent</td>
</tr>
<tr>
<td>Xavier Campos</td>
<td>Vice Chairperson</td>
<td>Present</td>
</tr>
<tr>
<td>Rich Larsen</td>
<td>Chairperson</td>
<td>Present</td>
</tr>
<tr>
<td>Sam Liccardo</td>
<td>Member</td>
<td>Present</td>
</tr>
<tr>
<td>Jamie Matthews</td>
<td>Alternate Member</td>
<td>Absent</td>
</tr>
<tr>
<td>Nancy Pyle</td>
<td>Alternate Member</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Alternates do not serve unless participating as a Member.

A quorum was present.

2. PUBLIC PRESENTATIONS

Raymond Rodriguez, Interested Citizen, expressed concern with the intersection of Almaden and Willow Glen Way which houses a high population of seniors but the closest bus stop is located approximately a mile away.

Richard Zappelli, representing the Willow Glen Neighborhood Association, expressed concern with the lack of transit service in the Almaden/Willow Glen area noting the obstacles seniors and disabled persons have accessing public transportation.

Diann Welbourne, Interested Citizen, expressed concern with and provided suggestions for the transportation route in the Almaden/Willow Glen area.

Michael T. Burns, General Manager, indicated staff is aware of the issue and will meet with representatives from the community to further learn about this request and evaluate their recommendations. Staff will provide an update on or before the next TPO Meeting.
3. ORDERS OF THE DAY

Dan Smith, Chief Operations Officer and Staff Liaison, noted changes were made to the Call to Order and the numbering of the February TPO Meeting minutes.

On order of Chairperson Larsen and there being no objection, the Committee received the Orders of the Day.

CONSENT AGENDA

4. Minutes of February 17, 2011 TPO meeting

M/S/C (Liccardo/Campos) to approve the Minutes of February 17, 2011.

REGULAR AGENDA

5. Report from the Committee for Transit Accessibility (CTA) Activities

There was no report from the Committee for Transit Accessibility.

6. California Transit Security Grant Program-California Transit Assistance Fund

John Ristow, Chief CMA Officer, provided a report and background information on the grant received for transit security projects.

A discussion ensued regarding surveillance on vehicles, light rail platforms, and at transit malls.

M/S/C (Liccardo/Campos) to approve submitting a recommendation to the Board of Directors to adopt a resolution authorizing the General Manager to submit and execute grant applications and agreements, certifications, assurances, and other documents as necessary to the California Emergency Management Agency (Cal EMA) to receive $3,329,471 from the FY10-11 California Transit Security Grant Program-California Transit Assistance Fund (CTSGP-CTAF).

7. Capitol Expressway Pedestrian Improvements

Mark Robinson, Chief Engineering and Construction Officer, provided a brief report on improvements planned for design services on Capitol Expressway.

M/S/C (Campos/Liccardo) to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute an amendment to the Cooperative Agreement with the City of San Jose, in the amount of $150,000, to perform design services during construction of the Capitol Expressway Pedestrian Improvements for a total contract amount of $459,225, and extend the agreement through June 30, 2012. This amendment is 100% funded by the 2010 State Transportation Improvement Program.

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.
8. **Light Rail Left Hand Turn and Track Intrusion Project Phase IIA**

Mr. Robinson provided information on Light Rail Left Hand Turn and Track Intrusion Project and the safety improvements at crossings along the light rail corridor.

M/S/C (Liccardo/Campos) to approve submitting a recommendation to the Board of Directors to authorize the General Manager to execute a contract with Pacific Electric Contracting, Inc. in an amount of $381,930 for the construction of the Light Rail Left Hand Turn and Track Intrusion Project Phase IIA. This contract is 80% funded by Federal Grant funds (Section 5309-Fixed Guideway Modernization Formula Grant), with VTA Enterprise funds providing a 20% match.

9. **April 2011 Transit Service Changes**

Jim Unites, Deputy Director, Operations, provided information on the April 2011 Transit Service changes noting minor changes to schedules due to current traffic conditions.

Chairperson Larsen questioned if VTA can accommodate changes requested by the Willow Glen community.

Mr. Unites indicated the area is difficult to provide service to, but staff will continue to look at it and provide a report to the Board.

**On order of Chairperson Larsen** and there being no objections, the Committee received a report on the April 2011 Transit Service Changes.

**OTHER ITEMS**

10. **February 2011 Monthly Ridership Report**

Joonie Tolosa, Manager, Operations Analysis and Reporting, provided report on the February 2011 Monthly Ridership Report noting there was an increase system wide notably in Light Rail Express ridership.

**On order of Chairperson Larsen** and there being no objection, the February 2011 Monthly Ridership Report was received.

11. **Items of Concern and Referral to Administration**

Member Liccardo requested staff provide information on transit service in the Willow Glen area and keep the Board informed on decisions.

Chairperson Larsen questioned the status of route tracking software program for VTA transit vehicles.

Mr. Burns noted there have been problems with the contractor and indicated staff will provide a response and agendize for the next meeting.
12. **Committee Work Plan**

Mr. Smith reviewed the work plan calling attention to BART items, Agua Caliente/Agua Fria construction award, and the Southline elevator and escalator project which are scheduled for the April Agenda.

**On order of Chairperson Larsen** and there being no objection, the Committee Work Plan was reviewed.

13. **Committee Staff Report**

**On order of Chairperson Larsen** and there being no objection, the Committee Staff Report was received.

14. **Chairperson’s Report**

Chairperson Larsen informed the Committee the Ad-hoc Recovery Enhancement Committee (REC) will be reviewing marketing programs and technology and providing a report to the Board in June.

**On order of Chairperson Larsen** and there being no objection, the Chairperson’s Report was received.

15. **Determine Consent Agenda for the March 3, 2011 Board of Directors Meeting.**

**Consent Agenda:**

**Agenda Item #6.,** Adopt a resolution authorizing the General Manager to submit and execute grant applications and agreements, certifications, assurances, and other documents as necessary to the California Emergency Management Agency (Cal EMA) to receive $3,329,471 from the FY10-11 California Transit Security Grant Program-California Transit Assistance Fund (CTSGP-CTAF).

**Agenda Item #7.,** Authorize the General Manager to execute an amendment to the Cooperative Agreement with the City of San Jose, in the amount of $150,000, to perform design services during construction of the Capitol Expressway Pedestrian Improvements for a total contract amount of $459,225, and extend the agreement through June 30, 2012. This amendment is 100% funded by the 2010 State Transportation Improvement Program.

**Agenda Item #8.,** Authorize the General Manager to execute a contract with Pacific Electric Contracting, Inc. in an amount of $381,930 for the construction of the Light Rail Left Hand Turn and Track Intrusion Project Phase IIA. This contract is 80% funded by Federal Grant funds (Section 5309-Fixed Guideway Modernization Formula Grant), with VTA Enterprise funds providing a 20% match.

**Agenda Item #9.,** April 2011 Transit Service Changes

**Regular Agenda: None**
16. **ANNOUNCEMENTS**

Mr. Burns, announced discussions of the future of Caltrain have been positive. He indicated SamTrans and San Francisco Muni are looking at ways they can help close the gap.

17. **ADJOURNED**

On order of Chairperson Larsen and there being no objection, the meeting was adjourned at 5:06 pm.

Respectfully submitted,

Menominee McCarter, Board Assistant
Office of the Board Secretary
CALL TO ORDER

The Regular Meeting of the Citizens Advisory Committee (CAC) was called to order at 4:30 p.m. by Chairperson Powers, Conference Room B-104, VTA River Oaks Campus, 3331 North First Street, San Jose, California.

1. ROLL CALL

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Title</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>Jeremy Barousse</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Stephen Blaylock</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Clinton Brownley</td>
<td>CAC Member</td>
<td>Absent</td>
</tr>
<tr>
<td>Bena Chang</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Chris Elias</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>William Hadaya</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Ray Hashimoto</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Roberta Hughan</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Robert Jacobvitz</td>
<td>CAC Vice Chairperson</td>
<td>Present</td>
</tr>
<tr>
<td>Bruce Liedstrand</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Aaron Morrow</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Charlotte Powers</td>
<td>CAC Chairperson</td>
<td>Present</td>
</tr>
<tr>
<td>Sally Probst</td>
<td>CAC Member</td>
<td>Absent</td>
</tr>
<tr>
<td>Connie Rogers</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Martin Schulter</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Noel Tebo</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
<tr>
<td>Herman Wadler</td>
<td>CAC Member</td>
<td>Present</td>
</tr>
</tbody>
</table>

A quorum was present.

2. ORDERS OF THE DAY

There were no Orders of the Day.

3. PUBLIC PRESENTATIONS

There were no Public Presentations.
4. **Committee Staff Report**

Member Hashimoto took his seat at 4:35 p.m.

Greta Helm, Chief of External Affairs and Staff Liaison, provided a report, highlighting:
1) May 9, 2011, at 4:00 p.m. VTA Advisory Committee Joint Workshop meeting;
2) March 4, 2011, Blossom Hill Pedestrian Overcrossing Groundbreaking; and
3) Status of the Advisory Committees’ recruitment efforts to attract more riders.

- **ECO Pass Update**

Member Elias took his seat at 4:40 p.m.

Ms. Helm and Ali Hudda, Deputy Director of Accounting, provided an overview of the Eco Pass Program history, objectives, pricing, and challenges. Staff is working on a farebox system that will integrate the use of Smart Card.

Members of the Committee made the following comments: 1) expressed support for the program; 2) offered suggestions on how to restructure the program and make it more effective and increase ridership; 3) staff should consider providing additional pricing tiers; 4) more discount incentives should be offered; 5) noted the importance of tracking employer/employee usage and ridership; 6) explore using Clipper technology to solve current Eco Pass issues; and 7) inquired how Eco Pass affects VTA ridership.

**On order of Chairperson Powers** and there being no objection, the Committee Staff Report was received.

5. **Chairperson’s Report**

Chairperson Powers provided a report, highlighting: 1) Blossom Hill Pedestrian Overcrossing Groundbreaking; 2) May 9, 2011, Advisory Committee Joint Workshop meeting on VTA’s Budget; 3) Report on February 24, 2011, Advisory Committee Chairpersons & Vice Chairpersons meeting with VTA Board Chairperson Margaret Abe-Koga and General Manager Michael T. Burns; 4) March 3, 2011, VTA Board of Directors approval of resolutions describing strategies to address Caltrain’s projected funding shortfall for its Fiscal Year 2012 Operating Budget; and 5) Committee Members taking a future trip around the Bay using the Clipper Card™.

**BUSINESS REFERRED TO COMMITTEE BY THE BOARD OF DIRECTORS/GENERAL MANAGER**

*The Agenda was taken out of order.*

**CITIZENS ADVISORY COMMITTEE REGULAR AGENDA**

7. **Monthly Legislative History Matrix**

Scott Haywood, Policy & Community Relations Manager, provided a report, highlighting: 1) Introduction of President Obama’s federal transportation plan; and 2) Status of transportation funding swap.
On order of Chairperson Powers and there being no objection, the Committee reviewed the updated Monthly Legislative History Matrix.

COMBINED CAC AND 2000 MEASURE A CITIZENS WATCHDOG COMMITTEE CONSENT AGENDAS

6. Regular Meeting Minutes of February 9, 2011

M/S/C (Morrow/Tebo) to approve the revised Regular Meeting Minutes of February 9, 2011.

7. (Removed from the Consent Agenda and placed on the Citizens Advisory Committee Regular Agenda.)

Review the Monthly Legislative History Matrix.


2000 MEASURE A CITIZENS WATCHDOG COMMITTEE REGULAR AGENDA

9. Citizens Watchdog Committee Public Hearing Requirement

Stephen Flynn, Senior Management Analyst, provided an overview of the staff report. He reported that the April 2011 meeting will include discussions about public hearing meeting date and location as well as how to publicize the hearing.

Members of the Committee recommended that the Committee and staff develop a more aggressive approach for public outreach and offered suggestions on outreach efforts.

4. Committee Staff Report (Continued)

Ms. Helm noted the March 16, 2011, at 4:00 p.m. VTA public meeting on the Valley Transportation Plan (VTP) to be held at VTA’s River Oaks Facility in the Auditorium. VTP 2040 Call-for-Projects was released and the deadline for submittal is April 1, 2011.

Ms. Helm stated staff will forward the Website link to the Committee Members to provide the Committee with the schedule of the VTP outreach process.

2000 MEASURE A CITIZENS WATCHDOG COMMITTEE REGULAR AGENDA (Continued)

9. Citizens Watchdog Committee Public Hearing Requirement

Members of the Committee requested information on the public hearing process, so that announcements could be made at the Almaden Cycle Tour Club (ACTC).

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.
Members of the Committee provided additional suggestions on outreach efforts to inform the public about the CWC Public Hearing, such as making announcements at business groups and providing information to constituency groups.

**On order of Chairperson Powers** and there being no objection, the Committee received a Briefing on the Background and Requirements for Conducting the Citizens Watchdog Committee’s Annual Public Hearing.

**COMBINED CAC AND CITIZENS WATCHDOG COMMITTEE ITEMS**

10. **Citizens Advisory Committee and Citizens Watchdog Committee Work Plans**

**On order of Chairperson Powers** and there being no objection, the Committee reviewed the Citizens Advisory Committee and Citizens Watchdog Committee Work Plans.

**OTHER**

11. **Announcements**

Member Chang announced the Silicon Valley Leadership Group is conducting a series of regional Town Halls in April 2011 to receive input/feedback from citizens regarding Caltrain. She welcomed the participation of the CAC/CWC Members, expressing an interest in providing the Town Hall dates to the Members.

**COMBINED CAC AND CITIZENS WATCHDOG COMMITTEE ITEMS (Continued)**

10. **Citizens Advisory Committee and Citizens Watchdog Committee Work Plans**

Members of the Committee referenced the two-year Capital budget that affects the Measure A Program and expressed concern regarding having adequate time to address any issues pertaining to Measure A.

Members of the Committee recommended that staff look at the possibility of holding an additional CAC/CWC meeting in May 2011 to address any budget issues prior to the June 2011 Board of Directors meeting.

Members of the Committee queried if VTA had a specific time and goal for ridership information in terms of percent of commuters riding transit. Ms. Helm noted the information would be provided to the Committee Members.

**On order of Chairperson Powers** and there being no objection, the Committee reviewed the Citizens Advisory Committee and Citizens Watchdog Committee Work Plans.
OTHER (Continued)

12. ADJOURNMENT

On order of Chairperson Powers and there being no objection, the meeting was adjourned at 6:00 p.m.

Respectfully submitted,

Tracene Y. Crenshaw, Board Assistant
VTA Office of the Board Secretary
CALL TO ORDER

The Regular Meeting of the Santa Clara Valley Transportation Authority (VTA) Bicycle and Pedestrian Advisory Committee (BPAC) was called to order at 6:02 p.m. by Chairperson Meyer in the VTA Auditorium, 3331 North First Street, San Jose, California.

1. ROLL CALL

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Title</th>
<th>Status</th>
</tr>
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<tbody>
<tr>
<td>Lisa Aragon</td>
<td>City of Morgan Hill</td>
<td>Absent</td>
</tr>
<tr>
<td>Jim Bell</td>
<td>City of San Jose</td>
<td>Absent</td>
</tr>
<tr>
<td>Ray Cosyn</td>
<td>City of Saratoga</td>
<td>Present</td>
</tr>
<tr>
<td>Aaron Faupell</td>
<td>City of Milpitas</td>
<td>Present</td>
</tr>
<tr>
<td>Carl Hagenmaier</td>
<td>City of Los Altos</td>
<td>Present</td>
</tr>
<tr>
<td>Melanie Hanssen</td>
<td>Town of Los Gatos</td>
<td>Present</td>
</tr>
<tr>
<td>Breeene Kerr</td>
<td>Town of Los Altos Hills</td>
<td>Absent</td>
</tr>
<tr>
<td>Steven Levin</td>
<td>County of Santa Clara</td>
<td>Present</td>
</tr>
<tr>
<td>Jerri-Ann Meyer, Chairperson</td>
<td>City of Mountain View</td>
<td>Present</td>
</tr>
<tr>
<td>Thomas Muniz</td>
<td>City of Gilroy</td>
<td>Present</td>
</tr>
<tr>
<td>Richard Ruh</td>
<td>City of Monte Sereno</td>
<td>Present</td>
</tr>
<tr>
<td>David Simons</td>
<td>City of Sunnyvale</td>
<td>Present</td>
</tr>
<tr>
<td>John Sullivan</td>
<td>City of Santa Clara</td>
<td>Present</td>
</tr>
<tr>
<td>Richard Swent</td>
<td>City of Palo Alto</td>
<td>Present</td>
</tr>
<tr>
<td>Herman Wadler</td>
<td>City of Campbell</td>
<td>Present</td>
</tr>
<tr>
<td>James Wiant</td>
<td>City of Cupertino</td>
<td>Present</td>
</tr>
<tr>
<td>Corinne Winter</td>
<td>Alt Ex-Officio, SVBC</td>
<td>NA</td>
</tr>
<tr>
<td>Paul Goldstein, Vice Chairperson</td>
<td>Ex-Officio, SVBC</td>
<td>Present</td>
</tr>
</tbody>
</table>

A quorum was not present and a Committee of the Whole was declared.

2. ORDERS OF THE DAY

There were no Orders of the Day.

3. PUBLIC PRESENTATIONS

There were no Public Presentations.

Member Wadler took his seat at 6:05 p.m. and a quorum was declared.
4. **Committee Staff Report**

Michelle DeRobertis, Senior Transportation Planner, provided a brief report highlighting the following: 1) Bike Share Program; 2) VTA Bikeways map; and 3) US 101/Capitol Expressway Highway Interchange.

Ying Smith, Transportation Planning Manager, provided a brief report on the VTP 2040 Update and Bicycle Expenditure Program.

Jim Stallman, Interested Citizen, informed the Committee of VTA’s public meeting to review the SR237/ I-880 Express Lanes Project.

   Member Hanssen took her seat at 6:12 p.m.
   Member Hagenmaier took his seat at 6:12 p.m.
   Member Sullivan took his seat at 6:12 p.m.

5. **Chairperson’s Report**

Chairperson Meyer provided a brief report on the Advisory Chairpersons meeting with Board Chairperson Abe-Koga. She noted the Committee for Transit Accessibility (CTA) and BPAC Chairpersons would be meeting to discuss pedestrian projects.

6. **Reports from BPAC Subcommittees**

**Special Events Ordinance Subcommittee**

Dan Collen, County Roads and Airports Department, announced the Phase I roll out of the online Special Events application process scheduled for March 17, 2011. The second phase, which will allow applicants to pay fees online, is still in development. He indicated a press release is being prepared to notify agencies and cities.

Chairperson Meyer requested the press release be forwarded to Committee.

**Bylaws Subcommittee**

Member Simons reported the subcommittee has been working with Stephen Flynn, Senior Management Analyst, and will be meeting with the BPAC Chairperson within next few weeks to review the proposed Bylaws changes and agendize for the April meeting.

Ms. Smith indicated staff will work with Mr. Flynn to bring the item to the Committee.

**On order of Chairperson Meyer** and there being no objection, the Committee received the BPAC Subcommittee Reports.

**CONSENT AGENDA**

7. **Minutes of February 9, 2011**

Member Goldstein requested a correction to his comments under the Local Jurisdiction Review noting the overcrossing at 101 and Adobe Creek is in Palo Alto.
Member Levin requested a correction to his comments under the Committee Staff report noting there was an extra word in the sentence.

M/S/C (Wadler/Simons) to approve the Regular Meeting Minutes of February 9, 2011, as amended.

REGULAR AGENDA

8. FY 2011/12 Transportation Fund for Clean Air Program Manager (TFCA 40%)

Member Simons expressed concern with the item being brought to the Committee as information and not Action. He suggested staff discuss changes with the Committee Chairpersons before making the determination.

Marcella Rensi, Transportation Planning Manager, provided a brief report and background information on the Transportation Fund for Clean Air Program Manager (TFCA).

Members of the Committee objected to the item being presented as information. They expressed concern with the missing Attachment B and requested the item be brought back to the Committee at the April meeting to allow the Committee to take action and provide comment before it goes to the Board for approval. The Committee noted they would like the Board to be informed they were not given the full information or the opportunity to provide feedback on what projects should be funded.

Ms. Rensi indicated the project is due to the Air district on April 30th. She provided clarification on the intent of TFCA program noting it funds bicycle improvements but the criteria is not designed to focus solely on bicycle projects.

Chairperson Meyer requested staff double check the timing of the submission and tentatively look at bringing it back to the Committee.

Ex-officio Member Goldstein indicated references to policies in the memo are helpful and suggested having the policies accessible by placing them on the VTA website.

On order of Chairperson Meyer and there being no objection, the Committee reviewed the programming of FY 2011/12 Transportation Fund for Clean Air Program Manager (TFCA 40%) funds to projects.

10. Project List for TDA Article 3 Funding

Mr. Collen informed the Committee the anticipated revenues are not sufficient enough to complete any projects, therefore none were designated. He indicated the funds will be banked for use when there is enough money to complete significant projects.

M/S/C (Swent/Levin) to approve submitting a recommendation to the County Board of Supervisors to approve banking the funds for the project list for TDA Article 3 funding.

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.
11. **County Expressway Sidewalk Program**

Mr. Collen provided a brief report on the County Expressway Sidewalk Program. He indicated an application was received from the City of Mountain View, and the County is recommending their project be funded.

**M/S/C (Wadler/Swent)** to approve submitting a recommendation to the County Board of Supervisors to approve the top candidate project for funding through the FY2011/12 County Expressway Sidewalk Program as presented in Attachment A.

**OTHER**

12. **Citizens Advisory Committee (CAC) and 2000 Measure A Citizens Watchdog Committee (CWC) Report**

Member Wadler provided a brief report highlighting the Measure A Watchdog Audit report and announced the upcoming public meeting. He indicated he will provide more information on the project.

**On order of Chairperson Meyer** and there being no objection, the Committee received the Citizens Advisory Committee (CAC) and 2000 Measure A Citizens Watchdog Committee (CWC) Report.

13. **Local Jurisdiction Project Review**

Chairperson Meyer provided an update on the San Antonio Center development in Mountain View.

14. **BPAC Work Plan**

Ms. Smith noted the Bylaws action item and the 101/Capitol Expressway project are possible additions to the work plan for April.

Mr. Collen indicated there will be follow-up items brought to the Committee regarding the County Trails Workshop.

Member Simons requested the expanded work plans be distributed to the Committee.

**On order of Chairperson Meyer** and there being no objection, the Committee reviewed the BPAC Work Plan.

15. **ANNOUNCEMENTS**

Chairperson Meyer noted Member Aragon was unable to attend the meeting, but sent an email announcing design on the Madrone Channel Trail has begun and should be constructed late summer/fall 2011 and the widening of Main Avenue in Morgan Hill, which includes the addition of a bike lane.

Member Muniz announced a walk/hike along Coyote Creek on March 12, 2011.

Member Sullivan announced the closing of Shaw Cycles in Santa Clara.
Chairperson Meyer announced the Permanente Creek Trail support structures were erected and the process is moving forward.

16. **ADJOURNMENT**

On order of Chairperson Meyer and there being no objection, the Committee meeting adjourned at 7:20 p.m.

Respectfully submitted,

Menominee McCarter  
VTA Office of the Board Secretary
TECHNICAL ADVISORY COMMITTEE

Thursday, March 10, 2011

MINUTES

CALL TO ORDER

The Regular Meeting of the Technical Advisory Committee (TAC) was called to order at 1:32 p.m. by Chairperson Capurso in Conference Room B-104, Valley Transportation Authority (VTA), 3331 North First Street, San Jose, California.

1. ROLL CALL

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Representing</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greg Armendariz, Vice Chairperson</td>
<td>City of Milpitas</td>
<td>Present</td>
</tr>
<tr>
<td>Rajeev Batra</td>
<td>City of Santa Clara</td>
<td>Present</td>
</tr>
<tr>
<td>Todd Capurso, Chairperson</td>
<td>Town of Los Gatos</td>
<td>Present</td>
</tr>
<tr>
<td>John Cherbone</td>
<td>City of Saratoga</td>
<td>Present</td>
</tr>
<tr>
<td>Richard Chiu</td>
<td>Town of Los Altos Hills</td>
<td>Present</td>
</tr>
<tr>
<td>Dan Collen, Alternate</td>
<td>County of Santa Clara</td>
<td>Present</td>
</tr>
<tr>
<td>Don Dey</td>
<td>City of Gilroy</td>
<td>Present</td>
</tr>
<tr>
<td>Robert Kass</td>
<td>City of Campbell</td>
<td>Absent</td>
</tr>
<tr>
<td>Helen Kim</td>
<td>City of Mountain View</td>
<td>Present</td>
</tr>
<tr>
<td>Larry Lind</td>
<td>City of Los Altos</td>
<td>Present</td>
</tr>
<tr>
<td>Jaime Rodriguez</td>
<td>City of Palo Alto</td>
<td>Present</td>
</tr>
<tr>
<td>Jim Rowe, Alternate</td>
<td>City of Morgan Hill</td>
<td>Absent</td>
</tr>
<tr>
<td>Mo Sharma</td>
<td>City of Monte Sereno</td>
<td>Absent</td>
</tr>
<tr>
<td>David Stillman, Alternate</td>
<td>City of Cupertino</td>
<td>Present</td>
</tr>
<tr>
<td>Lee Taubeneck, Ex-Officio</td>
<td>Dept. of Transportation (Caltrans)</td>
<td>Present</td>
</tr>
<tr>
<td>Ben Tripousis</td>
<td>City of San Jose</td>
<td>Present</td>
</tr>
<tr>
<td>Jack Witthaus</td>
<td>City of Sunnyvale</td>
<td>Absent</td>
</tr>
</tbody>
</table>

A quorum was present.

2. PUBLIC PRESENTATIONS

There were no Public Presentations.

3. ORDERS OF THE DAY

There were no Orders of the Day.

4. Committee Staff Report

Alternate Member Stillman took his seat at 1:34 p.m.

John Ristow, Chief CMA Officer and Staff Liaison, provided a report, highlighting: 1) March 7, 2011, public meeting conducted by VTA and Caltrans for the future I-237/I-880 Express Connectors; 2) March 4, 2011, Blossom Hill Pedestrian Overcrossing Groundbreaking; 3) March 25, 2011, Regional Congestion Management Agencies
(CMAs) meeting hosted by VTA; and 4) March 3, 2011, VTA Board of Directors approval of the Express Bus Business Plan.

**On order of Chairperson Capurso** and there being no objection, the Committee Staff Report was received.

5. **Chairperson’s Report**

Chairperson Capurso reported on the February 24, 2011, Advisory Committee Chairpersons & Vice Chairpersons meeting with VTA Board Chairperson Margaret Abe-Koga and General Manager Michael T. Burns.

6. **Reports from TAC Working Groups**

   - **Capital Improvement Program (CIP)**

   Celeste Fiore, Transportation Planner II, reported on the February 22, 2011, Capital Improvement Program (CIP) Working Group meeting, highlighting: 1) Reviewed the Bicycle Expenditure Program; 2) Discussed Caltrans Project Initial Document Program; 3) Discussed the Sustainable Communities Strategies (SCS) and the Valley Transportation Plan (VTP)/Regional Transportation Plan (RTP) Call for Projects; and 4) Next meeting on March 22, 2011.

   - **Systems Operations and Management (SOM)**


   Mr. Maeda provided a brief update on Caltrans’ Project Initial Document (PID) improvement process effort, noting the upcoming Caltrans PID presentation to the California Transportation Commission (CTC).

   - **Land Use/Transportation Integration (LUTI)**

   Robert Swierk, Senior Transportation Planner, reported on the March 9, 2011, Land Use/Transportation Integration (LUTI) Working Group meeting, highlighting: 1) Received presentation by City of Campbell on the comprehensive update to Campbell’s parking requirements; 2) Received brief update on VTP and SCS; 3) Received presentation on the Mary Avenue FEIR court ruling and on the updating of the TIA Guidelines in response to the ruling; and 4) Next meeting on May 11, 2011.

   **On order of Chairperson Capurso** and there being no objection, the reports from the TAC Working Groups were received.

7. **High Speed Rail/Caltrain Project**

Steven Fisher, Senior Transportation Planner, provided a verbal report on the High Speed Rail/Caltrain Project, highlighting: 1) Status report on the Peninsula segment, referencing High Speed Rail’s notification to move into a phased implementation process; 2) Status of Caltrain’s financial situation; 3) Reported on March 3, 2011, VTA Board of Directors
approval of resolutions describing strategies to address Caltrain’s projected funding shortfall for its Fiscal Year 2012 Operating Budget; and 4) Caltrain Board anticipated to make decision on its financial situation at its April 7, 2011 meeting.

Members of the Committee provided a report on High Speed Rail activities pertaining to their respective cities of San Jose and Gilroy, highlighting the following: 1) City of San Jose established two community working groups to contribute to the development of visual design guidelines for an aerial alignment for High Speed Rail through San Jose; and 2) Status report on the City of Gilroy’s High Speed Train Station Comparable Visioning study.

On order of Chairperson Capurso and there being no objection, the High Speed Rail/Caltrain Project Report was received.

BUSINESS REFERRED TO COMMITTEE BY THE BOARD OF DIRECTORS/GENERAL MANAGER

CONSENT AGENDA

8. Minutes of February 10, 2011
   M/S/C (Tripousis/Batra) to approve the Regular Meeting Minutes of February 10, 2011.


REGULAR AGENDA

10. 2011 TFCA Program Manager Fund
    Bill Hough, Transportation Planner III, provided an overview of the staff report.

    M/S/C (Batra/Collen) to recommend that the Board of Directors approve the programming of FY 2011/12 Transportation Fund for Clean Air Program Manager (TFCA 40%) funds to projects.

11. FY 2012 CMP Work Program
    John Ristow, Chief CMA Officer and Staff Liaison, provided an overview of the staff report, noting the item would be brought back to TAC as an action item at the April 14, 2011, meeting.

    Mr. Ristow asked that the Committee consider having a two-year Congestion Management Program (CMP) Work Program, Budget and Fees cycle to coincide with VTA’s two-year budget cycle.

    Members of the Committee provided the following comments: 1) Expressed concern regarding their respective budgets and suggested staff look at the

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.
possibility of further decreasing the Member Agency Fees; 2) Concurred with placing the CMP Work Program, Budget and Fees on a two-year cycle; 3) Requested the removal of "deferral" of increase in Member Agency Fee language as previously discussed in FY 2011; 4) Inquired if VTA could take over the monitoring of the intersection level of service; and 5) Recommended staff provide the Committee with scenarios for Member Agency fee levels and services at the April TAC meeting.

On order of Chairperson Capurso and there being no objection, the Committee reviewed the Fiscal Year 2012 Congestion Management Work Program.

12. Valley Transportation Plan, Regional Transportation Plan and Sustainable Communities Strategies Updates

Ying Smith, Transportation Planning Manager, provided an overview of the staff report. She reported on the following: 1) Development of the VTP 2040 project lists, noting the release of the VTP 2040 Call-for-Projects and deadline submittal date of April 1, 2011; 2) Release of the Initial Vision Results, 3) Public outreach process, noting involvement of communities; and 4) Upcoming Key RTP and SCS Milestones schedule.

Ms. Smith noted the Metropolitan Transportation Commission (MTC) and Association of Bay Area Governments (ABAG) public meeting schedule. She informed the Committee of VTA’s VTP public meeting schedule as well.

Marcella Rensi, Transportation Planning Manager, provided an overview of MTC’s draft “Committed Funds and Projects Policy.”

On order of Chairperson Capurso and there being no objection, the Committee received an update on the VTP, RTP and SCS activities.

OTHER

13. Metropolitan Transportation Commission (MTC) Activities and Initiatives

The update on MTC Activities and Initiatives was provided during Agenda Item #12.

On order of Chairperson Capurso and there being no objection, the Committee received an update on MTC Activities and Initiatives.

14. Technical Advisory Committee (TAC) Subcommittee Report

Chairperson Capurso provided a report on the discussions held at the TAC Subcommittee meeting regarding: 1) VTP, RTP, and SCS activities; 2) Technical memo regarding the TIA Guidelines as a result of the Mary Avenue court decision; and 3) Update on Caltrans’ PID improvement process effort.

Members of the Committee reported on the following: 1) March 9, 2011, VTA/County Bicycle & Pedestrian Advisory Committee Workshop on Popular Bicycle Rides on
Country Roads; and 2) Ideas on improvements were received at the Workshop and a survey was conducted; noting survey results will be provided to TAC once information is processed.

On order of Chairperson Capurso and there being no objection, the Committee received the TAC Subcommittee Report.

15. **Committee Work Plan**

On order of Chairperson Capurso and there being no objection, the Committee reviewed the Work Plan.

16. **Announcements**

There were no Announcements.

17. **ADJOURNMENT**

On order of Chairperson Capurso and there being no objection, the meeting was adjourned at 2:45 p.m.

Respectfully submitted,

Tracene Y. Crenshaw, Board Assistant  
VTA Office of the Board Secretary
CALL TO ORDER

The Regular Meeting of the Policy Advisory Committee (PAC) was called to order at 4:05 p.m. by Chairperson Pirzynski in Conference Room B-104, Valley Transportation Authority (VTA), 3331 North First Street, San Jose, California.

1. ROLL CALL

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Title</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeffrey Cristina</td>
<td>City of Campbell</td>
<td>Present</td>
</tr>
<tr>
<td>Michael Kotowski (Alternate)</td>
<td>City of Campbell</td>
<td>NA</td>
</tr>
<tr>
<td>Barry Chang</td>
<td>City of Cupertino</td>
<td>Present</td>
</tr>
<tr>
<td>Orrin Mahoney (Alternate)</td>
<td>City of Cupertino</td>
<td>NA</td>
</tr>
<tr>
<td>Cat Tucker</td>
<td>City of Gilroy</td>
<td>Present</td>
</tr>
<tr>
<td>Dion Bracco (Alternate)</td>
<td>City of Gilroy</td>
<td>NA</td>
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<tr>
<td>Megan Satterlee, Vice Chairperson</td>
<td>City of Los Altos</td>
<td>Present</td>
</tr>
<tr>
<td>Jarrett Fishpaw (Alternate)</td>
<td>City of Los Altos</td>
<td>NA</td>
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<tr>
<td>Vacant</td>
<td>Town of Los Altos Hills</td>
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</tr>
<tr>
<td>Vacant (Alternate)</td>
<td>Town of Los Altos Hills</td>
<td>NA</td>
</tr>
<tr>
<td>Joe Pirzynski, Chairperson</td>
<td>Town of Los Gatos</td>
<td>Present</td>
</tr>
<tr>
<td>Diane McNutt (Alternate)</td>
<td>Town of Los Gatos</td>
<td>NA</td>
</tr>
<tr>
<td>Armando Gomez</td>
<td>City of Milpitas</td>
<td>Present</td>
</tr>
<tr>
<td>Vacant (Alternate)</td>
<td>City of Milpitas</td>
<td>NA</td>
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<tr>
<td>Lana Malloy</td>
<td>City of Monte Sereno</td>
<td>Absent</td>
</tr>
<tr>
<td>Burton Craig (Alternate)</td>
<td>City of Monte Sereno</td>
<td>Absent</td>
</tr>
<tr>
<td>Larry Carr</td>
<td>City of Morgan Hill</td>
<td>Present</td>
</tr>
<tr>
<td>Rich Constantine (Alternate)</td>
<td>City of Morgan Hill</td>
<td>NA</td>
</tr>
<tr>
<td>John Inks</td>
<td>City of Mountain View</td>
<td>Present</td>
</tr>
<tr>
<td>Jae Siegel (Alternate)</td>
<td>City of Mountain View</td>
<td>NA</td>
</tr>
<tr>
<td>Gail Price</td>
<td>City of Palo Alto</td>
<td>Present</td>
</tr>
<tr>
<td>Nancy Shepherd (Alternate)</td>
<td>City of Palo Alto</td>
<td>NA</td>
</tr>
<tr>
<td>Kansen Chu</td>
<td>City of San Jose</td>
<td>Present</td>
</tr>
<tr>
<td>Jamie Matthews</td>
<td>City of Santa Clara</td>
<td>Absent</td>
</tr>
<tr>
<td>Jamie McLeod (Alternate)</td>
<td>City of Santa Clara</td>
<td>Absent</td>
</tr>
<tr>
<td>Howard Miller</td>
<td>City of Saratoga</td>
<td>Present</td>
</tr>
<tr>
<td>Emily Lo (Alternate)</td>
<td>City of Saratoga</td>
<td>NA</td>
</tr>
<tr>
<td>Jim Griffith</td>
<td>City of Sunnyvale</td>
<td>Present</td>
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<tr>
<td>David Whittum (Alternate)</td>
<td>City of Sunnyvale</td>
<td>NA</td>
</tr>
<tr>
<td>Mike Wasserman</td>
<td>SCC Board of Supervisors</td>
<td>Present</td>
</tr>
</tbody>
</table>

A quorum was present.
2. ORDERS OF THE DAY
There were no Orders of the Day.

3. PUBLIC PRESENTATIONS
There were no Public Presentations.

4. Committee Staff Report
Jim Lawson, Senior Policy Advisor and Staff Liaison, announced that Wi-Fi was available for the Committee Members.

Mr. Lawson reported that at the February 17, 2011 Transit Planning and Operations (TP&O) Committee meeting, Member Campos and Chairperson Larsen volunteered to serve on the Ad-Hoc Revenue Enhancement Committee (REC) to focus on marketing efforts to increase ridership and improve VTA’s public image.

Mr. Lawson noted the following: 1) Silicon Valley Leadership Group (SVLG) Caltrain Summit Steering Committee meeting on February 25, 2011; 2) Caltrain Board Public Hearing on March 3, 2011; 3) Blossom Hill Pedestrian Overcrossing Project Groundbreaking on the March 4, 2011.

Mr. Lawson provided a brief overview of the March 3, 2011 Board of Director’s Regular Meeting, highlighting: 1) positive trends in VTA’s rail ridership levels; 2) marketing efforts to increase ridership; 3) adopted resolutions to advance options for Caltrain funding; 4) approved design changes to the BART Silicon Valley Project; 5) adopted the Express Bus Business Plan; and 6) certified the BART Extension Project Supplemental Environmental Impact Report (SEIR-2).

5. Chairperson’s Report
Chairperson Pirzynski commented on the Advisory Committee Chairs and Vice Chairs meeting with VTA’s Board Chairperson Abe-Koga and Michael T. Burns, General Manager on February 24, 2011, adding that this will be a quarterly meeting.

Member Chang arrived at the meeting and took his seat at 4:12 p.m.

BUSINESS REFERRED TO COMMITTEE BY THE BOARD OF DIRECTORS/ GENERAL MANAGER

CONSENT AGENDA

M/S/C (Griffith/Wasserman) to approve the Regular Meeting Minutes of February 10, 2011.

7. FY 2012 Congestion Management Program (CMP) Work Program
M/S/C (Griffith/Wasserman) to review the Fiscal Year 2012 Congestion Management Work Program.

M/S/C (Griffith/Wasserman) to review the Transportation Operations Performance Report – FY 2011 Second Quarter Report.

NOTE: M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.
REGULAR AGENDA

9. 2011 Transportation Fund for Clean Air (TFCA) Program Manager Fund

Marcella Rensi, Transportation Planning Manager, provided an overview of the staff report.

Upon query from Member Wasserman, Ms. Rensi responded staff would send him the scoring criteria.

M/S/C (Miller/Cristina) to recommend that the Board of Directors approve the programming of FY 2011/12 Transportation Fund for Clean Air Program Manager (TFCA 40 percent) funds to projects.

10. Valley Transportation Plan, Regional Transportation Plan and Sustainable Communities Strategies Update

Ying Smith, Transportation Planner Manager, provided an overview of the staff report and distributed a handout entitled, “Working Draft Valley Transportation Plan (VTP) 2040 Outreach Work Plan.” The update focuses on the development of the VTP 2040 project lists, the release of the Initial Vision Results, and documenting public outreach activities by involving “communities of concern.”

Ms. Smith briefly discussed the schedule for upcoming Key Regional Transportation Plan (RTP) and Sustainable Communities Strategies (SCS) Milestones.

Chris Augenstein, Deputy Director, referenced the Initial Vision Scenario (IVS) and SCS, noting VTA needs to meet target goals of these detailed scenarios.

Upon query from Members of the Committee, Mr. Augenstein responded that staff would distribute to the Committee the following links regarding AB 1493 (Pavley) - Clean Car Standards and SB 375 (Steinberg) - Sustainable Communities Strategy.

Ms. Smith reported that staff is currently conducting outreach efforts and will conduct a kick-off Public Informational Meeting on Wednesday, March 16, 2011 at 4:00 p.m. held at VTA River Oaks Campus in the Auditorium.

Ms. Smith commented on staff’s proposal to conduct a joint meeting between VTA’s PAC Committee and the Cities Association to provide an opportunity for Association of Bay Area Governments (ABAG) and Metropolitan Transportation Commission (MTC) to overview the Initial Vision Scenario with the elected officials on the PAC Committee.

The consensus of the Committee was to coordinate a joint meeting with the Cities Association on April 14, 2011 at 4:00 p.m. in Sunnyvale.

On order of Chairperson Pirzynski and there being no objection, the Committee received the Valley Transportation Plan, Regional Transportation Plan and Sustainable Communities Strategies Update.

11. Silicon Valley Express Lanes Program Update

Murali Ramanujam, Senior Transportation Planner, reported that in December 2008, VTA’s Board approved the Silicon Valley Express Lanes Program, which will implement a roadway pricing system to allow solo commuters to use the available space in carpool lanes for a fee.

Mr. Ramanujam stated AB 2032 (Dutra) allows VTA to develop and operate express lanes on freeways containing HOV lanes in Santa Clara County. The County of Santa
Clara has targeted State Route (SR) 237 and US 101/SR 85 corridors to develop and operate express lanes.

Upon query of the Committee, Mr. Ramanujam responded that staff has conducted extensive public outreach efforts, noting that the express lanes program and online survey are available on VTA’s website.

Members of the Committee noted concern of the possibility of the express lanes negatively impacting carpoolers.

Mr. Ramanujam commented on the success of the I-680 Express Lanes Project; and the planned enhancements to SR 237/I-880 Express Connectors and US 101/SR 85 Express Lanes.

**On order of Chairperson Pirzynski** and there being no objection, the Committee received the Silicon Valley Express Lanes Program Update.

**OTHER**

12. **Committee Work Plan**

Mr. Lawson noted the Committee’s request to conduct a joint meeting with the Cities Association in Sunnyvale at its April 14, 2011 PAC meeting. Mr. Lawson stated that staff will make the request to the Cities Association to coordinate the details for the joint meeting.

**On order of Chairperson Pirzynski** and there being no objection, the Committee reviewed the Work Plan.

13. **Announcements**

There were no Announcements.

14. **ADJOURNMENT**

**On order of Chairperson Pirzynski** and there being no objection, the Committee Meeting was adjourned at 5:17 p.m.

Respectfully submitted,

Michelle M. Garza, Board Assistant
VTA Office of the Board Secretary
March 18, 2011
Diridon Station Joint
Policy Advisory Board
Meeting Minutes

WILL BE FORWARDED UNDER SEPARATE COVER
NOTICE OF CANCELLATION

NOTICE IS HEREBY GIVEN that the Downtown East Valley Policy Advisory Board Meeting scheduled for 3:00 p.m. on Thursday, March 3, 2011, has been cancelled.

The next Meeting of the Downtown East Valley Policy Advisory Board is scheduled for Thursday, June 2, 2011, at 3:00 p.m. in the East Wing, Lower Level Conference Room, 70 West Hedding Street, San Jose, California.

For more information about project status, please visit:

Tracene Y. Crenshaw, Board Assistant
VTA Office of the Board Secretary
March 11, 2011
El Camino Real Rapid Transit
Policy Advisory Board
Meeting Minutes

WILL BE FORWARDED UNDER SEPARATE COVER